



OHIO AUDITOR OF STATE
KEITH FABER



**PLEASANT VALLEY REGIONAL SEWER DISTRICT
ROSS COUNTY
DECEMBER 31, 2020 AND 2019**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Pleasant Valley Regional Sewer District
Ross County
1822 Anderson Station Road
Chillicothe, OH 456501

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements for the enterprise fund as of and for the year ended December 31, 2020 and for the enterprise fund as of and for the year ended December 31, 2019, and related notes of the Pleasant Valley Regional Sewer District, Ross County, Ohio (the District).

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 such 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 opinions.

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 (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the District does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

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, 2020 and 2019, and the respective 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 balances, receipts and disbursements for the enterprise fund as of and for the year ended December 31, 2020 and for the enterprise fund as of and for the year ended December 31, 2019, and related notes of the District, 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 2.

Emphasis of Matter

As discussed in Note 11 to the 2020 financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2021, 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.



Keith Faber
Auditor of State
Columbus, Ohio
August 26, 2021

Pleasant Valley Regional Sewer District
Ross County
Combined Statement of Receipts, Disbursements
And Changes in Fund Balances (Regulatory Cash Basis) - Enterprise Funds
For the Year Ended December 31, 2020

Operating Cash Receipts	
Charges for Services	\$1,062,487
Other Operating Receipts	52,018
	<hr/>
<i>Total Operating Cash Receipts</i>	<i>1,114,505</i>
	<hr/>
Operating Cash Disbursements	
Purchased Services	286,631
Personal Services	376,619
Materials and Supplies	41,409
Other	21,255
	<hr/>
<i>Total Operating Cash Disbursements</i>	<i>725,914</i>
	<hr/>
<i>Operating Income/(Loss)</i>	<i>388,591</i>
	<hr/>
Non-Operating Cash Receipts	
Intergovernmental	41,853
Interest	3,003
Loan Proceeds	424,350
	<hr/>
<i>Total Non-Operating Cash Receipts</i>	<i>469,206</i>
	<hr/>
Non-Operating Cash Disbursements	
Purchased Services	25,103
Capital Outlay	495,281
Principal Payments	229,294
Interest and Fiscal Charges	66,881
	<hr/>
<i>Total Non-Operating Cash Disbursements</i>	<i>816,559</i>
	<hr/>
<i>Net Receipts Over/(Under) Disbursements</i>	<i>41,238</i>
	<hr/>
Cash Balances, January 1	1,409,121
	<hr/>
<i>Cash Balances, December 31</i>	<i>\$1,450,359</i>
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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 Year Ended December 31, 2020

Note 1 – Reporting Entity

The Pleasant Valley Regional Sewer District (the District), Ross County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Each political subdivision within the District appoints one member to the Board of Trustees to direct the District. There are five Board of Trustee members. Subdivisions within the District 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.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The District’s financial statements consist of a statement of receipts, disbursements and changes in fund balances (regulatory cash basis).

Basis of Accounting

These financial statements follow 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). This basis is similar to the cash receipts and disbursements accounting basis. The Board of Trustees recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

This statement includes adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

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

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts).

Encumbrances The Ohio Revised Code requires the District to reserve (encumber) appropriations when individual commitments are made. The District did use the encumbrance method of accounting.

A summary of 2020 budgetary activity appears in Note 4.

Pleasant Valley Regional Sewer District
Ross County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Deposits and Investments

The District’s accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Capital Assets

The District records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Note 3 – Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority by \$226,864 for the year ended December 31, 2020.

Note 4 – Budgetary Activity

Budgetary activity for the year ending 2020 follows:

2020 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$1,234,128	\$1,583,711	(\$349,583)
\$1,234,128	\$1,583,711	(\$349,583)

2020 Budgeted vs. Actual Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$1,313,278	\$1,542,473	(\$229,195)
\$1,313,278	\$1,542,473	(\$229,195)

Pleasant Valley Regional Sewer District
Ross County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 5 – Deposits and Investments

The District maintains a deposits and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

	2020
Demand deposits	<u>\$989,992</u>
Total deposits	<u>\$989,992</u>
STAR Ohio	<u>460,367</u>
Total investments	<u>460,367</u>
Total deposits and investments	<u><u>\$1,450,359</u></u>

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation. The District's deposits are collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Investments

The District has funds invested in STAR Ohio Plus since September 2019.

Note 6 – Risk Management

Commercial Insurance

The District has obtained commercial insurance for the following risks:

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

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

District employees belong to the Ohio Public Employees Retirement System (OPERS). District Board of Trustees do not contribute to OPERS. OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

Pleasant Valley Regional Sewer District
Ross County
Notes to the Financial Statements
For the Year Ended December 31, 2020

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the District contributed an amount equaling 14 percent of participants' gross salaries. The District has paid all contributions required through December 31, 2020.

