



Dave Yost • Auditor of State



FAYETTEVILLE-PERRY TOWNSHIP REGIONAL SEWER DISTRICT  
BROWN COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Fayetteville Perry Township Regional Sewer District  
Brown County  
PO Box 294  
Fayetteville, Ohio 45118

To the Board of Trustees:

We have audited the accompanying basic financial statements of the Fayetteville Perry Township Regional Sewer District, Brown County, Ohio (the District), as of and for the year ended December 31, 2011 and 2010, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions 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 the Comptroller General of the United States' *Government Auditing Standards*. 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 our audit provides a reasonable basis for our opinions.

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 financial position of the Fayetteville Perry Township Regional Sewer District, Brown County, Ohio, as of December 31, 2011 and 2010, and the respective changes in the cash basis financial position, thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2012, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. 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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis, required budgetary comparison schedules* as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United State of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

December 31, 2012

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

**Management's Discussion and Analysis  
For the Years Ended December 31, 2011 and December 31, 2010  
(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 \$164,870 in 2011 and increased \$167,329 in 2010.

The District's Operating Cash Receipts were \$397,986 and \$344,029 in 2011 and 2010, respectively. Operating Cash Disbursements were \$754,536 and \$1,290,332 in 2011 and 2010, 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 Statement of Net Assets-Cash Basis and the Statement of Cash Receipts, Disbursements and Changes in 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 (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, 2011 and December 31, 2010  
(Unaudited)**

**STATEMENT OF NET ASSETS-CASH BASIS**

Table 1 summarizes the Statement of Net Assets – Cash Basis of the District at December 31, 2011 and 2010 with a comparative analysis with 2009.

<b>TABLE 1</b>	<b>2011</b>	<b>2010</b>	<b>Change Amount</b>	<b>2009</b>	<b>Change Amount</b>
Cash and Cash Equivalents	\$132,111	\$296,981	(\$164,870)	\$129,652	\$167,329
<b>Total Assets</b>	<b>\$132,111</b>	<b>\$296,981</b>	<b>(\$164,870)</b>	<b>\$129,652</b>	<b>\$167,329</b>
Net Assets -					
Unrestricted	\$132,111	\$296,981	(\$164,870)	\$129,652	\$167,329
<b>Total Net Assets</b>	<b>\$132,111</b>	<b>\$296,981</b>	<b>(\$164,870)</b>	<b>\$129,652</b>	<b>\$167,329</b>

The District's Net Assets decreased by \$164,870 in 2011. The decrease was primarily the result of a grant received from OPWC in 2010 that did not occur in 2011, in addition to a decrease in loan proceeds.

The District's Net Assets increased by \$167,329 in 2010. The increase was primarily the result of increased revenues as a result of proceeds from loans and a grant from OPWC.

**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 2011 and 2010 with a comparative analysis with 2009.

<b>TABLE 2</b>	<b>2011</b>	<b>2010</b>	<b>Difference</b>	<b>2009</b>	<b>Difference</b>
Operating Cash Receipts	\$397,986	\$344,029	\$53,957	\$303,367	\$40,662
Operating Cash Disbursements	754,536	1,290,332	(535,796)	440,561	849,771
Operating Cash Receipts Over/(Under)					
Operating Cash Disbursements	(356,550)	(946,303)	589,753	(137,194)	(809,109)
Non-Operating Cash Receipts	601,620	1,486,896	(885,276)	387,664	1,099,232
Non-Operating Cash Disbursements	409,940	373,264	36,676	381,652	(8,388)
Changes in Net Cash Assets	(164,870)	167,329	(332,199)	(131,182)	298,511
Net Cash Assets, January 1	296,981	129,652	167,329	260,834	(131,182)
Net Cash Assets, December 31	<b>\$132,111</b>	<b>\$296,981</b>	<b>(\$164,870)</b>	<b>\$129,652</b>	<b>\$167,329</b>

From 2010 to 2011 operating cash receipts increased \$53,957 due to an increase in charges for services. Operating cash disbursements decreased \$535,796 primarily due to a decrease in capital outlay resulting from loans and an OPWC grant. Non-Operating cash receipts decreased \$885,276 which is primarily due to a decrease in proceeds from loans and an OPWC grant.

From 2009 to 2010 operating cash receipts increased \$40,662 due to an increase in charges for services and tap in fees. Operating cash disbursements and non-operating cash receipts increased \$849,771 primarily due to an increase in capital outlay financed by OWDA and OPWC loans and an OPWC grant.

