



**Auditor of State  
Betty Montgomery**



**PLEASANT VALLEY REGIONAL SEWER DISTRICT  
ROSS COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Balances – For the Years Ended December 31, 2003 and December 31, 2002.....	3
Notes to the Financial Statements .....	5
Independent Accountants' Report of on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	11

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

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

To the Board of Trustees:

We have audited the accompanying financial statements of Pleasant Valley Regional Sewer District, Ross County, Ohio, (the District) as of and for the years ended December 31, 2003, and December 31, 2002. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described Note 1, the District prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of Pleasant Valley Regional Sewer District, Ross County, Ohio, as of December 31, 2003 and December 31, 2002, and its cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2004, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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This report is intended solely for the information and use of management, the Board of Trustees, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

September 24, 2004

**PLEASANT VALLEY REGIONAL SEWER DISTRICT  
ROSS COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES  
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002**

	<u>2003</u>	<u>2002</u>
<b>Operating Cash Receipts:</b>		
Sewer Collections	\$698,496	\$660,109
Taps and Permits	576,810	127,600
Miscellaneous	27,143	45,449
	<hr/>	<hr/>
Total Operating Cash Receipts	1,302,449	833,158
	<hr/>	<hr/>
<b>Operating Cash Disbursements:</b>		
Payroll	170,781	155,710
Utilities	74,025	67,334
Professional Fees and Services	42,117	99,857
Insurance Expense	29,295	24,188
Plant Expense	123,261	173,796
Office Supplies and Materials	12,429	9,137
Capital Outlay	184,631	82,318
Miscellaneous	23,795	48,848
	<hr/>	<hr/>
Total Operating Cash Disbursements	660,334	661,188
	<hr/>	<hr/>
Operating Income	642,115	171,970
	<hr/>	<hr/>
<b>Non-Operating Cash Receipts:</b>		
Intergovernmental Revenues	51,095	38,424
Proceeds from O.W.D.A. Loans	-	38,844
Proceeds from O.P.W.C Loans	-	6,113
Proceeds from Sale of Land	39,984	-
Interest Earnings	17,117	24,459
	<hr/>	<hr/>
Total Non-Operating Cash Receipts	108,196	107,840
	<hr/>	<hr/>
<b>Non-Operating Cash Disbursements:</b>		
Debt Service	310,995	326,657
Other Non-Operating Cash Disbursements	88	-
	<hr/>	<hr/>
Total Non-Operating Cash Disbursements	311,083	326,657
	<hr/>	<hr/>
Net Receipts Over/(Under) Disbursements	439,228	(46,847)
	<hr/>	<hr/>
Cash Balances, January 1	1,525,821	1,572,668
	<hr/>	<hr/>
<b>Cash Balances, December 31</b>	<b><u>\$1,965,049</u></b>	<b><u>\$1,525,821</u></b>

*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  
DECEMBER 31, 2003 AND DECEMBER 31, 2002**

**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 Commissioner, 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. STAR Ohio is recorded at share values reported by the mutual fund.

**D. Budgetary Process**

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

**1. Appropriations**

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

**2. Estimated Resources**

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

**PLEASANT VALLEY REGIONAL SEWER DISTRICT  
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND DECEMBER 31, 2002  
(Continued)**

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

**D. Budgetary Process (Continued)**

**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 2003 and 2002 budgetary activity appears in Note 3.

**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:

	2003	2002
Demand deposits	\$1,942,784	\$158,797
Certificates of deposit	22,265	22,265
Total deposits	1,965,049	181,062
 STAR Ohio	 0	 1,344,759
 Total deposits and investments	 \$1,965,049	 \$1,525,821

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

**Investments:** Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**PLEASANT VALLEY REGIONAL SEWER DISTRICT  
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND DECEMBER 31, 2002  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2003 and December 31, 2002 follows:

