

Fayetteville-Perry Township  
Regional Sewer District  
Brown County, Ohio

Regular Audit

January 1, 2008, through December 31, 2009



**Balestra, Harr & Scherer, CPAs, Inc.**

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528 South West St, P.O. Box 687, Piketon, Ohio 45661 Phone: 740.289.4131 Fax: 740.289.3639





# Mary Taylor, CPA

Auditor of State

Board of Directors  
Fayetteville-Perry Township Regional Sewer District  
P.O. Box 294  
Fayetteville, Ohio 45118

We have reviewed the *Independent Auditor's Report* of the Fayetteville-Perry Township Regional Sewer District, Brown County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2008 through December 31, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Fayetteville-Perry Township Regional Sewer District is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA  
Auditor of State

May 7, 2010

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FAYETTEVILLE-PERRY TOWNSHIP  
REGIONAL SEWER DISTRICT  
BROWN COUNTY

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## Independent Auditor's Report

Board of Directors  
Fayetteville-Perry Township Regional Sewer District  
P. O. Box 294  
Fayetteville, Ohio 45118

We have audited the accompanying financial statements of the business-type activities of Fayetteville-Perry Township Regional Sewer District, Brown County, (the District) as of and for the years ended December 31, 2009 and 2008. 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 reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 2, the accompanying financial statements and notes follow the cash basis of accounting. This is a comprehensive basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the business-type activities of the Fayetteville-Perry Township Regional Sewer District, Brown County, Ohio, as of December 31, 2009 and 2008, and the respective changes in cash basis financial position thereof for the years then ended in conformity with the accounting basis Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2010, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards*, and should be considered in assessing the results of our audit.

Board of Directors  
Fayetteville-Perry Township Regional Sewer District  
Independent Auditors' Report  
Page 2

Management's Discussion and Analysis on pages 3 through 5 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Balestra, Harr & Scherer, CPAs, Inc.

April 15, 2010

**Fayetteville-Perry Township Regional Sewer District  
Brown County**

**Management's Discussion and Analysis  
For the Years Ended December 31, 2009 and December 31, 2008  
(Unaudited)**

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This discussion and analysis, along with the accompanying financial reports, of Fayetteville-Perry Township Regional Sewer District (the District) is designed to provide our customers, creditors and other interested parties with a general overview of the District and its financial activities.

**FINANCIAL HIGHLIGHTS**

The District's net cash assets decreased \$131,182 in 2009 and \$107,448 in 2008.

The District's Operating Cash Receipts were \$303,367 and \$346,294 in 2009 and 2008, respectively. Operating Cash Disbursements were \$440,561 and \$1,516,903 in 2009 and 2008, respectively.

**OVERVIEW OF BASIC FINANCIAL STATEMENTS**

The District is a single enterprise fund using proprietary fund accounting, similar to private sector business. The Basic Financial Statements are presented using the cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The Statements of Net Assets-Cash Basis and the Statements of Cash Receipts, Disbursements and Changes in Net Assets-Cash Basis provide information on the District's cash basis operations over the past year and the success of recovering all its costs through user fees, charges, and other income. Revenues (cash receipts) are reported when received and expenses (cash disbursements) are reported when paid.

**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The District has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than accounting principles generally accepted in the United States of America. Under the District's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.



**Fayetteville-Perry Township Regional Sewer District  
Brown County**

**Management's Discussion and Analysis  
For the Years Ended December 31, 2009 and December 31, 2008  
(Unaudited)**

**STATEMENT OF NET ASSETS-CASH BASIS**

Table 1 summarizes the Statement of Net Assets – Cash Basis of the District at December 31, 2009 and 2008 with a comparative analysis with 2007.

