



**PLEASANT VALLEY REGIONAL SEWER DISTRICT
ROSS COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010



Dave Yost • Auditor of State

**PLEASANT VALLEY REGIONAL SEWER DISTRICT
ROSS COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Pleasant Valley Regional Sewer District
Ross County
1822 Anderson Station Road
P.O. Box 1746
Chillicothe, Ohio 45601

To the Board of Trustees:

We have audited the accompanying basic financial statements of the Pleasant Valley Regional Sewer District, Ross County, Ohio (the District), as of and for the years ended December 31, 2011 and 2010, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions 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 the Comptroller General of the United States' *Government Auditing Standards*. 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 opinions.

As discussed in Note 1, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash financial position of the Pleasant Valley Regional Sewer District, Ross County, Ohio, as of December 31, 2011 and 2010, and the changes in cash financial position for the years then ended in conformity with the accounting basis Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 17, 2012, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

The District has not presented Management's Discussion and 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

April 17, 2012

**PLEASANT VALLEY REGIONAL SEWER DISTRICT
ROSS COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
Assets		
Cash & Cash Equivalents	<u>\$1,876,872</u>	<u>\$1,780,255</u>
<i>Total Assets</i>	<u><u>\$1,876,872</u></u>	<u><u>\$1,780,255</u></u>
Net Assets		
Unrestricted	<u>\$1,876,872</u>	<u>\$1,780,255</u>
<i>Total Net Assets</i>	<u><u>\$1,876,872</u></u>	<u><u>\$1,780,255</u></u>

See accompanying notes to the basic financial statements

**PLEASANT VALLEY REGIONAL SEWER DISTRICT
ROSS COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET ASSETS - CASH BASIS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

	2011	2010
Operating Cash Receipts:		
Charges for Services	\$995,200	\$882,262
Miscellaneous	25,981	938
	1,021,181	883,200
Operating Cash Disbursements:		
Personal Services	278,677	265,201
Purchased Services	421,806	365,664
Materials and Supplies	24,074	25,585
Other Expenditures	41,239	23,735
	765,796	680,185
Operating Income	255,385	203,015
Non-Operating Cash Receipts:		
Intergovernmental Revenues	205,508	138,346
Interest	21,955	11,183
Sale of Fixed Assets	3,100	0
	230,563	149,529
Non-Operating Cash Disbursements:		
Principal Payments	263,335	252,936
Interest and Fiscal Charges	97,507	107,856
Capital Outlay	28,489	405,111
	389,331	765,903
Net Receipts Over/(Under) Disbursements	96,617	(413,359)
Cash Balances, January 1	1,780,255	2,193,614
Cash Balances, December 31	\$1,876,872	\$1,780,255

See accompanying notes to the basic financial statements.

**PLEASANT VALLEY REGIONAL SEWER DISTRICT
ROSS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

Note 1 – Reporting 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 reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. 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. Component Units

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the District is obligated for the debt of the organization. The District is also financially accountable for any organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the District, are accessible to the District and are significant in amount to the District. The District has no component units.

The District's management believes these financial statements present all activities for which the District is financially accountable.

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the fund financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The District does not apply FASB statements issued after November 30, 1989, to its financial statements. Following are the more significant of the District's accounting policies.

A. Basis of Presentation

The District's financial statements consist of a statement of net assets and a statement of cash receipts, cash disbursements, and changes in fund net assets.

**PLEASANT VALLEY REGIONAL SEWER DISTRICT
ROSS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(Continued)**

Note 2 – Summary of Significant Accounting Policies (continued)

B. Fund Accounting

The District uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the District are proprietary funds.

Proprietary Funds

The District classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise or internal service.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The District's only fund is the sewer fund.

Sewer Fund - The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the District.

C. Basis of Accounting

The District's financial statements are prepared using the cash basis of accounting. 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.

As a result of the use of this 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 liabilities and the related expenses) are not recorded in these financial statements.

D. Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the District Board may appropriate, and may be amended during the year.

The appropriations ordinance is the District Board's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the District Board; it is also subject to amendment by the Board throughout the year. The legal level of control has been established at the fund, department, and object level.

**PLEASANT VALLEY REGIONAL SEWER DISTRICT
ROSS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(Continued)**

Note 2 – Summary of Significant Accounting Policies (continued)

E. Cash 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 negative receipts, respectively.

During 2011 and 2010, the District only invested in nonnegotiable certificates of deposit. The nonnegotiable certificates of deposit are reported at cost.

F. Restricted Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent amounts reserved for debt service. The District has no restricted assets.