Note 8 – Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the traditional pension plan and combined plan was 0 percent during calendar year 2020. The portion of employer contributions allocated to health care for members in the member-directed plan was 4.0 percent during calendar year 2020.

Note 9 – Debt

Debt outstanding at December 31, 2020, was as follows:

	Principal	Interest Rate
OWDA Loan #3325	\$88,502	3.00%
OWDA Loan #5122	173,924	4.00%
OPWC Loan	50,000	0.00%
Ross Co. Commissioners Capital Lease	98,212	5.15%
USDA Loan #92-03	1,306,700	3.13%
OWDA Loan #8682	415,471	1.78%
Total	\$2,132,809	

In 2001, the Ohio Water Development Authority (OWDA) loan #3325 in amount of \$2,437,042 was used to improve and expand the existing sewer plant. The loan is being repaid in semi-annual installments over 20 years with the last payment due in July 2021. The loan is secured by sewer receipts. The District has agreed to set utility rates sufficient to cover OWDA debt service requirements.

In 2009, Ohio Water Development Authority (OWDA) loan #5122 in the amount of \$227,398 was used for the expansion of sewer lines to the Green Acres Subdivision and Slate Mills area. The lease will be repaid in semi-annual installments over 30 years with the last payment scheduled to be made in December 2039.

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 semi-annual installments over 20 years with the last payment due in July 2022. Due to the COVID-19 pandemic crisis, the July 2020 loan payment was deferred until January 2021.

Pleasant Valley Regional Sewer District
Ross County
Notes to the Financial Statements
For the Year Ended December 31, 2020

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, wastewater and other waste substances and materials. The lease is being paid in semi-annual installments over 20 years with the last payment due in December 2024.

In March 2015, the District entered into a loan agreement, Water Resource Revenue Bonds, Series 2015, with United States Department of Agriculture Rural Development (USDA) for \$1,403,000. The loan was for the construction of a new administration building and improvements to the treatment plant. The loan is being repaid in annual installments over 40 years with the last payment due in March 2055.

The mortgage revenue bond covenant requires the District to establish and fund a debt service reserve fund, included as a debt service fund. The balance in the fund at December 31, 2020, is \$63,062.

In October 2019, the District entered into a loan agreement with Ohio Water Development Authority (OWDA) loan #8682 for the amount of \$424,350 to be used for the upgrades to the Sunrush Pump Station. The Certificate of Substantial Completion was signed in July 2020. The loan is being repaid in semi-annual installments over 20 years with the last payment due in July 2040.

Amortization

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

Year Ending December 31:	OWDA	OPWC	Comm. Capital Lease	USDA
2021	\$396,193	\$25,000	\$27,481	\$61,934
2022	38,384	25,000	27,481	61,875
2023	38,394	0	27,481	61,897
2024	38,404	0	27,481	62,103
2025	38,415	0	0	61,872
2026-2030	192,248	0	0	309,801
2031-2035	192,587	0	0	309,710
2036-2040	430,335	0	0	309,763
2041-2045		0	0	309,749
2046-2050	0	0	0	309,675
2051-2055	0	0	0	309,660
Total	\$1,364,960	\$50,000	\$109,924	\$2,168,039

Debt principal outstanding at December 31, 2020, was \$2,132,809.

Pleasant Valley Regional Sewer District
Ross County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 10 – Contingent Liabilities

The District is a defendant in a lawsuit. Although management cannot presently determine the outcome of this suit, management believes that the resolution of these matters will not materially adversely affect the District's financial condition.

Note 11 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the District. The District's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the District's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

Pleasant Valley Regional Sewer District
Ross County
Combined Statement of Receipts, Disbursements
And Changes in Fund Balances (Regulatory Cash Basis) - Enterprise Funds
For the Year Ended December 31, 2019

Operating Cash Receipts	
Charges for Services	\$1,148,172
Other Operating Receipts	14,863
	<u>1,163,035</u>
<i>Total Operating Cash Receipts</i>	
Operating Cash Disbursements	
Purchased Services	332,420
Personal Services	349,889
Materials and Supplies	51,072
Other	24,309
	<u>757,690</u>
<i>Total Operating Cash Disbursements</i>	
<i>Operating Income/(Loss)</i>	
	<u>405,345</u>
Non-Operating Cash Receipts	
Intergovernmental	42,335
Interest	8,075
	<u>50,410</u>
<i>Total Non-Operating Cash Receipts</i>	
Non-Operating Cash Disbursements	
Purchased Services	46,640
Capital Outlay	120,390
Principal Payments	235,707
Interest and Fiscal Charges	67,944
	<u>470,681</u>
<i>Total Non-Operating Cash Disbursements</i>	
<i>Net Receipts Over/(Under) Disbursements</i>	
	<u>(14,926)</u>
Cash Balances, January 1	<u>1,424,047</u>
<i>Cash Balances, December 31</i>	<u>\$1,409,121</u>