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

**Management's Discussion and Analysis  
For the Years Ended December 31, 2011 and December 31, 2010  
(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 \$402,037 and \$981,576 during 2011 and 2010, 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>2011</b>	<b>2010</b>
USDA Loan	\$1,421,627	\$1,446,357
OPWC Loan	134,200	159,359
OPWC Loan (2010)	123,740	36,248
OWDA Loan	427,281	442,733
OWDA Loan	282,620	291,658
OWDA Loan	946,112	724,450
WWTP Improvement Loan	1,429,892	1,473,542
Water Pollution Control Loan	964,944	1,091,981
<b>Total Long Term Debt</b>	<b><u>\$5,730,416</u></b>	<b><u>\$5,666,328</u></b>

**CASH**

Cash and cash equivalents as of December 31, 2011 and December 31, 2010 was \$132,111 and \$296,981, 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 [tegner@enveng.com](mailto:tegner@enveng.com).

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

**Statement of Net Assets - Cash Basis  
As of December 31, 2011 and December, 31, 2010**

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	<u>2011</u>	<u>2010</u>
<b>Assets</b>		
Cash and Cash Equivalents	\$ 132,111	\$ 296,981
<i>Total Assets</i>	<u>\$ 132,111</u>	<u>\$ 296,981</u>
<b>Net Assets</b>		
Unrestricted	\$ 132,111	\$ 296,981
<i>Total Net Assets</i>	<u>\$ 132,111</u>	<u>\$ 296,981</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, 2011 and December 31, 2010**

	<u>2011</u>	<u>2010</u>
<b>Operating Cash Receipts</b>		
Charges for services	\$ 385,253	\$ 319,094
Tap-in installation fees	12,430	23,505
Miscellaneous	303	1,430
<i>Total Operating Cash Receipts</i>	<u>397,986</u>	<u>344,029</u>
<b>Operating Cash Disbursements</b>		
Contract labor	934	8,891
Capital outlay	402,037	981,576
Water lab testing	4,475	4,605
Sludge hauling	14,168	6,380
Repairs and maintenance	33,556	8,799
Water	559	538
Utilities	60,337	56,577
Engineering fees	132,000	132,000
Accounting and audit fees	1,350	7,544
Meeting compensation fees	5,000	5,100
Billing fees	4,526	-
Rental fees	56	56
Insurance	17,930	16,002
Tap-in installation fees	15,325	7,661
Legal fees	1,520	990
Job supplies	58,386	49,726
Office supplies	161	44
Trash pickup	469	434
Postage	531	1,199
Bank service charges	63	18
Miscellaneous	29	40
Customer refund	974	1,552
Publications	150	-
Licenses	-	600
<i>Total Operating Cash Disbursements</i>	<u>754,536</u>	<u>1,290,332</u>
<i>Operating Cash Receipts Over (Under) Operating Cash Disbursements</i>	<u>(356,550)</u>	<u>(946,303)</u>
<b>Non-Operating Cash Receipts (Disbursements)</b>		
Interest	189	380
Proceeds from loans	321,866	790,255
Assessment revenues	279,565	266,261
Capital Grant	-	430,000
Principal Payment	(257,778)	(221,072)
Interest Payments	(152,162)	(152,192)
<i>Total Non-Operating Cash Receipts (Disbursements)</i>	<u>191,680</u>	<u>1,113,632</u>
<i>Change in Net Cash Assets</i>	(164,870)	167,329
<i>Net Assets, January 1</i>	<u>296,981</u>	<u>129,652</u>
<i>Net Assets, December 31</i>	<u>\$ 132,111</u>	<u>\$ 296,981</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, 2011 and December 31, 2010**

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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 not 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, 2011 and December 31, 2010**

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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 2011 and 2010 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, 2011 and December 31, 2010**

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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, 2011 and December 31, 2010**

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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, 2011 and December 31, 2010**

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

The District’s bank balance as of December 31, 2011 and 2010 was \$62,697 and \$70,155. The entire bank balance for 2011 and 2010 was covered by federal depository insurance.

*Investments:* As of December 31, 2011 and 2010, the District had the following investments and maturities:

	2011		2010	
	Fair Value	Weighted Average Maturity (Yrs.)	Fair Value	Weighted Average Maturity (Yrs.)
STAR Ohio	\$ 74,300	< One Year	\$ 227,848	< One Year
Total Fair Value	\$ 74,300		\$ 227,848	

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. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

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, Certificate 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.