<b>TABLE 1</b>	<b>2009</b>	<b>2008</b>	<b>Change Amount</b>	<b>2007</b>	<b>Change Amount</b>
Cash and Cash Equivalents	\$129,652	\$260,834	(\$131,182)	\$368,282	(\$107,448)
<b>Total Assets</b>	<b>\$129,652</b>	<b>\$260,834</b>	<b>(\$131,182)</b>	<b>\$368,282</b>	<b>(\$107,448)</b>
Net Assets -					
Unrestricted	\$129,652	\$260,834	(\$131,182)	\$368,282	(\$107,448)
<b>Total Net Assets</b>	<b>\$129,652</b>	<b>\$260,834</b>	<b>(\$131,182)</b>	<b>\$368,282</b>	<b>(\$107,448)</b>

The District's Net Assets decreased by \$131,182 in 2009. The decrease was primarily the result of a decrease in Tap-In installation Fees and Miscellaneous Revenue, as well as, increases in utilities and sludge hauling from 2008 to 2009. The District's Net Assets decreased by \$107,448 in 2008. The decrease was primarily the result of an increase in capital outlay disbursements from 2007 and 2008, which was partially offset by proceeds from an OWDA loan.

**STATEMENT OF CHANGES IN NET ASSETS-CASH BASIS**

Table 2 below summarizes the changes in Cash Receipts, Cash Disbursements and the resulting change in Net Assets for 2009 and 2008 with a comparative analysis to 2007.

<b>TABLE 2</b>	<b>2009</b>	<b>2008</b>	<b>Difference</b>	<b>2007</b>	<b>Difference</b>
Operating Cash Receipts	\$303,367	\$346,294	(\$42,927)	\$335,592	\$10,702
Operating Cash Disbursements	440,561	1,516,903	(1,076,342)	734,916	781,987
Operating Cash Receipts Over/(Under)					
Operating Cash Disbursements	(137,194)	(1,170,609)	1,033,415	(399,324)	(771,285)
Non-Operating Cash Receipts	387,664	1,412,017	(1,024,353)	672,570	739,447
Non-Operating Cash Disbursements	381,652	348,856	32,796	309,373	39,483
Changes in Net Cash Assets	(131,182)	(107,448)	(23,734)	(36,127)	(71,321)
Net Cash Assets, January 1	260,834	368,282	(107,448)	404,409	(36,127)
Net Cash Assets, December 31	<b>\$129,652</b>	<b>\$260,834</b>	<b>(\$131,182)</b>	<b>\$368,282</b>	<b>(\$107,448)</b>

From 2008 to 2009 operating cash receipts decreased \$42,927 due to a decrease in tap in fees and miscellaneous revenue. Operating cash disbursements decreased \$1,076,342 primarily due to a decrease in capital resulting from an OWDA loan. Non-Operating Cash Receipts decreased \$1,024,353 which is primarily due to an OWDA loan received in fiscal year 2008.

From 2007 to 2008 operating cash receipts increased \$10,702 due to an increase in revenues collected from sewer charges and miscellaneous receipts, which was partially offset by a decrease in tap-in fees. Operating cash disbursements increased \$781,987 primarily due to capital expenditures that resulted from an OWDA loan. Non-operating cash receipts increased \$739,447 primarily due to an OWDA loan received.

**Fayetteville-Perry Township Regional Sewer District  
Brown County**

**Management's Discussion and Analysis  
For the Years Ended December 31, 2009 and December 31, 2008  
(Unaudited)**

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**CAPITAL ASSETS**

The District does not record capital assets in the accompanying basic financial statements under the cash basis of accounting, but records payments for capital assets as disbursements. The District had capital outlay disbursements of \$112,236 and \$1,192,832 during 2009 and 2008, respectively.

**DEBT**

Under the cash basis of accounting the District does not report long-term notes in the accompanying basic financial statements. However, in order to provide information to the readers of this report, we are providing the following detailed information about the District's long-term debt. Additional information regarding debt can be found in Note 4 to the Basic Financial Statements.

