



Dave Yost • Auditor of State

**PLEASANT VALLEY REGIONAL SEWER DISTRICT
ROSS COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Pleasant Valley Regional Sewer District, Ross County, (the District) as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the District prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2013 and 2012, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balance of Pleasant Valley Regional Sewer District, Ross County, Ohio as of December 31, 2013 and 2012, and its cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note B.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 14, 2014, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

August 14, 2014

**PLEASANT VALLEY REGIONAL SEWER DISTRICT
ROSS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	2013	2012
Operating Cash Receipts:		
Charges for Services	\$929,615	\$913,035
Other Operating Receipts	3,698	1,228
	933,313	914,263
Operating Cash Disbursements:		
Purchased Services	423,356	261,155
Personal Services	341,232	334,784
Materials and Supplies	24,707	22,393
Other	25,105	20,923
	814,400	639,255
	118,913	275,008
Non-Operating Cash Receipts:		
Intergovernmental	131,142	154,669
Interest	1,176	5,294
	132,318	159,963
Non-Operating Cash Disbursements:		
Capital Outlay	127,747	13,980
Principal Payments	281,951	272,003
Interest and Fiscal Charges	80,104	89,752
	489,802	375,735
	(238,571)	59,236
Cash Balances, January 1	1,936,108	1,876,872
Cash Balances, December 31	\$1,697,537	\$1,936,108

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

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**PLEASANT VALLEY REGIONAL SEWER DISTRICT
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

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.

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. 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 FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Continued)**

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

Recent Ohio Attorney General Opinion No. 99-020 has clarified that the budget process described in Chapter 5705, Revised Code, applies to the District, regardless of whether the District levies property taxes. These documents are required to be prepared in accordance with the Ohio Revised Code, but are not required to be filed with the county auditor or county budget commission. The District must adopt annual appropriations, limited by estimated resources. Expenditures will be limited by appropriations.

A summary of budgetary information for 2013 and 2012 appears in Note 9.

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 2013 and 2012, the District only invested in nonnegotiable certificates of deposit. The nonnegotiable certificates of deposit are reported at cost.

**PLEASANT VALLEY REGIONAL SEWER DISTRICT
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

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.

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.

**PLEASANT VALLEY REGIONAL SEWER DISTRICT
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Continued)**

3. Change in Accounting Principles

For Fiscal Year 2012, the Regional Sewer District has implemented Governmental Accounting Standard Board (GASB) Statement No. 62, Codification of Pre November 30, 1989 FASB and AICPA Pronouncements.

GASB Statement No. 62, Codification of Pre November 30, 1989 FASB and AICPA Pronouncements, which supersedes GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, thereby eliminating the election provided in Paragraph 7 of that statement for business-type activities to apply post-November 30, 1989, FASB statements and interpretations that do not conflict with or contradict GASB pronouncements. GASB Statement No. 62 has been applied retrospectively and had no impact on the District's net position, changes in net position or financial reporting disclosures.

4. 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;

**PLEASANT VALLEY REGIONAL SEWER DISTRICT
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Continued)**

4. Deposits and Investments (Continued)

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;
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 2013, \$1,458,488 of the District's bank balance of \$1,697,537 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 2012, \$1,693,122 of the District's bank balance of \$1,936,108 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.

5. 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 2013 and 2012, the District contracted with a commercial insurance company for various types of insurance coverage as follows:

**PLEASANT VALLEY REGIONAL SEWER DISTRICT
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Continued)**

5. Risk Management (Continued)

Company	Type of Coverage	Amount of Coverage
Employers Mutual Casualty	Commercial Property	\$4,616,743
	General Liability	\$1,000,000
	Commercial Umbrella	\$4,000,000
	Vehicle	\$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.

6. 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, 2013 and 2012, members in state and local classifications contributed 14 percent of covered payroll.

The District's contribution rate for 2013 and 2012 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.

**PLEASANT VALLEY REGIONAL SEWER DISTRICT
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Continued)**

6. Defined Benefit Pension Plans (Continued)

The District's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2013, 2012, and 2011 were \$59,905, \$60,805, and \$56,430 respectively. The full amount has been contributed for 2013, 2012 and 2011.

7. 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.