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 Year Ended December 31, 2019

Note 1 – Reporting Entity

The Pleasant Valley Regional Sewer District (the District), Ross County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Each political subdivision within the District appoints one member to the Board of Trustees to direct the District. There are five Board of Trustees members. Subdivisions within the District 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.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The District's financial statements consist of a statement of receipts, disbursements and changes in fund balances (regulatory cash basis).

Basis of Accounting

These financial statements follow 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). This basis is similar to the cash receipts and disbursements accounting basis. The Board of Trustees recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

This statement includes adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

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

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts).

Encumbrances The Ohio Revised Code requires the District to reserve (encumber) appropriations when individual commitments are made. The District did use the encumbrance method of accounting.

A summary of 2019 budgetary activity appears in Note 3.

Pleasant Valley Regional Sewer District
Ross County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Deposits and Investments

The District's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Capital Assets

The District records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Note 3 – Budgetary Activity

Budgetary activity for the year ending 2019 follows:

2019 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$1,219,812	\$1,213,445	\$6,367

2019 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$1,363,742	\$1,228,371	\$135,371

Pleasant Valley Regional Sewer District
Ross County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 4 – Deposits and Investments

The District maintains a deposits and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

	<u>2019</u>
Demand deposits	<u>\$951,424</u>
Total deposits	<u>951,424</u>
STAR Ohio	<u>457,697</u>
Total investments	<u>457,697</u>
Total deposits and investments	<u><u>\$1,409,121</u></u>

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation. The District's deposits are collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Investments

The District invested funds into a STAR Ohio Account and in April 2019 transferred those funds to STAR Ohio Plus and in September 2019 invested additional funds to STAR Ohio Plus.

Note 5 – Risk Management

Commercial Insurance

The District has obtained commercial insurance for the following risk:

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

Note 6 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

District full-time employees belong to the Ohio Public Employees Retirement System (OPERS). District Board of Trustees do not contribute to OPERS. OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

Pleasant Valley Regional Sewer District
Ross County
Notes to the Financial Statements
For the Year Ended December 31, 2019

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the District contributed an amount equaling 14 percent of participants' gross salaries. The District has paid all contributions required through December 31, 2019.

Note 7 – Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the traditional pension plan and combined plan was 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for members in the member-directed plan was 4.0 percent during calendar year 2019.

Note 8 – Debt

Debt outstanding at December 31, 2019, was as follows:

	Principal	Interest Rate
OWDA Loan #3325	\$260,132	3.00%
OWDA Loan #5122	\$179,844	4.00%
OPWC Loan	\$50,000	0.00%
Ross Co. Commissioners Capital Lease	\$119,800	5.15%
USDA Loan #92-03	1,327,200	3.13%
Total	\$1,936,976	

In 2001, the Ohio Water Development Authority (OWDA) loan #3325 in amount of \$2,437,042 was used to improve and expand the existing sewer plant. The loan is being repaid in semi-annual installments over 20 years with the last payment due in July 2021. The loan is secured by sewer receipts. The District has agreed to set utility rates sufficient to cover OWDA debt service requirements.

In 2009, Ohio Water Development Authority (OWDA) loan #5122 in the amount of \$227,398 was used for the expansion of sewer lines to the Green Acres Subdivision and Slate Mills area. The lease will be repaid in semi-annual installments over 30 years with the last payment scheduled to be made in December 2039.

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 semi-annual 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, wastewater and other waste substances and materials. The lease is being paid in semi-annual installments over 20 years with the last payment due in December 2024.

Pleasant Valley Regional Sewer District
Ross County
Notes to the Financial Statements
For the Year Ended December 31, 2019

The District entered into a loan agreement, Water Resource Revenue Bonds, Series 2015, with United States Department of Agriculture Rural Development (USDA) in March 2015 for \$1,403,000. The loan was for the construction of a new administration building and improvements to the treatment plant. The loan is being repaid in annual installments over 40 years with the last payment due in March 2055.

The mortgage revenue bond covenant requires the District to establish and fund a debt service reserve fund, included as a debt service fund. The balance in the fund at December 31, 2019, is \$63,102.