<b>TABLE 3</b>	<b>2009</b>	<b>2008</b>
USDA Loan	\$1,469,952	\$1,492,466
OPWC Loan	167,747	184,523
OWDA Loan	457,955	472,952
OWDA Loan	300,561	309,332
OWDA Loan	3,310	0
WWTP Improvement Loan	1,483,678	1,403,488
Water Pollution Control Loan	1,213,942	1,331,029
<b>Total Long Term Debt</b>	<b><u>\$5,097,145</u></b>	<b><u>\$5,193,790</u></b>

**CASH**

Cash and cash equivalents as of December 31, 2009 and December 31, 2008 was \$129,652 and \$260,834, respectively.

**CONTACT INFORMATION**

Questions regarding this report and requests for additional information should be forwarded either to Taryn Egner, 3575 Columbia Road, Lebanon, Ohio 45036 or email at [tegnert@enveng.com](mailto:tegnert@enveng.com)

**Fayetteville-Perry Township Regional Sewer District  
Brown County**

**Statement of Net Assets - Cash Basis  
As of December 31, 2009 and December, 31, 2008**

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	<u>2009</u>	<u>2008</u>
<b>Assets</b>		
Cash and Cash Equivalents	\$ 129,652	\$ 260,834
<i>Total Assets</i>	<u>\$ 129,652</u>	<u>\$ 260,834</u>
<b>Net Assets</b>		
Unrestricted	\$ 129,652	\$ 260,834
<i>Total Net Assets</i>	<u>\$ 129,652</u>	<u>\$ 260,834</u>

See accompanying notes to the basic financial statements.

**Fayetteville-Perry Township Regional Sewer District  
Brown County**

**Statement of Cash Receipts, Disbursements and  
Changes in Net Assets - Cash Basis  
For the Years Ended December 31, 2009 and December 31, 2008**

	<u>2009</u>	<u>2008</u>
<b>Operating Cash Receipts</b>		
Charges for services	\$ 286,287	\$ 297,178
Tap-in installation fees	6,380	22,775
Miscellaneous	10,700	26,341
<i>Total Operating Cash Receipts</i>	<u>303,367</u>	<u>346,294</u>
<b>Operating Cash Disbursements</b>		
Contract labor	2,543	1,200
Capital outlay	112,236	1,192,832
Water lab testing	4,441	2,123
Sludge hauling	17,677	7,168
Repairs and maintenance	9,453	13,110
Water	524	462
Utilities	54,668	46,735
Engineering fees	132,000	137,097
Accounting and audit fees	1,200	7,286
Meeting compensation fees	5,400	5,900
Billing fees	1,840	1,957
Rental fees	552	132
Insurance	16,648	13,396
Tap-in installation fees	2,808	16,213
Legal fees	400	150
Job supplies	65,009	66,372
Office supplies	221	-
Trash pickup	397	817
Postage	496	466
Bank service charges	372	475
Miscellaneous	1,000	-
Customer refund	1,903	1,242
Publications	1,188	-
Licenses	7,585	1,770
<i>Total Operating Cash Disbursements</i>	<u>440,561</u>	<u>1,516,903</u>
<i>Operating Cash Receipts Over (Under) Operating Cash Disbursements</i>	<u>(137,194)</u>	<u>(1,170,609)</u>
<b>Non-Operating Cash Receipts (Disbursements)</b>		
Interest	867	9,787
Proceeds from loans	125,865	1,134,659
Assessment revenues	260,932	267,571
Principal Payment	(222,510)	(195,025)
Interest Payments	(159,142)	(153,831)
<i>Total Non-Operating Cash Receipts (Disbursements)</i>	<u>6,012</u>	<u>1,063,161</u>
<i>Change in Net Cash Assets</i>	<u>(131,182)</u>	<u>(107,448)</u>
<i>Net Assets, January 1</i>	<u>260,834</u>	<u>368,282</u>
<i>Net Assets, December 31</i>	<u>\$ 129,652</u>	<u>\$ 260,834</u>

See accompanying notes to the basic financial statements.