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

**Notes to the Basic Financial Statements  
For the Years Ended December 31, 2011 and December 31, 2010**

**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, 2011 and 2010 is as follows:

	Balance			Balance		Due Within	Interest
	1/1/2011	Additions	Deletions	12/31/2011	One Year	Rate	
USDA Loan	\$ 1,446,357	\$ -	\$ 24,730	\$ 1,421,627	\$ 25,918	4.75%	
Ohio Public Works Commission Loan	159,359	-	25,159	134,200	16,776	0.00%	
Ohio Public Works Commission Loan 2010	36,248	87,492	-	123,740	-	*	
OWDA Loan #3953	442,733	-	15,452	427,281	15,684	1.50%	
OWDA Loan #4518	291,658	-	9,038	282,620	9,174	1.50%	
OWDA Loan #5330	724,450	234,374	12,712	946,112	25,712	1.50%	
WWTP Improvement Loan #4734	1,473,542	-	43,650	1,429,892	44,308	1.50%	
Water Pollution Control Loan	1,091,981	-	127,037	964,944	132,325	4.12%	
<b>Total</b>	<b>\$ 5,666,328</b>	<b>\$321,866</b>	<b>\$ 257,778</b>	<b>\$ 5,730,416</b>	<b>\$ 269,897</b>		

	Balance			Balance		Due Within	Interest
	1/1/2010	Additions	Deletions	12/31/2010	One Year	Rate	
USDA Loan	\$ 1,469,952	\$ -	\$ 23,595	\$ 1,446,357	\$ 24,730	4.75%	
Ohio Public Works Commission Loan	167,747	-	8,388	159,359	16,776	0.00%	
Ohio Public Works Commission Loan 2010	-	36,248	-	36,248	-	*	
OWDA Loan #3953	457,955	-	15,222	442,733	15,452	1.50%	
OWDA Loan #4518	300,561	-	8,903	291,658	9,038	1.50%	
OWDA Loan #5330	3,310	721,140	-	724,450	-	1.50%	
WWTP Improvement Loan #4734	1,483,678	32,867	43,003	1,473,542	43,650	1.50%	
Water Pollution Control Loan	1,213,942	-	121,961	1,091,981	127,037	4.12%	
<b>Total</b>	<b>\$ 5,097,145</b>	<b>\$ 790,255</b>	<b>\$ 221,072</b>	<b>\$ 5,666,328</b>	<b>\$ 236,683</b>		

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

**Notes to the Basic Financial Statements  
For the Years Ended December 31, 2011 and December 31, 2010**

**4. Debt (Continued)**

Amortization of the above debt is scheduled as follows:

Year Ending December 31:	Water Pollution Control Loan		OPWC	USDA		OWDA Loan #5330	
	Principal	Interest	Principal	Principal	Interest	Principal	Interest
2012	\$ 132,325	\$ 38,407	\$ 16,776	\$ 25,918	\$ 65,906	\$ 25,712	\$ 14,096
2013	137,833	32,899	16,776	27,164	64,684	26,099	13,708
2014	143,570	27,162	16,776	27,911	63,404	26,491	13,315
2015	149,546	21,185	16,776	29,253	62,063	26,891	12,917
2016	155,771	14,960	16,776	30,659	60,656	27,566	12,512
2017-2021	245,899	10,201	50,320	176,868	279,711	142,766	56,268
2022-2026	-	-	-	223,669	232,919	153,832	45,192
2027-2031	-	-	-	282,831	173,749	165,778	33,257
2032-2036	-	-	-	357,556	98,923	178,640	20,395
2037-2041	-	-	-	239,798	15,403	172,337	6,536
Totals	<u>\$ 964,944</u>	<u>\$ 144,814</u>	<u>\$ 134,200</u>	<u>\$ 1,421,627</u>	<u>\$ 1,117,418</u>	<u>\$ 946,112</u>	<u>\$ 228,196</u>

Year Ending December 31:	OWDA Loan #4518		OWDA Loan #3953		WWTP OWDA Loan #4734	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 9,174	\$ 4,205	\$ 15,684	\$ 6,351	\$ 44,308	\$ 21,283
2013	9,311	4,067	15,920	6,115	44,974	20,616
2014	9,452	3,926	16,160	5,875	45,652	19,939
2015	9,594	3,784	16,403	5,631	46,339	19,251
2016	9,739	3,640	16,650	5,384	47,037	18,554
2017-2021	50,938	15,956	87,089	23,085	246,022	81,928
2022-2026	54,887	12,003	93,844	16,328	265,110	62,842
2027-2031	59,148	7,745	101,126	9,047	285,681	42,272
2032-2036	63,738	3,156	64,405	1,700	307,841	20,112
2037-2038	6,639	50	-	-	96,928	1,457
Totals	<u>\$ 282,620</u>	<u>\$ 58,532</u>	<u>\$ 427,281</u>	<u>\$ 79,516</u>	<u>\$ 1,429,892</u>	<u>\$ 308,254</u>

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.

The WWTP Improvement 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).

