

Fayetteville-Perry Township Regional Sewer District

Brown County

Regular Audit

January 1, 2004 through December 31, 2005

**BALESTRA, HARR & SCHERER**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
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**Auditor of State  
Betty Montgomery**

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

We have reviewed the *Report of Independent Auditors* of the Fayetteville-Perry Township Regional Sewer District, Brown County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2004 through December 31, 2005. 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 "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

August 31, 2006

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**FAYETTEVILLE-PERRY TOWNSHIP  
REGIONAL SEWER DISTRICT  
BROWN COUNTY  
DECEMBER 31, 2005 AND 2004**

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# BALESTRA, HARR & SCHERER CPAs, INC.

CERTIFIED PUBLIC ACCOUNTANTS

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

## REPORT OF INDEPENDENT AUDITORS

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 business-type activities of Fayetteville-Perry Township Regional Sewer District, Brown County, Ohio (the District), as of and for the years ended December 31, 2005 and 2004. 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 audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

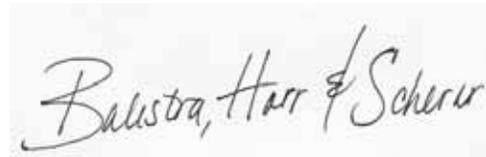
As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

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, 2005 and 2004, and the respective changes in cash basis financial position thereof for the year then ended in conformity with the accounting basis Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2006, 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 testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 5 is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

As described in Note 8, the District revised its financial presentation comparable to the requirements of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis for States and Local Governments*, as it applies to the cash basis of accounting, and implemented GASB Statement No. 38 *Certain Financial Statement Note Disclosures* and GASB Statement No. 40, *Deposit and Investment Risk Disclosures*.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in dark ink on a light-colored background.

Balestra, Harr & Scherer CPAs, Inc.

June 29, 2006

**FAYETTEVILLE-PERRY TOWNSHIP  
REGIONAL SEWER DISTRICT  
BROWN COUNTY**

**Management's Discussion and Analysis  
For the Years Ended December 31, 2005 and December 31, 2004**

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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.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued June, 1999.

GASB Statement No. 34 requires that comparative data be presented in the MD&A except in the case of first year implementation. Comparative data for 2003 is not available due to 2004 being the first year of GASB 34 presentation. Subsequent reports will include the comparative data.

**FINANCIAL HIGHLIGHTS**

The District's net cash assets decreased by \$57,918 in 2005 and increased \$153,910 in 2004..

The District's Operating Cash Receipts were \$338,536 and \$302,978 Operating Cash Disbursements were \$358,636 and \$527,939 in 2005 and 2004, 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 Fund Net Assets-Cash Basis provide information on the District's cash basis operations over the past two years and the success of recovering all its costs through user fees, charges, and other income. Revenues are reported when received and expenses 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 generally accepted 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, 2005 and December 31, 2004**

**STATEMENTS OF NET ASSETS-CASH BASIS**

Table 1 summarizes the Statements of Net Cash Assets of the District.

<b>TABLE 1</b>	<b>2005</b>	<b>2004</b>	<b>Change Amount</b>
Cash and Cash Equivalents	\$480,640	\$538,558	(\$57,918)
<b>Total Assets</b>	<u>\$480,640</u>	<u>\$538,558</u>	<u>(\$57,918)</u>
Net Assets -			
Unrestricted	\$480,640	\$538,558	(\$57,918)
<b>Total Net Assets</b>	<u>\$480,640</u>	<u>\$538,558</u>	<u>(\$57,918)</u>

The District's Net Assets decreased by \$57,918 in 2005. The decrease was primarily the result of proceeds from an OWDA loan received in 2004 and the decline of tap-in fees from 2004 to 2005.

**STATEMENTS OF CHANGES IN NET CASH ASSETS**

Table 2 below summarizes the changes in Cash Receipts, Cash Disbursements and the resulting change in Net Assets.