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 2013, 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 2012 was 4.0 in the Traditional Plan and 6.05% in the Combined Plan of covered payroll. The amount of the employer contributions which was allocated to fund postemployment healthcare for 2013 was 1.0% in the Traditional Plan and 1.0% 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, 2013, 2012, and 2011 were \$599, \$2,432 and \$2,257 respectively. The full amount has been contributed for 2013, 2012 and 2011.

**PLEASANT VALLEY REGIONAL SEWER DISTRICT
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Continued)**

7. Postemployment Benefits (Continued)

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.

8. Debt

The District's long-term debt activity for the years ended December 31, 2013 and 2012 was as follows:

	Interest Rate	Balance December 31, 2012	Additions	Reductions	Balance December 31, 2013	Due Within One Year
Business-Type Activities:						
1994 Sewer Revenue Bonds	5.00%	\$244,000		\$57,000	\$187,000	\$59,000
1995 OWDA Loan #2468	4.16%	58,613		15,894	42,719	16,562
1996 OWDA Loan #2469	4.12%	3,413		926	2,487	964
1996 OWDA Loan #2470	4.12%	46,191		9,545	36,646	9,942
1997 OWDA Loan #2471	4.12%	70,696		13,010	57,686	13,552
2000 OWDA Loan #3325	4.16%	1,282,572		128,654	1,153,918	134,062
2001 OWPC Loan	0.00%	225,000		25,000	200,000	25,000
2009 OWDA Loan #5122	4.15%	215,121		4,440	210,681	4,626
Capital Lease	5.148%	239,777		15,125	224,652	15,914
Total Business Type Activities		2,385,383	0	269,594	2,115,789	279,622

	Interest Rate	Balance December 31, 2011	Additions	Reductions	Balance December 31, 2012	Due Within One Year
Business-Type Activities:						
1994 Sewer Revenue Bonds	5.00%	\$298,000		\$54,000	\$244,000	\$57,000
1995 OWDA Loan #2468	4.16%	74,026		15,413	58,613	15,894
1996 OWDA Loan #2469	4.12%	4,302		889	3,413	926
1996 OWDA Loan #2470	4.12%	55,355		9,164	46,191	9,545
1997 OWDA Loan #2471	4.12%	83,186		12,490	70,696	13,010
2000 OWDA Loan #3325	4.16%	1,406,037		123,465	1,282,572	128,654
2001 OWPC Loan	0.00%	250,000		25,000	225,000	25,000
2009 OWDA Loan #5122	4.15%	219,383		4,262	215,121	4,440
Capital Lease	5.148%	254,153		14,376	239,777	15,125
Total Business Type Activities		2,644,442	0	259,059	2,385,383	269,594

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.

**PLEASANT VALLEY REGIONAL SEWER DISTRICT
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Continued)**

8. Debt (Continued)

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 2021.

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:

Year	Sewer Revenue Bonds	OWDA Loans	OPWC Loan	Capital Lease	Total
2014	\$ 68,350	\$ 240,374	\$ 25,000	\$ 27,481	\$ 292,855
2015	68,400	240,374	25,000	27,481	292,855
2016	69,300	230,761	25,000	27,481	283,242
2017	0	215,472	25,000	27,481	267,953
2018	0	194,027	25,000	27,481	246,488
2019-2023	0	517,782	75,000	137,405	730,187
2024-2028	0	66,611	0	27,136	93,747
2029-2033	0	66,611	0	0	66,611
2034-2038	0	66,611	0	0	66,611
2039	0	13,322	0	0	13,322
Total	<u>\$206,050</u>	<u>\$1,851,925</u>	<u>\$200,000</u>	<u>\$301,946</u>	<u>\$2,353,871</u>

**PLEASANT VALLEY REGIONAL SEWER DISTRICT
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Continued)**

9. Budgetary Activity

Budgetary activity for the years ending December 31 follows:

2013 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$1,130,888	\$1,065,631	(\$65,257)

2013 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$1,285,385	\$1,304,202	(\$18,817)

2012 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$1,136,215	\$1,074,226	(\$61,989)

2012 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$1,188,044	\$1,014,990	\$173,054

10. Subsequent Events

On July 3, 2014, the District passed Resolution 2014-19 authorizing the issuance of \$1,850,000 of Water Resource Revenue Bonds.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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 in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Pleasant Valley Regional Sewer District, Ross County, (the District) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated August 14, 2014 wherein we noted the District followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining 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*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Dave Yost
Auditor of State

Columbus, Ohio

August 14, 2014



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
AUGUST 28, 2014**