



Dave Yost • Auditor of State

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

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying cash basis financial statements of the Fayetteville-Perry Township Regional Sewer District, Brown County, (the District) as of and for the years ended December 31, 2015 and 2014 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of Fayetteville-Perry Township Regional Sewer District, Brown County as of December 31, 2015 and 2014, and the respective changes in cash financial position thereof for the years then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

We draw attention to Note 2 of the financial statements, which describes the accounting basis. The financial statements are prepared on the cash basis of accounting, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

We applied no procedures to Management's Discussion and Analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2017, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

January 19, 2017

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

**Management's Discussion and Analysis
For the Years Ended December 31, 2015 and December 31, 2014
(Unaudited)**

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 position decreased \$65,328 in 2015 and increased \$205,557 in 2014.

The District's Operating Cash Receipts were \$489,871 and \$464,637 in 2015 and 2014, respectively. Operating Cash Disbursements were \$464,387 and \$490,800 in 2015 and 2014, 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 Position-Cash Basis and the Statement of Cash Receipts, Disbursements and Changes in Net Position-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, 2015 and December 31, 2014
(Unaudited)**

STATEMENT OF NET POSITION-CASH BASIS

Table 1 summarizes the Statement of Net Position – Cash Basis of the District at December 31, 2015 and 2014 with a comparative analysis with 2013.

TABLE 1	2015	2014	Change Amount	2013	Change Amount
Cash and Cash Equivalents	\$560,552	\$625,880	(\$65,328)	\$420,323	\$205,557
Total Assets	<u>\$560,552</u>	<u>\$625,880</u>	<u>(\$65,328)</u>	<u>\$420,323</u>	<u>\$205,557</u>
Net Position -					
Unrestricted	\$560,552	\$625,880	(\$65,328)	\$420,323	\$205,557
Total Net Position	<u>\$560,552</u>	<u>\$625,880</u>	<u>(\$65,328)</u>	<u>\$420,323</u>	<u>\$205,557</u>

The District's Net Position decreased by \$65,328 in 2015. The decrease was due to cash disbursements being higher than cash receipts during 2015 due to the reasons described below.

The District's Net Position increased by \$205,557 in 2014. The increase was due to cash receipts being higher than cash disbursements during 2014 due to the reasons described below.

STATEMENT OF CHANGES IN NET POSITION-CASH BASIS

Table 2 below summarizes the changes in Cash Receipts, Cash Disbursements and the resulting change in Net Position for 2015 and 2014 with a comparative analysis with 2013.

TABLE 2	2015	2014	Difference	2013	Difference
Operating Cash Receipts	\$489,871	\$464,637	\$25,234	\$398,984	\$65,653
Operating Cash Disbursements	464,387	<u>490,800</u>	<u>(26,413)</u>	<u>942,308</u>	<u>(451,508)</u>
Operating Cash Receipts Under					
Operating Cash Disbursements	25,484	(26,163)	51,647	(543,324)	517,161
Non-Operating Cash Receipts	368,785	703,609	(334,824)	1,255,968	(552,359)
Non-Operating Cash Disbursements	459,597	<u>471,889</u>	<u>(12,292)</u>	<u>583,417</u>	<u>(111,528)</u>
Changes in Net Cash Position	(65,328)	205,557	(270,885)	129,227	76,330
Net Cash Position, January 1	625,880	420,323	205,557	291,096	129,227
Net Cash Position, December 31	<u>\$560,552</u>	<u>\$625,880</u>	<u>(\$65,328)</u>	<u>\$420,323</u>	<u>\$205,557</u>

From 2014 to 2015 operating cash receipts increased \$25,234 due to an increase in tap-in installation fees and increased charges for services in calendar year 2015. Operating cash disbursements decreased \$26,413 primarily due to a decrease in capital outlay and sludge hauling, which was partially offset by an increase in repairs and maintenance costs. Non-Operating cash receipts decreased \$334,824 which is primarily due to a decrease in proceeds from loans and intergovernmental receipts during 2014 to expand the sewer system to include the Village of St. Martin.