G. Inventory and Prepaid Items

The District reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

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

I. 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 cash basis of accounting.

J. Employer Contributions to Cost-Sharing Pension Plans

The District recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 5 and 6, the employer contributions include portions for pension benefits and for postretirement healthcare benefits.

K. Long-Term Obligations

The District's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

**PLEASANT VALLEY REGIONAL SEWER DISTRICT
ROSS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(Continued)**

Note 2 – Summary of Significant Accounting Policies (continued)

L. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. No such restrictions were noted.

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

Note 3 – Deposits and Investments

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

Active monies are public monies 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 the 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;
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 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

**PLEASANT VALLEY REGIONAL SEWER DISTRICT
ROSS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(Continued)**

Note 3 - Deposits and Investments (continued)

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.

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 2011, \$1,376,872 of the District's bank balance of \$1,876,872 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 2010, \$1,280,448 of the District's bank balance of \$1,780,448 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.

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.

Note 4 – Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2011 and 2010, the District contracted with a commercial insurance company for various types of insurance coverage as follows:

Company	Type of Coverage	Amount of Coverage
Employers Mutual Casualty	Commercial Property	\$4,410,686
	General Liability	\$1,000,000
	Commercial Umbrella	\$4,000,000
	Vehicle	\$1,000,000
	Errors and Omissions	\$1,000,000
	Public Officials	\$1,000,000

Settled claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

The District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

**PLEASANT VALLEY REGIONAL SEWER DISTRICT
ROSS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(Continued)**

Note 5 – Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

Plan Description - The District participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2011 and 2010, members in state and local classifications contributed 14 percent of covered payroll.

The District's contribution rate for 2011 and 2010 was 10 percent of covered payroll. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate of the District of 14 percent.

The District's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2011, 2010, and 2009 were \$56,430, \$56,382, and \$52,805 respectively. The full amount has been contributed for 2011, 2010 and 2009.

Note 6 - Postemployment Benefits

A. Ohio Public Employees Retirement System

Plan Description – OPERS maintains a cost-sharing multiple-employer defined benefit postemployment healthcare plan for qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including postemployment healthcare. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

To qualify for postemployment healthcare coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Healthcare coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not require, OPERS to provide healthcare benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 4642 or by calling (614) 222-5601 or 800-222-7377.

**PLEASANT VALLEY REGIONAL SEWER DISTRICT
ROSS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(Continued)**

Note 6 - Postemployment Benefits (continued)

A. Ohio Public Employees Retirement System (Continued)

Funding Policy – The postemployment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). State statute requires that public employers fund postemployment healthcare through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postemployment healthcare.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2011, local government employers contributed 14 percent of covered payroll. Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding postemployment healthcare benefits. The amount of the employer contributions which was allocated to fund postemployment healthcare for 2010 in the Traditional Plan was 5.5% percent of covered payroll from January 1 through February 28, 2010, and 5.0% from March 1 to December 31, 2010. The amount of the employer contributions which was allocated to fund postemployment healthcare in the Combined Plan was 4.73% from January 1 through February 28, 2010 and 4.23% from March 1 through December 31, 2010. The amount of the employer contributions which was allocated to fund postemployment healthcare for 2011 was 4.0% in the Traditional Plan and 6.05% in the Combined Plan.

The retirement board is also authorized to establish rules for the payment of a portion of the healthcare benefits by the retiree or the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the postemployment healthcare plan.

The District's contributions allocated to fund postemployment healthcare benefits for the years ended December 31, 2011, 2010, and 2009 were \$2,257, \$2,866 and \$3,102 respectively. The full amount has been contributed for 2011, 2010 and 2009.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan which was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the healthcare plan.

**PLEASANT VALLEY REGIONAL SEWER DISTRICT
ROSS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(Continued)**

Note 7 – Debt

The District's long-term debt activity for the years ended December 31, 2011 and 2010, was as follows:

	Interest Rate	Balance December 31, 2010	Additions	Reductions	Balance December 31, 2011	Due Within One Year
<u>Business-Type Activities</u>						
1994 Sewer Revenue Bonds	5.00%	\$350,000	\$0	\$52,000	\$298,000	\$54,000
1995 OWDA Loan # 2468	4.16%	88,504	0	14,638	73,866	15,253
1996 OWDA Loan # 2469	4.12%	5,155	0	853	4,302	889
1996 OWDA Loan #2470	4.12%	64,151	0	8,797	55,354	9,164
1997 OWDA Loan #2471	4.12%	95,177	0	11,991	83,186	12,490
2000 OWDA Loan #3325	4.16%	1,524,522	0	118,485	1,406,037	123,465
2001 OPWC Loan	0.00%	275,000	0	25,000	250,000	25,000
2009 OWDA Loan #5122	4.15%	223,472	0	4,090	219,382	4,262
Capital Lease	5.148%	254,153	0	27,481	226,672	27,481
Total Business-Type Activities		\$2,880,134	\$0	\$263,335	\$2,616,799	\$272,004