**Fayetteville-Perry Township Regional Sewer District  
Brown County**

**Notes to the Basic Financial Statements  
For the Years Ended December 31, 2009 and December 31, 2008**

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**1. Nature of Organization**

Fayetteville-Perry Township Regional Sewer District, Brown County, (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, in accordance with the provisions of Section 6119.01 of the Ohio Revised Code. The District is directed by a five member Board of trustees, three are appointed by the Perry Township Board of Trustees and two are appointed by the Village of Fayetteville.

In accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* (an amendment of GASB Statement No. 14), the accompanying financial statements include only the accounts and transactions of the District. Under the criteria specified in these GASB Statements, the District has no component units nor is it considered a component unit of the State of Ohio. The District is considered, however, a political subdivision to the State of Ohio. These conclusions regarding the financial reporting entity are based on the concept of financial accountability. The District is not financially accountable for any other organizations. This is evidenced by the fact that the District is a legally and fiscally separate and distinct organization. The District is solely responsible for its finances. The District is empowered to issue debt payable solely from District revenues.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if it appoints a voting majority of the organization's governing board and (1) is able to significantly influence the programs or services performed or provided by the organization; or (2) is legally entitled to or can otherwise access the organization's resources; is legally obligated or has otherwise assumed the responsibility to finance deficits of or provide financial support to the organization; or is obligated for the debt of the organization. Based upon the application of these criteria, 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**

Under the guidelines of GASB Statement No. 20, the District has elected not to apply Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989 to its proprietary activities. A summary of the significant accounting policies applied in preparation of the accompanying financial statements follows:

A. Basis of Accounting

These financial statements follow the cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when a payment is made rather than when a liability is incurred.

As a result of the use of the basis of accounting as described above, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services net yet collected) and liabilities and their related expenses (such as accounts payable and expenses for goods and services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting as described above.

These statements include adequate disclosure of material matters, in accordance with the basis of accounting as described above.

**Fayetteville-Perry Township Regional Sewer District  
Brown County**

**Notes to the Basic Financial Statements  
For the Years Ended December 31, 2009 and December 31, 2008**

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**2. Summary of Significant Accounting Policies (Continued)**

**B. Cash and Investments**

For reporting purposes, the District considers “Net assets” and “Cash and cash equivalents” to be cash on hand, demand deposits, and all investments held by the District with a maturity date less than or equal to three months from the date of purchase.

**C. Basis of Presentation – Fund Accounting**

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The District has created a single type of fund and a single fund within that type. The fund accounts for the governmental resources allocated to it and the segregation of cash and investments for the purpose of carrying on specific activities in accordance with laws, regulations or other restrictions.

The fund type, which the Fayetteville-Perry Township Regional Sewer District uses, is described below:

**Proprietary Fund Type** – This fund type accounts for operations that are organized to be self-supporting through user charges. The fund included in this category used by the District is the Enterprise Fund.

*Enterprise Fund* - An enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (disbursements) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The District’s enterprise fund is used to provide wastewater treatment services for the users in the District.

**D. Budgetary Process**

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

**Appropriations** – Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the department level of control, 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) plus cash balances as of January 1.

**Encumbrances** – The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are cancelled, and reappropriated in the subsequent year.

A summary of 2009 and 2008 budgetary activity appears in Note 5.

**Fayetteville-Perry Township Regional Sewer District  
Brown County**

**Notes to the Basic Financial Statements  
For the Years Ended December 31, 2009 and December 31, 2008**

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**2. Summary of Significant Accounting Policies (Continued)**

E. Capital Assets

Acquisitions of capital assets (property, plant and equipment) are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying basic financial statement.

F. Income Tax

The District operates as a public water and sewer system exempt from federal income tax under Internal Revenue Code Section 501(c)(1).

G. Long-Term Obligations

In general, bonds and loans are recorded as cash disbursements in the basic financial statements when paid and are not recorded as a liability in the accompanying basic financial statements.

H. Operating Cash Receipts and Cash Disbursements

Operating cash receipts are those revenues that are generated directly from the primary activity of the proprietary fund. For the District, these cash receipts are charges for wastewater treatment services provided. Operating cash disbursements are necessary costs incurred to provide the goods and/or service that is the primary activity of the fund. Receipts and disbursements not meeting these definitions are reflected as non-operating.