<b>TABLE 2</b>	<b>2005</b>	<b>2004</b>	<b>Difference</b>
Operating Cash Receipts	\$338,536	\$302,978	\$35,558
Operating Cash Disbursements	358,636	530,775	(172,139)
Operating Loss	(20,100)	(227,797)	207,697
Non-Operating Cash Receipts	264,865	697,582	(432,717)
Non-Operating Cash Disbursements	302,683	315,875	(13,192)
Changes in Net Cash Assets	(57,918)	153,910	(211,828)
Net Cash Assets, January 1	538,558	384,648	153,910
Net Cash Assets, December 31	<u>\$480,640</u>	<u>\$538,558</u>	<u>(\$57,918)</u>

From 2004 to 2005 operating cash receipts increased \$35,558 due to an increase in revenues collected from sewer charges. Operating cash disbursements decreased \$172,139 primarily due to capital expenditures in the prior year that resulted from an OWDA loan. Non-Operating Cash Receipts decreased \$432,717 primarily due to an OWDA loan received in 2004.

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

**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 \$38,421 and \$259,602 during 2005 and 2004, respectively.

**FAYETTEVILLE-PERRY TOWNSHIP  
REGIONAL SEWER DISTRICT  
BROWN COUNTY**

**Management's Discussion and Analysis  
For the Years Ended December 31, 2005 and December 31, 2004**

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**DEBT**

Under the cash basis of accounting the District does not report bonds, long-term notes or short-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>2005</b>	<b>2004</b>
USDA Loan	\$1,553,998	\$1,572,656
OPWC Loan	234,851	251,627
OWDA Loan	474,393	488,519
Water Pollution Control Loan	<u>1,654,956</u>	<u>1,754,420</u>
<b>Total Long Term Debt</b>	<b><u><u>\$3,918,198</u></u></b>	<b><u><u>\$4,067,222</u></u></b>

**CASH**

Cash and cash equivalents as of December 31, 2005 and 2004 was \$480,640 and \$538,558, respectively.

**CONTACT INFORMATION**

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

**FAYETTEVILLE-PERRY TOWNSHIP  
REGIONAL SEWER DISTRICT  
BROWN COUNTY**

**Statement of Net Assets - Cash Basis -  
As of December 31, 2005 and December 31, 2004**

	<u>2005</u>	<u>2004</u>
<b>Assets</b>		
Cash and Cash Equivalents	\$ 480,640	\$ 538,558
<i>Total Assets</i>	<u>\$ 480,640</u>	<u>\$ 538,558</u>
<b>Net Assets</b>		
Unrestricted	\$ 480,640	\$ 538,558
<i>Total Net Assets</i>	<u>\$ 480,640</u>	<u>\$ 538,558</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, 2005 and December 31, 2004**

	<u>2005</u>	<u>2004</u>
<b>Operating Cash Receipts</b>		
Charges for services	\$ 262,880	\$ 208,219
Tap-in installation fees	71,488	94,640
Miscellaneous	4,168	119
Total operating cash receipts	<u>338,536</u>	<u>302,978</u>
<b>Operating Cash Disbursements</b>		
Chemicals and operating supplies	388	225
Contract labor	125	4,169
Capital outlay	38,421	15,484
Construction costs - capital outlay	-	246,954
Water lab testing	1,066	899
Sludge hauling	11,000	13,500
Repairs and maintenance	67,942	8,531
Water	318	344
Utilities	34,550	34,076
Engineering fees	126,220	115,716
Accounting fees	1,200	1,200
Meeting compensation fees	5,900	5,600
Billing fees	4,273	2,164
Rental fees	36	316
Insurance	13,664	13,388
Tap-in installation fees	15,832	30,239
Legal fees	643	1,341
Job supplies	33,575	32,248
Office supplies	320	212
Trash pickup	353	256
Postage	906	758
Dues and subscriptions	600	1,267
Bank service charges	336	318
Miscellaneous	-	1,043
Customer refund	968	119
Publications	-	308
Licenses	-	100
Total operating cash disbursements	<u>358,636</u>	<u>530,775</u>
Operating Cash Receipts Over (Under)		
Operating Cash Disbursements	<u>(20,100)</u>	<u>(227,797)</u>
<b>Non-Operating Cash Receipts (Disbursements)</b>		
Interest Income	5,185	2,628
Proceeds from OWDA loans	-	340,637
Assessment revenues	259,680	254,317
Proceeds from Sale of Land	-	100,000
Principal Payments	(149,024)	(165,294)
Interest Expense	(153,659)	(150,581)
Total non-operating cash receipts (disbursements)	<u>(37,818)</u>	<u>381,707</u>
Change in net cash assets	(57,918)	153,910
Net assets, January 1	<u>538,558</u>	<u>384,648</u>
Net assets, December 31	<u>\$ 480,640</u>	<u>\$ 538,558</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, 2005 and December 31, 2004

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**1. Nature of Organization**

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.

