PLEASANT VALLEY REGIONAL SEWER DISTRICT
ROSS COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

Dave Yost • Auditor of State

PLEASANT VALLEY REGIONAL SEWER DISTRICT
ROSS COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

Pleasant Valley Regional Sewer District
Ross County
1822 Anderson Station Road
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, 2009 and 2008, as listed in the table of contents. 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 discussed in Note 2, 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, 2009 and 2008, and the changes in its cash financial position for the years then ended in conformity with the basis of accounting Note 2 describes.

For the year ended December 31, 2008 the District has revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2011, 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.

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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.

Dave Yost
Auditor of State

February 11, 2011

PLEASANT VALLEY REGIONAL SEWER DISTRICT
ROSS COUNTY

STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2009 AND 2008

	2009	2008
Assets		
Cash & Cash Equivalents	$2,193,614	$1,992,253
Total Assets	$2,193,614	$1,992,253
Net Assets		
Unrestricted	2,193,614	1,992,253
Total Net Assets	$2,193,614	$1,992,253

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, 2009 AND 2008

	2009	2008
Operating Receipts		
Charges for Services	$1,115,353	$862,014
Other Operating Receipts	11,531	61,135
Total Operating Receipts	1,126,884	923,149
Operating Disbursements		
Purchased Services	305,525	294,431
Personal Services	258,974	240,578
Materials and Supplies	26,798	19,872
Other	27,644	26,469
Total Operating Disbursements	618,941	581,350
Operating Income	507,943	341,799
Non-Operating Receipts (Disbursements)		
Intergovernmental	346,657	75,270
Loan Proceeds	227,938	0
Interest	30,016	37,308
Capital Outlay	(563,460)	(48,132)
Principal Payments	(228,685)	(217,534)
Interest and Fiscal Charges	(119,048)	(130,398)
Change in Net Assets	201,361	58,313
Net Assets Beginning of Year	1,992,253	1,933,940
Net Assets End of Year	$2,193,614	$1,992,253

See accompanying notes to the basic financial statements

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.

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.

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 2009 and 2008, 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.

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;

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 2009, $1,629,178 of the District's bank balance of $1,896,830 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 2008, $1,157,382 of the District's bank balance of $1,408,617 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 2009 and 2008, 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	$2,000,000
	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.

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, 2009 and 2008, members in state and local classifications contributed 14 percent of covered payroll.

The District's contribution rate for 2009 and 2008 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, 2009, 2008, and 2007 were $52,805, $50,326, and $46,246 respectively. The full amount has been contributed for 2009, 2008 and 2007.

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.

Note 6 - Postemployment Benefits (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 2009, 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 was 7% percent of covered payroll from January 1 through March 31, 2009, and 5.5percent from April 1 to December 31, 2009.

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, 2009, 2008, and 2007 were $2,717, $2,957 and $3,102 respectively. The full amount has been contributed for 2009, 2008 and 2007.

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.

Note 7 – Debt

The District's long-term debt activity for the years ended December 31, 2009 and 2008, was as follows:

	Interest Rate	Balance December 31, 2008	Additions	Reductions	Balance December 31, 2009	Due Within One Year
Business-Type Activities						
1994 Sewer Revenue Bonds	5.00%	$444,000	$0	$46,000	$398,000	$49,000
1995 OWDA Loan # 2468	4.16%	116,031	0	13,480	102,551	14,047
1996 OWDA Loan # 2469	4.12%	6,761	0	787	5,974	819
1996 OWDA Loan #2470	4.12%	80,705	0	8,108	72,597	8,446
1997 OWDA Loan #2471	4.12%	117,741	0	11,052	106,689	11,512
2000 OWDA Loan #3325	4.16%	1,747,346	0	109,119	1,638,227	113,705
2001 OPWC Loan	0.00%	325,000	0	25,000	300,000	25,000
2009 OWDA Loan #5122	4.15%	0	227,938	0	227,938	13,322
Capital Lease	5.148%	296,773	0	15,139	281,634	14,495
Total Business-Type Activities		$3,134,357	$227,938	$228,685	$3,133,610	$250,346

Note 7 – Debt (continued)