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

**Notes to the Basic Financial Statements  
For the Years Ended December 31, 2011 and December 31, 2010**

**4. Debt (Continued)**

\* The Ohio Public Works Commission loan (2010) was still open as of December 31, 2011 and no amortization schedule has been established for this loan. This loan is approved in the amount of \$150,000 with a 0% interest rate for a twenty year period. The purpose of this loan is for the ST Martin WWTP replacement project.

The OWDA loan #5330 loan issued amount was \$958,823 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 2011 and 2010:

2011				2010			
<b><u>Budgeted vs. Actual Receipts</u></b>				<b><u>Budgeted vs. Actual Receipts</u></b>			
Budgeted				Budgeted			
Original	Final	Actual	Variance	Original	Final	Actual	Variance
\$867,000	\$775,000	\$999,606	\$224,606	\$2,135,000	\$2,050,000	\$1,830,925	(\$219,075)
<b><u>Budgeted vs. Actual Budgetary Basis Expenditures</u></b>				<b><u>Budgeted vs. Actual Budgetary Basis Expenditures</u></b>			
Budgeted				Budgeted			
Original	Final	Actual	Variance	Original	Final	Actual	Variance
\$926,766	\$975,500	\$1,164,476	(\$188,976)	\$2,222,264	\$2,150,000	\$1,663,596	\$486,404

In violation of the Ohio Revised Code the District in 2011 disbursed amounts in excess of appropriations and appropriated funds in excess of estimated resources. In 2010, the District did not reduce estimated resources to reflect less money actually received during the year.

**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.

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

**Notes to the Basic Financial Statements  
For the Years Ended December 31, 2011 and December 31, 2010**

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**7. Contingent Liabilities**

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

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Fayetteville Perry Township Regional Sewer District  
Brown County  
PO 294  
Fayetteville, Ohio 45118

To the Board of Trustees:

We have audited the basic financial statements of Fayetteville Perry Township Regional Sewer District, Brown County, Ohio (the District) as of and for the years ended December 31, 2010 and 2011, and have issued our report thereon dated December 31, 2012, wherein we noted the District uses a comprehensive accounting basis other generally accepted accounting principles. 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 the Comptroller General of the United States' *Government Auditing Standards*.

### **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 audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

### **Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the 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 an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as item 2011-01, 02 and 03.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated December 31, 2012.

We intend this report solely for the information and use of management, Board of Trustees, and others within the District. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "Y" and "O".

**Dave Yost**  
Auditor of State

December 31, 2012

FAYETTEVILLE PERRY TOWNSHIP REGIONAL SEWER DISTRICT  
BROWN COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 AND 2010

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

FINDING NUMBER 2011-01

**Noncompliance**

**Ohio Rev. Code, Section 5705.41(D)**, prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificates - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by resolution.

Amounts less than \$3,000 may be paid by the fiscal officer without a resolution upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of the expenditures by the Township.

2. Blanket certificates - Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate - The District may also make expenditures and contracts for any amount from a specific line item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operation expense. This certification is not to extend beyond the current year. More than one so-called "super blanket" certificate may be outstanding at a particular time for any line item appropriation.

The District did not certify the availability of funds prior to the purchase commitment for 100 percent of 2010 and 2011 disbursements tested.

**FINDING NUMBER 2011-01  
(Continued)**

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the District's funds exceeding budgetary spending limitations

We recommend the District certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Treasurer should sign the certification at the time the District incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Treasurer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation

**FINDING NUMBER 2011-02**

**Noncompliance**

**Ohio Rev. Code, Section 5705.36(A)(5)**, requires that the total appropriations made during a fiscal year from any fund must not exceed the amount contained in the certificate of estimated resources or the amended certificate of estimated resources which was certified prior to making the appropriation or supplemental appropriation. We compared the Districts' 2010 and 2011 total resources to the total appropriations and noted that in 2010 appropriations exceeded actual resources by \$189,423.

We recommend that upon determination that actual resources will not meet total appropriations that the District amends appropriations accordingly.

**FINDING NUMBER 2011-03**

**Noncompliance**

**Ohio Rev. Code, Section 5705.41(B)**, states that no subdivision or taxing unit is to expend money unless it has been appropriated. Disbursements for 2011 exceeded appropriations by \$188,976. Failure to properly monitor appropriations and amend appropriations could result in the illegal expenditure of monies and possible deficit fund balances.

The Fiscal Officer should deny payment requests which exceed appropriations. The Fiscal Officer may request the Board to approve increased disbursement levels by increasing appropriations and amending estimated resources, if necessary.

**Officials' Response:**

We did not receive a response from officials to the findings reported above.



# Dave Yost • 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  
JANUARY 24, 2013