<b>Budgeted vs. Actual Receipts</b>		
Fund Type	2003	2002
Budgeted Receipts	\$1,197,103	\$1,052,046
Actual Receipts	1,410,645	940,998
Variance	\$213,542	(\$111,048)

  

<b>Budgeted vs. Actual Budgetary Basis Expenditures</b>		
Fund Type	2003	2002
Appropriation Authority	\$1,273,309	\$1,101,698
Budgetary Expenditures	971,417	987,845
Variance	\$301,892	\$113,853

**4. DEBT**

Debt outstanding at December 31, 2003 was as follows:

	Principal	Interest Rate
Sewer Revenue Bonds	\$645,000	5.00%
OWDA Loan # 2468	175,702	4.16%
OWDA Loan # 2469	10,247	4.12%
OWDA Loan # 2470	116,639	4.12%
OWDA Loan # 2471	166,717	4.12%
OWDA Loan # 3325	2,230,361	4.16%
OPWC Loan	450,000	0.00%
Total	\$3,794,666	

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.

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

**PLEASANT VALLEY REGIONAL SEWER DISTRICT  
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND DECEMBER 31, 2002  
(Continued)**

**4. DEBT (Continued)**

Year Ending December 31:	Sewer Revenue	OWDA 2468	OWDA 2469	OWDA 2470	OWDA 2471	OWDA 3325
	Bonds					
2004	\$67,250	\$18,169	\$1,057	\$11,351	\$15,790	\$180,685
2005	70,500	18,169	1,057	11,351	15,790	180,685
2006	70,500	18,169	1,057	11,351	15,790	180,685
2007	68,700	18,169	1,057	11,351	15,790	180,685
2008	68,400	18,169	1,057	11,351	15,790	180,685
Subsequent	549,700	136,263	7,928	96,481	142,110	2,258,564
Total	<u>\$895,050</u>	<u>\$227,108</u>	<u>\$13,213</u>	<u>\$153,236</u>	<u>\$221,060</u>	<u>\$3,161,989</u>

Year Ending December 31:	OPWC
2004	\$25,000
2005	25,000
2006	25,000
2007	25,000
2008	25,000
Subsequent	325,000
Total	<u>\$450,000</u>

**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 2003 and 2002, OPERS members contributed 8.5% of their gross salaries. The District contributed an amount equal to 13.55% of participants' gross salaries through December 31, 2003. The District has paid all contributions required through December 31, 2003.

**6. RISK MANAGEMENT**

The District has obtained commercial insurance for the following risks:

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

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

**PLEASANT VALLEY REGIONAL SEWER DISTRICT  
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND DECEMBER 31, 2002  
(Continued)**

**7. SUBSEQUENT EVENTS**

The Sewer District entered into a contract with the Ross County Board of Commissioners to lease new sewer lines completed in the Rt 50 connector project. This lease calls for semi annual payments of \$13,741 over 20 years beginning on December 31, 2004 for a total amount of \$368,150 to be paid to the Ross County Board of Commissioners.

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## **Auditor of State Betty Montgomery**

### **INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the Board of Trustees:

We have audited the financial statements of Pleasant Valley Regional Sewer District, Ross County, Ohio, (the District) as of and for the years ended December 31, 2003 and December 31, 2002, and have issued our report thereon dated September 24, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 such an opinion. The results of our tests disclosed no instances of noncompliance we must report under *Government Auditing Standards*. However we noted an immaterial instance of noncompliance that we have reported to the management of the District in a separate letter dated September 24, 2004.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated September 24, 2004.

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Pleasant Valley Regional Sewer District  
Ross County  
Independent Accountants' Report on Compliance and Internal Control  
Required by *Government Auditing Standards*  
Page 2

This report is intended solely for the information and use of the management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

September 24, 2004



**Auditor of State  
Betty Montgomery**

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**PLEASANT VALLEY REGIONAL SEWER DISTRICT  
ROSS COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 14, 2004**