	Interest Rate	Balance December 31, 2009	Additions	Reductions	Balance December 31, 2010	Due Within One Year
<u>Business-Type Activities</u>						
1994 Sewer Revenue Bonds	5.0%	\$398,000	\$0	\$48,000	\$350,000	\$51,000
1995 OWDA Loan # 2468	4.16%	102,551	0	14,047	88,504	14,638
1996 OWDA Loan # 2469	4.12%	5,974	0	819	5,155	853
1996 OWDA Loan #2470	4.12%	72,597	0	8,446	64,151	8,797
1997 OWDA Loan #2471	4.12%	106,689	0	11,512	95,177	11,991
2000 OWDA Loan #3325	4.16%	1,638,227	0	113,705	1,524,522	116,070
2001 OPWC Loan	0.0%	300,000	0	25,000	275,000	25,000
2009 OWDA Loan #5122	4.15%	227,938	0	3,926	223,472	4,090
Capital Lease	5.148%	281,634	0	27,481	254,153	27,481
Total Business-Type Activities		\$3,133,610	\$0	\$252,936	\$2,880,134	\$259,920

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 May 2016.

The Ohio Water Development Authority (OWDA) loans were used to improve and expand the existing sewer plant. The loans are being repaid in semiannual installments over 20 to 30 years with the last payment due in 2039. The loans are secured by sewer receipts; the District has agreed to set utility rates sufficient to cover OWDA debt service requirements.

**PLEASANT VALLEY REGIONAL SEWER DISTRICT
ROSS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(Continued)**

Note 7 – Debt (continued)

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.

In 2004 the District entered into a lease agreement with the Ross County Commissioners for the purpose of leasing sewage lines and appurtenances 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.

A Ohio Water Development Authority (OWDA) loan was entered into June 2009 in the amount of \$227,938 used for the expansion of sewer lines to the Green Acres Subdivision and Slate Mill area. The lease will be repaid in semiannual installments over 30 years with the last payment scheduled to be made in December 2039.

The following is a summary of the District's future annual debt service requirements, including interest:

Year Ending December 31:	Sewer Revenue Bonds	OWDA 2468	OWDA 2469	OWDA 2470	OWDA 2471
2012	68,900	18,168	1,057	11,351	15,790
2013	69,200	18,168	1,057	11,351	15,790
2014	68,350	18,168	1,057	11,351	15,790
2015	68,400	18,168	1,057	11,351	15,790
2016	69,300	9,057	529	11,351	15,790
2017-2021				5,675	15,790
2022-2026	-	-	-	-	-
2027-2031	-	-	-	-	-
2032-2036	-	-	-	-	-
2037-2039	-	-	-	-	-
Total	\$344,150	\$81,729	\$4,757	\$62,430	\$94,740

Year Ending December 31:	OWDA 3325	OWDA 5122	OPWC Loan	Capital Lease	Total
2012	180,685	13,322	25,000	27,481	361,754
2013	180,685	13,322	25,000	27,481	362,054
2014	180,685	13,322	25,000	27,481	361,204
2015	180,685	13,322	25,000	27,481	361,254
2016	180,685	13,322	25,000	27,481	352,515
2017-2021	813,083	66,610	125,000	137,405	1,163,563
2022-2026		66,610		82,443	149,053
2027-2031	-	66,610	-		66,610
2032-2036	-	66,610	-	-	66,610
2037-2039	-	39,967	-	-	39,967
Totals	\$ 1,716,508	\$ 373,017	\$ 250,000	\$ 357,253	\$ 3,284,584

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Dave Yost • Auditor of State

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

Pleasant Valley Regional Sewer District
Ross County
1822 Anderson Station Road
P.O. Box 1746
Chillicothe, Ohio 45601

To the Board of Trustees:

We have audited the financial statements of the Pleasant Valley Regional Sewer District, Ross County, Ohio (the District) as of and for the years ended December 31, 2011 and 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 17, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

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 combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

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

Pleasant Valley Regional Sewer District
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Independent Accountants' Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters Required by
Government Auditing Standards
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We intend this report solely for the information and use of management, the Board of Trustees, and others within the District. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

April 17, 2012

**PLEASANT VALLEY REGIONAL SEWER DISTRICT
ROSS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Significant Deficiency – the financial statements required audit adjustments	Yes	

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Dave Yost • Auditor of State

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
MAY 17, 2012**