

Pleasant Valley Regional Sewer District

Ross County

Regular Audit

December 1, 2006 through December 31, 2007

Fiscal Years Audited Under GAGAS: 2007 - 2006

BALESTRA, HARR & SCHERER, CPAs, INC.

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Mary Taylor, CPA

Auditor of State

Board of Trustees
Pleasant Valley Regional Sewer District
1822 Anderson Station Road
P. O. Box 1746
Chillicothe, Ohio 45602

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, 2006 through December 31, 2007. 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 "Mary Taylor".

Mary Taylor, CPA
Auditor of State

August 28, 2008

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PLEASANT VALLEY REGIONAL SEWER DISTRICT
ROSS COUNTY, OHIO
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

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Member American Institute of Certified Public Accountants

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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, 2007 and 2006. 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 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 opinion.

As described more fully in Note 1, the District has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America GAAP. Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

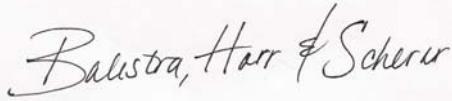
Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the District's larger (i.e. major) funds separately. While the District does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The District has elected not to follow GAAP formatting requirements. The following paragraph does not imply the amounts reported 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 two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006 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, 2007 and 2006, 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 combined cash balances of the Pleasant Valley Regional Sewer District, Ross County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 June 20, 2008, 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* 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 black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

June 20, 2008

PLEASANT VALLEY REGIONAL SEWER DISTRICT
ROSS COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	2007	2006
Operating Cash Receipts:		
Sewer Collections	\$814,078	\$748,325
Taps and Permits	82,995	65,440
Miscellaneous	27,550	66,042
Total Operating Cash Receipts	924,623	879,807
Operating Cash Disbursements:		
Payroll	226,369	196,854
Utilities	87,437	83,307
Professional Fees and Services	14,266	29,714
Insurance Expense	39,736	36,623
Plant Expense	90,772	110,636
Office Supplies and Materials	23,180	18,348
Maintenance	20,516	35,438
Capital Outlay	148,173	302,956
Miscellaneous	21,211	15,645
Total Operating Cash Disbursements	671,660	829,521
Operating Income	252,963	50,286
Non-Operating Cash Receipts:		
Intergovernmental Revenues	97,933	80,160
Interest Earnings	72,156	69,443
Total Non-Operating Cash Receipts	170,089	149,603
Non-Operating Cash Disbursements:		
Debt Service	348,033	348,033
Total Non-Operating Cash Disbursements	348,033	348,033
Net Receipts Over/(Under) Disbursements	75,019	(148,144)
Cash Balances, January 1	1,858,921	2,007,065
Cash Balances, December 31	\$1,933,940	\$1,858,921

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, 2007 AND DECEMBER 31, 2006

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 object 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 2007 and 2006 budgetary activity appears in Note 3.

PLEASANT VALLEY REGIONAL SEWER DISTRICT
ROSS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND DECEMBER 31, 2006

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:

	2007	2006
Demand Deposits	\$1,393,258	\$1,295,554
Certificates of Deposit	540,682	563,367
Total Deposits	\$1,933,940	\$1,858,921

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, 2007 and 2006 follows:

Budgeted vs. Actual Receipts		
	2007	2006
Budgeted Receipts	\$1,333,365	\$1,293,764
Actual Receipts	1,094,712	1,029,410
Variance	\$238,653	\$264,354

Budgeted vs. Actual Budgetary Basis Expenditures		
	2007	2006
Appropriation Authority	\$1,019,693	\$1,438,460
Budgetary Expenditures	1,019,693	1,177,554
Variance	\$0	\$260,906

PLEASANT VALLEY REGIONAL SEWER DISTRICT
ROSS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND DECEMBER 31, 2006

4. DEBT

Debt outstanding at December 31, 2007 was as follows:

	Principal	Interest Rate
Sewer Revenue Bonds (GMAC)	\$488,000	5.00%
OWDA #2468	128,967	4.16%
OWDA #2469	7,516	4.12%
OWDA #2470	88,490	4.12%
OWDA #2471	128,350	4.12%
OWDA #3325	1,852,062	4.12%
OPWC	350,000	0.00%
Ross County Commissioners Lease	294,519	variable
Total	\$3,337,904	

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
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	68,450	18,168	1,058	11,350	15,790	180,685	25,000	27,481
2012	68,900	18,168	1,058	11,350	15,790	180,685	25,000	27,481
2013-2017	275,250	63,590	3,700	51,083	78,950	903,425	125,000	137,405
2018-2022	0	0	0	0	0	632,398	100,000	137,405
2023-2027	0	0	0	0	0	0	0	27,481
Total	\$618,100	\$154,430	\$8,990	\$107,833	\$157,900	\$2,439,248	\$350,000	\$439,696

PLEASANT VALLEY REGIONAL SEWER DISTRICT
ROSS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND DECEMBER 31, 2006

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 2007 and 2006, OPERS members contributed 9.5% and 9.0%, respectively, of their gross salaries. The District contributed an amount equal to 13.85% and 13.70%, of participants' gross salaries through December 31, 2007 and 2006, respectively. The District has paid all contributions required through December 31, 2007.

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
1822 Anderson Station Road
Chillicothe, Ohio 45601

We have audited the financial statements of the Pleasant Valley Regional Sewer District, Ross County, Ohio (the District), as of and for the year ended December 31, 2007 and 2006, and have issued our report thereon dated June 20, 2008, wherein we noted the District prepares its financial statements using accounting practices the Auditor of State prescribes or permits 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 the Comptroller General of the United State's *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 expressing our opinion on the financial statements, but not to opine 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting. This item is identified in the accompanying schedule of findings as item 2007-001.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we do not believe that the significant deficiency described above is a material weakness.

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 grants 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 that we must report under *Government Auditing Standards*.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of management and the Board of Trustees. We intend it for no one other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.
June 20, 2008

PLEASANT VALLEY REGIONAL SEWER DISTRICT
ROSS COUNTY
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007 and 2006

SCHEDULE OF FINDINGS

Finding 2007-001

Significant Deficiency

Immaterial misstatements were identified during the course of the audit which were not prevented or detected by the District's internal controls over financial reporting. Misstatements were identified in the following areas:

- Overstatement of cash

This misstatement was corrected due to its nature. This correction is reflected in the financial statements.

The District should implement application and monitoring controls over financial reporting to ensure that all financial statement transactions are accurately and completely reported.

Client Response:

In the future, we will immediately contact our computer support, Alternative Business Systems, to rectify any transaction that is not entered correctly into the computer software program, Traverse. We are in the process of receiving accounting training and will budget in 2009 for additional training for Traverse.



Mary Taylor, CPA
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
SEPTEMBER 11, 2008**