	Interest Rate	Balance December 31, 2007	Additions	Reductions	Balance December 31, 2008	Due Within One Year
Business-Type Activities						
1994 Sewer Revenue Bonds	5.0%	$488,000	$0	$44,000	$444,000	$46,000
1995 OWDA Loan # 2468	4.16%	128,967	0	12,936	116,031	13,480
1996 OWDA Loan # 2469	4.12%	7,516	0	755	6,761	787
1996 OWDA Loan #2470	4.12%	88,490	0	7,785	80,705	8,108
1997 OWDA Loan #2471	4.12%	128,350	0	10,609	117,741	11,052
2000 OWDA Loan #3325	4.16%	1,852,062	0	104,716	1,747,346	109,119
2001 OPWC Loan	0.0%	350,000	0	25,000	325,000	25,000
Capital Lease	5.148%	308,506	0	11,733	296,773	15,139
Total Business-Type Activities		$3,351,891	$0	$217,534	$3,134,357	$228,685

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.

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 new 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:

Note 7 – Debt (continued)

Year Ending December 31:	Sewer Revenue Bonds	OWDA 2468	OWDA 2469	OWDA 2470	OWDA 2471
2010	$68,900	$18,168	$1,057	$11,351	$15,790
2011	68,450	18,168	1,057	11,351	15,790
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
2015-2019	137,700	27,253	1,586	28,376	47,370
2020-2024	-	-	-	-	-
2025-2029	-	-	-	-	-
2030-2034	-	-	-	-	-
2035-2039	-	-	-	-	-
Total	$481,500	$118,093	$6,871	$85,131	$126,320

Year Ending December 31:	OWDA 3325	OWDA 5122	OPWC Loan	Capital Lease	Total
2010	$ 180,685	$ 13,322	$ 25,000	$ 27,481	$ 361,754
2011	180,685	13,322	25,000	27,481	361,304
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
2015-2019	903,426	66,611	125,000	137,405	1,474,727
2020-2024	271,028	66,611	50,000	123,664	511,303
2025-2029	-	66,611	-	-	66,611
2030-2034	-	66,611	-	-	66,611
2035-2039	-	66,611	-	-	66,611
Totals	$ 2,077,879	$ 399,665	$ 300,000	$ 398,474	$ 3,993,933

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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
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, 2009 and 2008, and have issued our report thereon dated February 11, 2011, wherein we noted the District uses a comprehensive accounting basis other than generally accepted accounting principles. 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 deficiencies in internal control such that there is a reasonable possibility that material financial statement misstatements 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 would not necessarily identify all deficiencies in internal control 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. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings that we consider a significant deficiency in internal control over financial reporting. We consider finding 2009-001 to be a significant deficiency. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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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*.

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, the Board of Trustees, and others within the District. We intend it for no one other than these specified parties.

Dave Yost

Dave Yost
Auditor of State

February 11, 2011

SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2009-001

Significant Deficiency – Financial Statement Adjustments
Sound financial reporting is the responsibility of the District's management and Board of Directors and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following audit adjustments were made to the December 31, 2008 financial statements:

1. An adjustment in the amount of $981,599 to remove accounts payable which was already included in cash basis expenditures.
2. Adjustment for $130,398 to record interest expense separately from debt principal payments.
3. Adjustment in the amount of $32,693 to increase operating revenues to correct an error in the financial statements from the prior audit period.

In addition, $5,007 of immaterial adjustments were made to the financial statements for errors in the reporting of other operating revenues and expenditures.

The following audit adjustments were made to the December 31, 2009 financial statements:

1. An adjustment in the amount of $1,525,949 to remove accounts payable which was already included in cash basis expenditures.
2. An adjustment was issued in the amount of $119,048 to record interest expense separately from debt principal payments.

In addition, $4,185 of immaterial adjustments were made to the financial statements for errors in the reporting of expenditures.

The above audit adjustments were posted to the District's financial statements and accounting records, as applicable.

The adjustments and reclassifications identified above should be reviewed by the District's management to ensure that similar errors are not reported on financial statements in subsequent years. In addition, the District should implement a financial statement review process to detect reporting errors.

Officials Response:

This was the first year the District prepared OCBOA statements. The majority of these errors occurred during the preparation of the new financial statements. The District will make the necessary changes to the financial statements for the next fiscal year.

PLEASANT VALLEY REGIONAL SEWER DISTRICT
ROSS COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***
2007-001	Significant Deficiency – the financial statements required audit adjustments	No	Re-Issued as Finding 2009-001

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 5, 2011

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