

Fayetteville-Perry Township Regional Sewer District  
Brown County

Regular Audit

January 1, 2000-December 31, 2001

**BALESTRA & COMPANY**  
CERTIFIED PUBLIC ACCOUNTANTS  
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Board of Trustees  
Fayetteville-Perry Township Regional Sewer District

We have reviewed the Independent Auditor's Report of the Fayetteville-Perry Township Regional Sewer District, Brown County, prepared by Balestra & Company for the audit period January 1, 2000 through December 31, 2001. 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 black ink, appearing to read "Jim Petro".

JIM PETRO  
Auditor of State

May 20, 2002

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FAYETTEVILLE-PERRY TOWNSHIP REGIONAL SEWER DISTRICT  
BROWN COUNTY  
JANUARY 1, 2000 THROUGH DECEMBER 31, 2001

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Ohio Society of Certified Public Accountants

**Independent Auditor's Report**

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

We have audited the accompanying financial statements of the Fayetteville-Perry Township Regional Sewer District, Brown County, Ohio, (the District) as of and for the years ended December 31, 2001, and December 31, 2000, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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 of America. Those standards require that we plan and perform the audits 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 discussed in 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 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 combined fund cash balances of the Fayetteville-Perry Township Regional Sewer District, Brown County, Ohio, as of December 31, 2001, and December 31, 2000, and its combined 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 April 10, 2002 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.

This report is intended solely for the information and use of the 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.

Balestra & Company

Balestra & Company  
April 10, 2002

FAYETTEVILLE-PERRY TOWNSHIP REGIONAL SEWER DISTRICT  
BROWN COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES  
IN FUND CASH BALANCES - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2001

	<u>Enterprise</u>
Operating cash receipts:	
Charges for services	\$162,032
Tap-in Installation Fees	36,055
Miscellaneous	<u>17</u>
Total operating cash receipts	198,104
Operating cash disbursements:	
Construction	13,310
Contract Labor	12,668
Equipment Purchases	40,482
Water Lab Testing	1,852
Sludge Hauling	11,050
Repairs & Maintenance	3,760
Water	298
Utilities	26,760
Engineering Fees	110,200
Meeting Compensation Fees	5,400
Audit Fees	309
Billing Fees	1,717
Rental Fees	32
Insurance	9,139
Tap-in Installation Fees	11,365
Legal Fees	24,309
Job Supplies	16,858
Trash Pickup	285
Postage	123
Bank Service Charges	201
Dues & Subscriptions	395
Miscellaneous	493
Licenses	<u>47</u>
Total operating cash disbursements	<u>291,053</u>
Operating loss	<u>(92,949)</u>
Other financing receipts and disbursements:	
Interest Income	18,149
Assessment Revenues	254,612
Principal Debt Payments	(116,733)
Interest Expense	<u>(163,932)</u>
Total other financing receipts and disbursements	(7,904)
Excess of cash receipts over/(under) cash disbursements and other financing receipts and disbursements	(100,853)
Fund cash balances, January 1, 2001	<u>643,541</u>
Fund cash balances, December 31, 2001	<u><u>\$542,688</u></u>

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

FAYETTEVILLE-PERRY TOWNSHIP REGIONAL SEWER DISTRICT  
BROWN COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES  
IN FUND CASH BALANCES - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2000