**2. Summary of Significant Accounting Policies**

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. 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 basis of accounting as described above.

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

B. Cash and Investments

For reporting purposes, the District considers "Net cash 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 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.

FAYETTEVILLE-PERRY TOWNSHIP REGIONAL SEWER DISTRICT  
BROWN COUNTY

Notes to the Basic Financial Statements  
For the Years Ended December 31, 2005 and December 31, 2004

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

C. **Basis of Presentation – Fund Accounting** (Continued)

*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.

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 fund 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 2005 and 2004 budgetary activity appears in Note 5.

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.

FAYETTEVILLE-PERRY TOWNSHIP REGIONAL SEWER DISTRICT  
BROWN COUNTY

Notes to the Basic Financial Statements  
For the Years Ended December 31, 2005 and December 31, 2004

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

H. 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 cash assets.

**3. Equity in Pooled 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 two-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;
- 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;

FAYETTEVILLE-PERRY TOWNSHIP REGIONAL SEWER DISTRICT  
BROWN COUNTY

Notes to the Basic Financial Statements  
For the Years Ended December 31, 2005 and December 31, 2004

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

- 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;
- 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: The District's deposits are required to be categorized to give an indication of the level of risk assumed by the District at fiscal year end. Category 1 includes deposits that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered deposits which are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered deposits for which the securities are held by the counterparty or by its trust department or agent but not in the District's name. For 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. The carrying amount of the District's deposits was \$480,640 and \$538,558 as of December 31, 2005 and 2004, respectively. The District's bank balances were \$495,480 as of December 31, 2005, and \$539,392 as of December 31, 2004. Of the bank balance, \$100,000 was covered by federal depository insurance (Category 1) for both years. The remaining \$380,640 in 2005, and \$438,558 in 2004, was uninsured/uncollateralized (Category 3) and subject to custodial credit risk. Although the securities serving as collateral were held by the financial institutions trust department and all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the District to successful claim by the Federal Deposit Insurance Corporation.

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

FAYETTEVILLE-PERRY TOWNSHIP REGIONAL SEWER DISTRICT  
BROWN COUNTY

Notes to the Basic Financial Statements  
For the Years Ended December 31, 2005 and December 31, 2004

**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, 2005 is as follows:

	2005 Principal	Interest Rate
USDA Loan	\$ 1,553,998	4.75%
Ohio Public Works Loan	234,851	0.00%
OWDA Loan	474,393	**
Water Pollution Control Loan	1,654,956	4.12%
Total	\$ 3,918,198	

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

Year Ending December 31:	Water Pollution Control Loan		OPWC	USDA	
	Principal	Interest	Principal	Principal	Interest
2006	\$ 103,604	\$ 67,128	\$ 16,776	\$ 19,556	\$ 73,585
2007	107,916	62,816	16,776	20,496	72,645
2008	112,408	58,324	16,776	21,480	71,661
2009	117,087	53,644	16,776	22,514	70,627
1010	121,961	48,771	16,776	23,595	69,546
2011-2015	614,776	153,517	83,880	136,120	323,127
2016-2020	477,204	34,991	67,091	172,129	287,822
2021-2025	-	-	-	217,670	243,173
2026-2030	-	-	-	275,255	186,718
2031-2035	-	-	-	428,043	115,324
2036-2040	-	-	-	217,140	28,321
Totals	\$ 1,654,956	\$ 479,191	\$ 234,851	\$ 1,553,998	\$ 1,542,549

\*\* The OWDA loan was still open as of December 31, 2005 and no amortization schedule has been established for this loan. This loan 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 is approved for \$525,000 at a 1.5% rate of interest.