I. Net Cash Assets

Net cash assets represent the difference between assets and liabilities. Since under the District's current basis of accounting, the District does not record any other assets other than cash and investments and does not record any liabilities, net cash assets is equivalent to cash and investments. The District currently does not record any restrictions on its net assets.

**3. Cash and Investments – Legal Requirements for Deposits with Financial Institutions**

Active deposits are public deposits necessary to meet current demands on the treasury. Such 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 of Trustees 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 monies may be deposited or invested in the following securities:

- A. United States treasury notes, bills, bonds, 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;

**Fayetteville-Perry Township Regional Sewer District  
Brown County**

**Notes to the Basic Financial Statements  
For the Years Ended December 31, 2009 and December 31, 2008**

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**3. Cash and Investments – Legal Requirements for Deposits with Financial Institutions (Continued)**

- B. Bonds, notes, debentures, or any other obligations or securities 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;
- C. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- D. Bonds and other obligations of the State of Ohio, its political subdivisions, or other units or agencies of this State or its political subdivisions;
- E. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
- F. No-load money market mutual funds consisting exclusively of obligations described in division (1) and (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- G. The State Treasurer's investment pool (STAR Ohio);
- H. Securities lending agreements in which the District lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2), or cash, or both securities and cash, equal value for equal value;
- I. High grade commercial paper in an amount not to exceed five percent of the District's total average portfolio; and
- J. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the District's average portfolio.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as a security for repayment, by surety company bonds deposited by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

*Deposits:* Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency of instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The District's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.



**Fayetteville-Perry Township Regional Sewer District  
Brown County**

**Notes to the Basic Financial Statements  
For the Years Ended December 31, 2009 and December 31, 2008**

**3. Cash and Investments – Legal Requirements for Deposits with Financial Institutions (Continued)**

The District's bank balance as of December 31, 2009 and 2008 was \$19,968 and \$32,098. The entire bank balance for 2009 and 2008 was covered by federal depository insurance.

*Investments:* As of December 31, 2009 and 2008, the District had the following investments and maturities:

	2009		2008	
	Fair Value	Weighted Average Maturity (Yrs.)	Fair Value	Weighted Average Maturity (Yrs.)
STAR Ohio	\$ 109,784	< One Year	\$ 226,227	< One Year
Total Fair Value	\$ 109,784		\$ 226,227	

Interest rate risk – In accordance with the investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio.

Credit risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District limits their investments to STAR Ohio. Investments in STAR Ohio were rated AAAM by Standard & Poor's. The District's policy does not address credit risk beyond the requirements of the Ohio Revised Code.

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's investment policy allows investments in STAR Ohio, Repurchase Agreements, Certificates of Deposit or within financial institutions within the State of Ohio as designated by the Federal Reserve Board. The District has invested 100% in STAR Ohio. There are no further restrictions on the amounts the District may invest a single issuer beyond the requirements of the Ohio Revised Code.

Custodial credit risk - Custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the District's securities are either insured and registered in the name of the District or at least registered in the name of the District. The District's investment policy does not address custodial credit risk beyond the requirements of the Ohio Revised Code.

**4. Debt**

Under the District's current basis of accounting, debt obligations are not reported as a liability in the accompanying basic financial statements. However, information regarding current and long-term debt at December 31, 2009 and 2008 is as follows:

	Balance 1/1/2009	Additions	Deletions	Balance 12/31/2009	Due Within One Year	Interest Rate
USDA Loan	\$ 1,492,466	\$ -	\$ 22,514	\$ 1,469,952	\$ 23,595	4.75%
Ohio Public Works Commission Loan	184,523	-	16,776	167,747	16,776	0.00%
OWDA Loan #3953	472,952	-	14,997	457,955	15,222	1.50%
OWDA Loan #4518	309,332	-	8,771	300,561	8,903	1.50%
OWDA Loan #5330	-	3,310	-	3,310	-	**
WWTP Improvement Loan	1,403,488	122,555	42,365	1,483,678	-	*
Water Pollution Control Loan	1,331,029	-	117,087	1,213,942	121,961	4.12%
Total	\$ 5,193,790	\$ 125,865	\$ 222,510	\$ 5,097,145	\$ 186,457	