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

**Management's Discussion and Analysis
For the Years Ended December 31, 2015 and December 31, 2014
(Unaudited)**

STATEMENT OF CHANGES IN NET POSITION-CASH BASIS (continued)

From 2013 to 2014 operating cash receipts increased \$65,653 due to an increase in tap-in installation fees and increased charges for services in calendar year 2014. Operating cash disbursements decreased \$451,508 primarily due to a decrease in capital outlay resulting from the Northern Perry Sewer Extension project. Non-Operating cash receipts decreased \$552,359 which is primarily due to a decrease in proceeds from loans during 2014 to expand the sewer system to include the Village of St. Martin. Non-Operating cash disbursements decreased \$111,528 due to additional principal payments made during 2013.

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 \$111,239 and \$157,149 during 2015 and 2014, 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.

TABLE 3	2015	2014
USDA Loan	\$1,310,237	\$1,340,075
OPWC Loan	67,099	83,874
OPWC Loan (2010)	98,182	104,369
OWDA Loan	363,114	379,517
OWDA Loan	245,088	254,682
OWDA Loan	840,919	867,810
OWDA Loan	728,324	693,107
WWTP Improvement Loan	1,248,620	1,294,959
Water Pollution Control Loan	401,670	551,216
Total Long Term Debt	<u>\$5,303,253</u>	<u>\$5,569,609</u>

CASH

Cash and cash equivalents as of December 31, 2015 and December 31, 2014 was \$560,552 and \$625,880, respectively.

CONTACT INFORMATION

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

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

**Statement of Net Position - Cash Basis
As of December 31, 2015 and December 31, 2014**

	<u>2015</u>	<u>2014</u>
Assets		
Cash and Cash Equivalents	\$ <u>560,552</u>	\$ <u>625,880</u>
<i>Total Assets</i>	<u>\$ 560,552</u>	<u>\$ 625,880</u>
Net Position		
Unrestricted	\$ <u>560,552</u>	\$ <u>625,880</u>
<i>Total Net Position</i>	<u>\$ 560,552</u>	<u>\$ 625,880</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 Position - Cash Basis
For the Years Ended December 31, 2015 and December 31, 2014**

	<u>2015</u>	<u>2014</u>
Operating Cash Receipts		
Charges for services	\$ 458,173	\$ 449,354
Tap-in installation fees	31,152	15,215
Miscellaneous	546	68
<i>Total Operating Cash Receipts</i>	<u>489,871</u>	<u>464,637</u>
Operating Cash Disbursements		
Capital outlay	111,239	157,149
Water lab testing	319	416
Sludge hauling	8,566	16,402
Repairs and maintenance	50,082	13,360
Water	624	613
Utilities	42,435	47,171
Engineering fees	143,290	142,798
Accounting and audit fees	1,350	9,550
Meeting compensation fees	5,400	5,200
Billing fees	2,231	2,183
Rental fees	355	60
Insurance	19,205	18,395
Tap-in installation fees	7,798	9,233
Legal fees	300	100
Job supplies	67,467	65,974
Office supplies	-	77
Trash pickup	1,064	543
Postage	-	757
Bank service charges	57	117
Customer refund	861	102
Real Estate Taxes	134	-
Miscellaneous	1,510	-
Licenses	100	600
<i>Total Operating Cash Disbursements</i>	<u>464,387</u>	<u>490,800</u>
<i>Operating Cash Receipts Over (Under)</i>		
<i>Operating Cash Disbursements</i>	<u>25,484</u>	<u>(26,163)</u>
Non-Operating Cash Receipts (Disbursements)		
Interest	875	255
Proceeds from loans	56,009	95,867
Assessment revenues	311,901	310,756
Intergovernmental Receipts	-	296,731
Principal Payments	(322,365)	(325,533)
Interest Payments	(137,232)	(146,356)
<i>Total Non-Operating Cash Receipts (Disbursements)</i>	<u>(90,812)</u>	<u>231,720</u>
<i>Change in Net Position</i>	(65,328)	205,557
<i>Net Position, January 1</i>	625,880	420,323
<i>Net Position, December 31</i>	<u>\$ 560,552</u>	<u>\$ 625,880</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, 2015 and December 31, 2014**

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); the accompanying financial statements include only the accounts and transactions of the District. 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

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, 2015 and December 31, 2014**

2. Summary of Significant Accounting Policies (Continued)

B. Cash and Investments

For reporting purposes, the District considers “Net position” 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.