**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 2005 and 2004:

FAYETTEVILLE-PERRY TOWNSHIP REGIONAL SEWER DISTRICT  
BROWN COUNTY

Notes to the Basic Financial Statements  
For the Years Ended December 31, 2005 and December 31, 2004

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**5. Budgetary Process (Continued)**

**Budgetary Activity**

Budgetary activity for the year ending December 31, 2005 was as follows:

<b><u>Budgeted vs. Actual Receipts</u></b>			
<u>Budgeted</u>		<u>Actual</u>	<u>Variance</u>
<u>Original</u>	<u>Final</u>		
\$1,105,500	\$546,000	\$603,401	\$57,401

<b><u>Budgeted vs. Actual Budgetary Basis Expenditures</u></b>			
<u>Budgeted</u>		<u>Actual</u>	<u>Variance</u>
<u>Original</u>	<u>Final</u>		
\$1,096,350	\$675,000	\$661,319	\$13,681

Budgetary activity for the year ending December 31, 2004 was as follows:

<b><u>Budgeted vs. Actual Receipts</u></b>			
<u>Budgeted</u>		<u>Actual</u>	<u>Variance</u>
<u>Original</u>	<u>Final</u>		
\$1,346,000	\$919,500	\$1,000,560	\$81,060

<b><u>Budgeted vs. Actual Budgetary Basis Expenditures</u></b>			
<u>Budgeted</u>		<u>Actual</u>	<u>Variance</u>
<u>Original</u>	<u>Final</u>		
\$1,312,550	\$831,836	\$846,650	(\$14,814)

**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.

FAYETTEVILLE-PERRY TOWNSHIP REGIONAL SEWER DISTRICT  
BROWN COUNTY

Notes to the Basic Financial Statements  
For the Years Ended December 31, 2005 and December 31, 2004

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**8. Change in Accounting Principle**

In fiscal year 2004, the District elected to present its annual financial report comparable to the requirements of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for States and Local Governments*, as it applies to the District’s cash basis of accounting. The District implemented GASB Statement No. 38, *Certain Financial Statement Note Disclosures*.

For fiscal year 2004, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 40, “Deposit and Investment Risk Disclosures”. GASB 40 establishes and modifies disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modifies disclosure requirements for custodial credit risk on deposits. This statement applies to all state and local governments. The implementation of GASB Statement No. 40 had no effect on the District’s financial statements.

# BALESTRA, HARR & SCHERER CPAs, INC.

CERTIFIED PUBLIC ACCOUNTANTS

528 South West Street, P.O. Box 687

Piketon, Ohio 45661

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Ohio Society of Certified Public Accountants

## **REPORT ON COMPLIANCE ON AND INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *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 Fayetteville-Perry Township Regional Sewer District, Brown County, Ohio (the District), as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated June 29, 2006 in which we indicated the District revised its financial statement presentation comparable to GASB 34 and implemented GASB Statements No. 38 and 40. We conducted our audits in accordance with generally accepted auditing standards 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion 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 that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

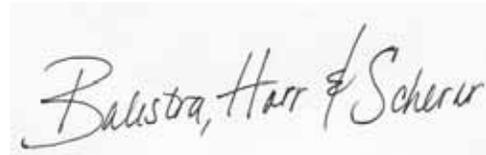
### **Compliance and Other Matters**

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 which we have reported to the management of the District in a separate letter dated June 29, 2006.

Board of Directors  
Fayetteville-Perry Township Regional Sewer District  
Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit  
Of Financial Statements Performed In Accordance With *Governmental Auditing Standards*  
Page 2

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

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in dark ink on a light-colored background.

Balestra, Harr & Scherer CPA's, Inc.

June 29, 2006

Fayetteville-Perry Township Regional Sewer District  
Brown County  
January 1, 2004-December 31, 2005

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS**

Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected; Significantly Difference Corrective Action Taken; or Finding No Longer Valid; <i>Explain.</i>
2003-01 Appropriations limited by estimated resources	No	Corrected.
2003-02 Appropriations vs. Disbursements	No	Partially Corrected – Reissued in Management Letter.
2003-03 Amending or Supplementing Appropriations	No	Partially Corrected – Reissued in Management Letter.
2003-04 Amending or Supplementing Estimated Revenues	No	Corrected.



**Auditor of State  
Betty Montgomery**

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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  
SEPTEMBER 14, 2006**