**Fayetteville-Perry Township Regional Sewer District  
Brown County**

**Notes to the Basic Financial Statements  
For the Years Ended December 31, 2009 and December 31, 2008**

**4. Debt (Continued)**

	Balance 1/1/2008	Additions	Deletions	Balance 12/31/2008	Due Within One Year	Interest Rate
USDA Loan	\$ 1,513,946	\$ -	\$ 21,480	\$ 1,492,466	\$ 22,514	4.75%
Ohio Public Works Commission Loan	201,299	-	16,776	184,523	16,776	0.00%
OWDA Loan #3953	487,726	-	14,774	472,952	14,997	1.50%
OWDA Loan #4518	317,973	-	8,641	309,332	8,771	1.50%
WWTP Improvement Loan	289,775	1,134,659	20,946	1,403,488	-	*
Water Pollution Control Loan	1,443,437	-	112,408	1,331,029	117,087	4.12%
<b>Total</b>	<b>\$ 4,254,156</b>	<b>\$ 1,134,659</b>	<b>\$ 195,025</b>	<b>\$ 5,193,790</b>	<b>\$ 180,145</b>	

Amortization of the above debt is scheduled as follows:

Year Ending December 31:	Water Pollution Control Loan		OPWC	USDA	
	Principal	Interest	Principal	Principal	Interest
2010	\$ 121,961	\$ 48,771	\$ 16,776	\$ 23,595	\$ 69,546
2011	127,037	43,694	16,776	24,730	67,070
2012	132,325	38,407	16,776	25,918	65,906
2013	137,833	32,899	16,776	27,164	64,684
2014	143,570	27,162	16,776	27,911	63,404
2015-2019	551,216	46,346	83,867	161,017	295,561
2020-2024	-	-	-	203,626	252,962
2025-2029	-	-	-	257,485	199,096
2030-2034	-	-	-	325,504	130,974
2035-2039	-	-	-	393,002	44,831
<b>Totals</b>	<b>\$ 1,213,942</b>	<b>\$ 237,279</b>	<b>\$ 167,747</b>	<b>\$ 1,469,952</b>	<b>\$ 1,254,034</b>

Year Ending December 31:	OWDA Loan #4518		OWDA Loan #3953	
	Principal	Interest	Principal	Interest
2010	\$ 8,903	\$ 4,475	\$ 15,223	\$ 6,813
2011	9,038	4,341	15,452	6,583
2012	9,174	4,205	15,684	6,351
2013	9,311	4,067	15,920	6,115
2014	9,452	3,926	16,160	5,875
2015-2019	49,438	17,455	84,523	25,649
2020-2024	53,272	13,620	91,082	19,092
2025-2029	57,405	9,487	98,148	12,024
2030-2034	61,862	5,033	105,763	4,410
2035-2037	32,706	739	-	-
<b>Totals</b>	<b>\$ 300,561</b>	<b>\$ 67,348</b>	<b>\$ 457,955</b>	<b>\$ 92,912</b>

The OWDA loan #3953 was for the construction of a new lift station and new lines for the Creekwood Housing Development and Collection System Extensions at the Bremen/Dortmund/Lorelei areas. These projects are financed by a loan with the Ohio Water Development Authority (OWDA). The 30 year loan was issued for \$530,747 at a 1.5% rate of interest.