All of the District’s investments are in STAR Ohio, which is an investment pool managed by the State Treasurer’s Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio’s share price, which is the price the investment could be sold for on December 31, 2015 and 2014.

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 2015 and 2014 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, 2015 and December 31, 2014**

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 Position

Net position represents 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 position is equivalent to cash and investments. The District currently does not record any restrictions on its net position.

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, 2015 and December 31, 2014**

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, 2015 and December 31, 2014**

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

The District’s bank balance as of December 31, 2015 and 2014 was \$327,165 and \$462,319. The entire bank balance for 2015 and 2014 was covered by federal depository insurance or pooled collateral as defined in the previous paragraph.

Investments: As of December 31, 2015 and 2014, the District had the following investments and maturities:

	2015		2014	
	Fair Value	Weighted Average Maturity (Yrs.)	Fair Value	Weighted Average Maturity (Yrs.)
STAR Ohio	<u>\$ 240,196</u>	< One Year	<u>\$ 165,643</u>	< One Year
Total Fair Value	<u><u>\$ 240,196</u></u>		<u><u>\$ 165,643</u></u>	

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 in 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, 2015 and December 31, 2014**

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, 2015 and 2014 is as follows:

	Balance			Balance	Due Within	Interest
	1/1/2015	Additions	Deletions	12/31/2015	One Year**	Rate
USDA Loan	\$ 1,340,075	\$ -	\$ 29,838	\$ 1,310,237	\$ 31,271	4.75%
Ohio Public Works Commission Loan	83,874	-	16,775	67,099	16,775	0.00%
Ohio Public Works Commission Loan 2010	104,369	-	6,187	98,182	6,187	0.00%
OWDA Loan #3953	379,517	-	16,403	363,114	16,650	1.50%
OWDA Loan #4518	254,682	-	9,594	245,088	9,739	1.50%
OWDA Loan #5330	867,810	-	26,891	840,919	27,295	1.50%
OWDA Loan #6438	693,107	56,009	20,792	728,324	21,105	1.50%
WWTP Improvement Loan #4734	1,294,959	-	46,339	1,248,620	47,037	1.50%
Water Pollution Control Loan	551,216	-	149,546	401,670	155,771	4.12%
Total	\$ 5,569,609	\$ 56,009	\$ 322,365	\$ 5,303,253	\$ 331,830	

	Balance			Balance	Due Within	Interest
	1/1/2014	Additions	Deletions	12/31/2014	One Year	Rate
USDA Loan	\$ 1,368,545	\$ -	\$ 28,470	\$ 1,340,075	\$ 29,838	4.75%
Ohio Public Works Commission Loan	109,037	-	25,163	83,874	8,387	0.00%
Ohio Public Works Commission Loan 2010	114,460	-	10,091	104,369	3,094	0.00%
OWDA Loan #3953	395,677	-	16,160	379,517	16,403	1.50%
OWDA Loan #4518	264,134	-	9,452	254,682	9,594	1.50%
OWDA Loan #5330	894,301	-	26,491	867,810	26,891	1.50%
OWDA Loan #6438	617,724	95,867	20,484	693,107	-	1.50%
WWTP Improvement Loan #4734	1,340,611	-	45,652	1,294,959	46,339	1.50%
Water Pollution Control Loan	694,786	-	143,570	551,216	149,546	4.12%
Total	\$ 5,799,275	\$ 95,867	\$ 325,533	5,569,609	\$ 290,092	

**Due within one year as of December 31, 2014 does not match principal payments made during the year ended December 31, 2015 due to additional payments made by the District.

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

**Notes to the Basic Financial Statements
For the Years Ended December 31, 2015 and December 31, 2014**

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
2016	\$ 155,771	\$ 14,960	\$ 16,775	\$ 31,271	\$ 60,656	\$ 27,295	\$ 12,512
2017	162,255	8,477	16,775	32,775	59,183	27,706	12,101
2018	83,644	1,723	16,775	34,351	57,639	28,123	11,683
2019	-	-	16,774	36,001	56,020	28,547	11,260
2020	-	-	-	37,731	54,324	28,977	10,830
2021-2025	-	-	-	217,670	243,175	151,561	47,547
2026-2030	-	-	-	214,918	186,708	163,320	35,716
2031-2035	-	-	-	408,413	115,325	175,990	23,045
2036-2040	-	-	-	297,107	28,323	189,644	9,391
2041	-	-	-	-	-	19,756	148
Totals	<u>\$ 401,670</u>	<u>\$ 25,160</u>	<u>\$ 67,099</u>	<u>\$ 1,310,237</u>	<u>\$ 861,353</u>	<u>\$ 840,919</u>	<u>\$ 174,233</u>