	Enterprise
Operating cash receipts:	
Charges for services	\$152,813
Tap-in Installation Fees	48,293
Miscellaneous	3,673
Total operating cash receipts	204,779
Operating cash disbursements:	
Construction	71,289
Contract Labor	22,847
Water Lab Testing	760
Chemicals and Operating Supplies	108
Sludge Hauling	9,599
Repairs & Maintenance	1,464
Water	295
Utilities	20,223
Engineering Fees	99,000
Accounting Fees	2,163
Meeting Compensation Fees	1,900
Audit Fees	4,000
Billing Fees	1,427
Rental Fees	24
Insurance	9,147
Tap-in Installation Fees	31,380
Legal Fees	4,914
Job Supplies	7,664
Trash Pickup	246
Bank Service Charges	364
Dues & Subscriptions	295
Miscellaneous	42
Licenses	1,097
Total operating cash disbursements	290,248
Operating loss	(85,469)
Other financing receipts and disbursements:	
Interest Income	23,808
Assessment Revenues	248,876
Principal Debt Payments	(112,647)
Interest Expense	(168,275)
Total other financing receipts and disbursements	(8,238)
Excess of cash receipts over/(under) cash disbursements and other financing receipts and disbursements	(93,707)
Fund cash balances, January 1, 2000	737,248
Fund cash balances, December 31, 2000	\$643,541

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

FAYETTEVILLE-PERRY TOWNSHIP REGIONAL SEWER DISTRICT  
BROWN COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JANUARY 1, 2000 THROUGH DECEMBER 31, 2001

1. Summary of Significant Accounting Policies

A. Description of the Entity

Fayetteville-Perry 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 five member Board of Trustees, three are appointed by the Perry Township Board of Trustees and two are appointed by the Village of Fayetteville.

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 a payment is made rather than when a liability is incurred.

The District uses funds to report on its results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities.

The District uses a proprietary fund type to account for ongoing activities that are similar to those found in private sector. The following is the District's proprietary fund type:

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 in appropriate for capital maintenance, public policy, management control, accountability or other purposes.

C. Budgetary Process

Annually, the Sewer District adopts an operating budget. The District also adopts annual appropriations which are limited by estimated resources.

D. Property, Plant, Equipment, and Furniture

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 statement.

FAYETTEVILLE-PERRY TOWNSHIP REGIONAL SEWER DISTRICT  
 BROWN COUNTY  
 NOTES TO THE FINANCIAL STATEMENTS  
 JANUARY 1, 2000 THROUGH DECEMBER 31, 2001

2. Cash and Cash Equivalents

The District maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash at December 31, 2001 and 2000 was as follows:

Demand Deposits	<u>2001</u>	<u>2000</u>
	\$542,688	\$643,541

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

3. Debt

Debt Outstanding at December 31, 2001 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
USDA Loan	\$1,623,655	4.75%
Ohio Public Works Loan	301,952	0.00%
Water Pollution Control Loan	<u>2,029,591</u>	4.12%
Total	<u>\$3,955,198</u>	

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

<u>Year ending</u> <u>December 31:</u>	<u>Water Pollution</u> <u>Control Loan</u>	<u>Ohio Public</u> <u>Works Loan</u>	<u>USDA</u> <u>Loan</u>
2002	\$ 170,732	\$ 16,776	\$ 93,141
2003	170,732	16,776	93,141
2004	170,732	16,776	93,141
2005	170,732	16,776	93,141
2006	170,732	16,776	93,141
Subsequent	<u>1,796,892</u>	<u>226,458</u>	<u>3,027,091</u>
Total	<u>\$ 2,650,552</u>	<u>\$ 310,338</u>	<u>\$3,492,796</u>

FAYETTEVILLE-PERRY TOWNSHIP REGIONAL SEWER DISTRICT  
 BROWN COUNTY  
 NOTES TO THE FINANCIAL STATEMENTS  
 JANUARY 1, 2000 THROUGH DECEMBER 31, 2001

4. Budgetary Process

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

Appropriations

Budgetary expenditures (that is, disbursements) may not exceed appropriations at the fund level of control, and appropriations may not exceed estimated resources. The District must annually approve appropriation measures and subsequent amendments.