**Fayetteville-Perry Township Regional Sewer District  
Brown County**

**Notes to the Basic Financial Statements  
For the Years Ended December 31, 2009 and December 31, 2008**

**4. Debt (Continued)**

\* The WWTP Improvement loan was still open as of December 31, 2009 and no amortization schedule has been established for this loan. This loan was for the wastewater treatment plant expansion and upgrade. This project is financed by a loan with the Ohio Water Development Authority (OWDA). The 30 year loan is approved for \$1,575,616 with a 1.5% interest rate.

The OWDA loan #4518 original issue amount was \$319,000 with a 1.5% interest rate for a thirty year period. This loan was for the Oder/Fredrickstrasser sewer extension project, which was financed by the Ohio Water Development Authority (OWDA).

\*\* The OWDA loan #5330 was still open as of December 31, 2009 and no amortization schedule has been established for this loan. This loan is approved in the amount of \$946,907 with a 1.5% interest rate for a 30 year period. This loan was for the State Route 251 sewer extension project, which was financed by the Ohio Water Development Authority (OWDA).

The Ohio Public Works Commission loan original issue amount was \$335,502 with a 0% interest rate for a twenty year period. This loan financed the central wastewater collection and treatment project.

The USDA loan original issue amount was \$1,628,439 with a 4.75% interest rate with payments through 2039.

The Water Pollution Control loan original issue amount was \$2,310,838 with a 4.12% interest rate for a twenty year period. This loan financed the wastewater treatment system construction project.

**5. Budgetary Process**

The Ohio Revised Code requires that the District adopt an operating budget annually.

The following summarizes the District's budgetary activity for 2009 and 2008:

**Budgetary Activity**

Budgetary activity for the year ending December 31, 2009 was as follows:

2009				2008			
<b><u>Budgeted vs. Actual Receipts</u></b>				<b><u>Budgeted vs. Actual Receipts</u></b>			
Budgeted		Actual	Variance	Budgeted		Actual	Variance
Original	Final			Original	Final		
\$1,806,310	\$595,110	\$691,031	\$95,921	\$2,233,500	\$1,725,700	\$1,758,311	\$32,611
<b><u>Budgeted vs. Actual Budgetary Basis Expenditures</u></b>				<b><u>Budgeted vs. Actual Budgetary Basis Expenditures</u></b>			
Budgeted		Actual	Variance	Budgeted		Actual	Variance
Original	Final			Original	Final		
\$1,849,772	\$826,310	\$822,213	\$4,097	\$2,207,985	\$1,948,215	\$1,865,759	\$82,456

**Fayetteville-Perry Township Regional Sewer District  
Brown County**

**Notes to the Basic Financial Statements  
For the Years Ended December 31, 2009 and December 31, 2008**

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**6. Risk Management**

The District has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Municipal Property
- Vehicles
- Errors and Omissions

There have been no significant reductions in insurance coverage from the prior year. Settlement costs have not exceeded insurance coverage during any of the past three years.

**7. Contingent Liabilities**

The District currently is not a party to any legal proceedings.



**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by  
*Government Auditing Standards***

Board of Directors  
Fayetteville-Perry Township Regional Sewer District  
P.O. Box 294  
Fayetteville, Ohio 45118

We have audited the financial statements of the business-type activities of the Fayetteville-Perry Township Regional Sewer District, Brown County, Ohio (the District), as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated April 15, 2010, wherein we indicated that the District follows the cash basis of accounting rather than accounting principles generally accepted in the United States of America. We conducted our audits 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

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

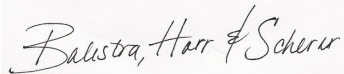
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement. We did not identify any deficiencies in the internal control over financial reporting that we consider material weaknesses.

### **Compliance and Other Matters**

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 grant agreements, noncompliance with which could have a direct and material effect on 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 that are required to be reported under *Government Auditing Standards*.

We noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated April 15, 2010.

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



Balestra, Harr & Scherer, CPAs, Inc.  
April 15, 2010



**Mary Taylor, CPA**  
Auditor of State

**FAYETTEVILLE-PERRY TOWNSHIP REGIONAL SEWER DISTRICT**

**BROWN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 20, 2010**