In October 2019, Pleasant Valley Regional Sewer District entered into a loan agreement with Ohio Water Development Authority (OWDA) loan #8682 for the amount of \$461,382 to be used for upgrades to the Sunrush Pump Station. The contractor has until March 29, 2020 to complete the upgrades. The loan is to be repaid in semi-annual installments over 20 years with the last payment due in July 2040. The District entered into the debt agreement but did not have proceeds from debt during 2019.

Amortization

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

Year Ending December 31:	OWDA	OPWC	Commission. Capital Lease	USDA
2020	\$204,979	\$25,000	\$27,481	\$62,088
2021	130,421	25,000	27,481	61,934
2022	40,601	0	27,481	61,875
2023	40,610	0	27,481	61,897
2024	40,621	0	27,481	62,103
2025-2029	203,271	0	0	309,770
2030-2034	203,597	0	0	309,635
2035-2039	203,997	0	0	309,796
2040-2044	13,764	0	0	309,709
2045-2049	0	0	0	309,718
2050-2054	0	0	0	309,622
2055-2059	0	0	0	61,978
Total	<u>\$1,081,861</u>	<u>\$50,000</u>	<u>\$137,405</u>	<u>\$2,230,125</u>

Debt principal outstanding at December 31, 2019, was \$1,936,976.

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OHIO AUDITOR OF STATE KEITH FABER



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SouthwestRegion@ohioauditor.gov

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, OH 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 cash balances, receipts, and disbursements for each enterprise fund as of and for the year ended December 31, 2020 and for the enterprise fund as of and for the year ended December 31, 2019, and related notes of the Pleasant Valley Regional Sewer District, Ross County, (the District) and have issued our report thereon dated August 26, 2021, 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. We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the District.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) as a basis for designing 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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2020-003 to be 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 grant agreements, noncompliance with which could directly and materially affect the financial statement. 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2020-001 and 2020-002.

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 report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio
August 26, 2021

**PLEASANT VALLEY REGIONAL SEWER DISTRICT
ROSS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2020 AND 2019**

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

FINDING NUMBER 2020-001

Noncompliance

Ohio Rev. Code § 5705.28(B)(2) states the taxing authority of a taxing unit that does not levy a tax is not required to adopt a tax budget pursuant to division (A) of this section. Instead, on or before the fifteenth day of July each year, such taxing authority shall adopt an operating budget for the taxing unit for the ensuing fiscal year. The operating budget shall include an estimate of receipts from all sources, a statement of all taxing unit expenses that are anticipated to occur, and the amount required for debt charges during the fiscal year. The operating budget is not required to be filed with the county auditor or the county budget commission.

Additionally, Ohio Rev. Code § 5705.42 states that Federal and State grants or loans are deemed appropriated and do not require formal appropriation by the legislative body; however, this section of code directs the fiscal officer to record the appropriation amount in the accounting system.

The District did adopt an operating budget; however, the District failed to include in the budget approximately \$422,609 in estimated receipts and anticipated disbursements related to the OWDA loan received in 2020. The District also did not record the appropriation amount in the accounting system.

Failure to accurately post the appropriations and estimated resources to the ledgers could result in overspending and negative cash balances.

The District should include estimates of receipts and disbursements anticipated to occur for all sources in the operating budget.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2020-002

Noncompliance

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing authority unit from making any expenditure of money unless it has been appropriated in accordance with the Ohio Revised Code.

Due to inadequate policies and procedures in approving and reviewing budget versus actual information, the District had expenditures in excess of appropriations of \$229,195 as of December 31, 2020.

Failure to have adequate appropriations in place at the time expenditures are made could cause expenditures to exceed available resources, further resulting in deficit spending practices.

The management of the District should closely monitor expenditures and appropriations and make the necessary appropriation amendments, if possible, to reduce the likelihood of expenditures exceeding appropriations. Additionally, the Fiscal Officer should deny payment requests exceeding appropriations when appropriations are inadequate to cover the expenditures.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2020-003

Material Weakness

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Due to deficiencies in the District's financial statement monitoring and review process, the District made the following errors:

- The District's Actual Receipts reported in the Budgetary Activity footnote were understated by \$424,944 in 2020.
- The District's Budgetary Expenditures reported in the Budgetary Activity footnote were understated by \$424,981 in 2020.

The District corrected the budgetary presentation within the financial statement footnotes.

Failure to accurately post and report transactions could result in material errors in the District's financial statements and reduces the District's ability to monitor financial activity and to make sound decisions which effect the overall available cash positions of the District.

The District should accurately record financial transactions.

Officials' Response:

We did not receive a response from Officials to this finding.

OHIO AUDITOR OF STATE KEITH FABER



PLEASANT VALLEY REGIONAL SEWER DISTRICT

ROSS COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 9/28/2021

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This report is a matter of public record and is available online at
www.ohioauditor.gov