Estimated Resources

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

Budgetary Activity

Budgetary activity for the years ending December 31, 2001 and 2000 was as follows:

2001 Budgeted VS. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	Variance Favorable/ <u>(Unfavorable)</u>
Enterprise	\$227,585	\$470,865	\$243,280

2001 Budgeted VS. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	Variance Favorable/ <u>(Unfavorable)</u>
Enterprise	\$226,750	\$571,718	\$(344,968)

FAYETTEVILLE-PERRY TOWNSHIP REGIONAL SEWER DISTRICT  
 BROWN COUNTY  
 NOTES TO THE FINANCIAL STATEMENTS  
 JANUARY 1, 2000 THROUGH DECEMBER 31, 2001

4. Budgetary Process (Continued)

2000 Budgeted VS. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance Favorable/ (Unfavorable)</u>
Enterprise	\$278,899	\$477,463	\$198,564

2000 Budgeted VS. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance Favorable/ (Unfavorable)</u>
Enterprise	\$257,760	\$571,170	\$(313,410)

In 2001 and 2000, the disbursements exceeding appropriations of \$344,968 and \$313,410. This is in violation of Ohio Revised Code Section 5705.41(B), which prohibits the expenditure of funds unless they have been properly appropriated.

5. Risk Management

The District has obtained commercial insurance for the following risks:

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

6. Contingent Liabilities

The District is currently party to legal proceedings. The District's management is in the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the District.

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Ohio Society of Certified Public Accountants

**Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

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

We have audited the accompanying financial statements of Fayetteville-Perry Township Regional Sewer District, (the District) as of and for the years ended December 31, 2001, and December 31, 2000, and have issued our report thereon dated April 10, 2002. 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 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 two instances of noncompliance that are required to be reported under *Governmental Auditing Standards*. Those two reportable citations are described in the accompanying schedule of findings as items 2001-01 and 2001-02. We also noted certain immaterial instances of noncompliance which we have reported to the management of the District in a separate letter dated April 10, 2002.

**Internal Control Over Financial Reporting**

In planning and performing our audits, 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 withing 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 other matters involving the internal control over financial reporting, which we have reported to the management of the District in a separate letter dated April 10, 2002.

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

**Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

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This report is intended solely for the information and use of the 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.

Balestra & Company  
Balestra & Company

April 10, 2002

FAYETTEVILLE-PERRY TOWNSHIP REGIONAL SEWER DISTRICT  
 BROWN COUNTY  
 JANUARY 1, 2000 THROUGH DECEMBER 31, 2001

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

Finding Number: 2001-01	<p><u>Amending or Supplementing Appropriations</u></p> <p>Ohio Revised Code section 5705.40 states that any appropriation measure may be amended or supplemented as long as the entity complies with the same provisions of the law as are used in making the original appropriation. The District should have increased appropriations by amendment to the original appropriations, as actual expenditures exceeded appropriations by \$344,968 for 2001 and \$313,410 for 2000.</p>
Finding Number: 2001-02	<p><u>Appropriations vs. Disbursements</u></p> <p>Ohio Revised Code section 5705.41(B), prohibits any subdivision from making any expenditure without it being properly appropriated. Expenditures exceeded appropriations by \$344,968 for 2001 and \$313,410 for 2000.</p>

**CORRECTIVE ACTION PLAN:**

FINDING NUMBER:	PLANNED CORRECTIVE ACTION:	ANTICIPATED COMPLETION DATE:	RESPONSIBLE CONTACT PERSON:
2001-02	The Board will monitor budgetary activity more closely during the next fiscal year.	12/31/02	Tom Denier, Board President
2001-02	The Board will monitor budgetary activity more closely during the next fiscal year.	12/31/02	Tom Denier, Board President

SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
 FAYETTEVILLE-PERRY TOWNSHIP REGIONAL SEWER DISTRICT  
 BROWN COUNTY

Finding Summary	Fully Corrected	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
Minutes and Resolution Maintenance	Yes	
Financial Records Management	Yes	
Audit Timetable	Yes	
Bonding	Yes	
Inventory Procedures	Yes	
Filing of Forms 1099	Yes	
Material Weakness In Financial Reporting	Yes	





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**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  
JUNE 4, 2002**