Year Ending December 31:	OWDA Loan #4518		OWDA Loan #3953		WWTP OWDA Loan #4734		OPWC - 2010
	Principal	Interest	Principal	Interest	Principal	Interest	Principal
2016	\$ 9,739	\$ 3,640	\$ 16,650	\$ 5,384	\$ 47,037	\$ 18,554	\$ 6,187
2017	9,885	3,493	16,901	5,133	47,745	17,845	6,187
2018	10,034	3,344	17,156	4,880	48,464	17,127	6,187
2019	10,186	3,194	17,414	4,621	49,194	15,396	6,187
2020	10,339	3,040	17,676	4,358	49,934	15,656	6,187
2021-2025	54,073	12,818	92,454	17,811	261,179	66,774	30,935
2026-2030	58,271	8,622	99,626	10,547	281,441	46,510	30,935
2031-2035	62,791	4,102	85,237	2,900	303,276	24,677	5,377
2036-2040	19,770	297	-	-	160,350	3,626	-
Totals	<u>\$ 245,088</u>	<u>\$ 42,550</u>	<u>\$ 363,114</u>	<u>\$ 55,634</u>	<u>\$ 1,248,620</u>	<u>\$ 226,165</u>	<u>\$ 98,182</u>

Year Ending December 31:	OWDA Loan #6438	
	Principal	Interest
2016	\$ 21,105	\$ 10,846
2017	21,423	10,528
2018	21,746	10,206
2019	22,073	9,878
2020	22,405	9,546
2021-2025	117,189	42,567
2026-2030	126,281	33,475
2031-2035	136,078	23,678
2036-2040	146,636	13,121
2041-2043	93,388	2,467
Totals	<u>\$ 728,324</u>	<u>\$ 166,312</u>

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

**Notes to the Basic Financial Statements
For the Years Ended December 31, 2015 and December 31, 2014**

4. Debt (Continued)

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 was issued for \$1,579,856 with a 1.5% interest rate.

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

The Ohio Public Works Commission loan (2010) was issued in the amount of \$123,740 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 #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.

The OWDA #6438 loan was issued for the purpose of expanding the northern Perry sewer. The loan was issued in the amount of \$769,600 with a 1.5% interest rate for a 30 year period.

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 2015 and 2014:

2015				2014			
<u>Budgeted vs. Actual Receipts</u>				<u>Budgeted vs. Actual Receipts</u>			
Budgeted		Actual	Variance	Budgeted		Actual	Variance
Original	Final			Original	Final		
\$1,009,000	\$800,000	\$858,656	\$58,656	\$1,009,000	\$1,140,100	\$1,168,246	\$28,146
<u>Budgeted vs. Actual Budgetary Basis Expenditures</u>				<u>Budgeted vs. Actual Budgetary Basis Expenditures</u>			
Budgeted		Actual	Variance	Budgeted		Actual	Variance
Original	Final			Original	Final		
\$1,060,155	\$1,008,100	\$923,984	\$84,116	\$1,023,021	\$1,033,100	\$962,689	\$70,411

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

**Notes to the Basic Financial Statements
For the Years Ended December 31, 2015 and December 31, 2014**

6. RiskManagement

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. ContingentLiabilities

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

8. ExpansionofSewerServices

In 2014, the District received \$144,831, from Brown County to expand the sewer operations to the Village of St. Martin, which disbanded in 2011. These monies were classified as non-operating intergovernmental receipts in the financial statements.

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INDEPENDENT AUDITOR'S 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 Box 294
Fayetteville, Ohio 45118

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Fayetteville-Perry Township Regional Sewer District, Brown County, (the District) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 19, 2017 wherein we noted the District uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Columbus, Ohio

January 19, 2017

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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2015 AND 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	Ohio Rev. Code, Section 5705.41(D)(1), the District did not use purchase orders for all expenditures.	Yes	

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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
FEBRUARY 16, 2017