



Dave Yost • Auditor of State

FAYETTEVILLE-PERRY TOWNSHIP REGIONAL SEWER DISTRICT
BROWN COUNTY

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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 basic financial statements of the Fayetteville Perry Township Regional Sewer District, Brown County, Ohio (the District), as of and for the years ended December 31, 2013 and 2012, 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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Fayetteville Perry Township Regional Sewer District, Brown County, Fayetteville Perry Township Regional Sewer District Ohio, as of December 31, 2013 and 2012, and the respective changes in financial position thereof for the year then ended in accordance with the accounting basis described in Note 2.

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Accounting Basis

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

Other Matters

Supplemental and Other Information

We audited to opine on the District's financial statements that collectively comprise its basic financial statements.

Management's Discussion & Analysis includes tables of net position, changes in net position, and long-term debt. This information provides additional analysis and is not a required part of the basic financial statements.

These tables are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and 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 October 15, 2014, 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

October 15, 2014

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

**Management's Discussion and Analysis
For the Years Ended December 31, 2013 and December 31, 2012
(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 increased \$129,227 in 2013 and increased \$158,985 in 2012.

The District's Operating Cash Receipts were \$398,984 and \$413,128 in 2013 and 2012, respectively. Operating Cash Disbursements were \$942,308 and \$446,004 in 2013 and 2012, 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, 2013 and December 31, 2012
(Unaudited)**

STATEMENT OF NET POSITION-CASH BASIS

Table 1 summarizes the Statement of Net Position – Cash Basis of the District at December 31, 2013 and 2012 with a comparative analysis with 2011.

TABLE 1	2013	2012	Change Amount	2011	Change Amount
Cash and Cash Equivalents	\$420,323	\$291,096	\$129,227	\$132,111	\$158,985
Total Assets	\$420,323	\$291,096	\$129,227	\$132,111	\$158,985
Net Position -					
Unrestricted	\$420,323	\$291,096	\$129,227	\$132,111	\$158,985
Total Net Position	\$420,323	\$291,096	\$129,227	\$132,111	\$158,985

The District's Net Position increased by \$129,227 in 2013. The increase was due to cash receipts being higher than cash disbursements during 2013 due to intergovernmental receipts received as more fully described below and proceeds from loans received which were partially offset by an increase in capital outlay.

The District's Net Position increased by \$158,985 in 2012. The increase was due to cash receipts being higher than cash disbursements during 2012 due to intergovernmental receipts received as more fully described on the next page and a decrease in capital outlay.

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 2013 and 2012 with a comparative analysis with 2011.

TABLE 2	2013	2012	Difference	2011	Difference
Operating Cash Receipts	\$398,984	\$413,128	(\$14,144)	\$397,986	\$15,142
Operating Cash Disbursements	942,308	446,004	496,304	754,536	(308,532)
Operating Cash Receipts Under					
Operating Cash Disbursements	(543,324)	(32,876)	(510,448)	(356,550)	323,674
Non-Operating Cash Receipts	1,255,968	452,254	803,714	601,620	(149,366)
Non-Operating Cash Disbursements	583,417	260,393	323,024	409,940	(149,547)
Changes in Net Cash Position	129,227	158,985	(29,758)	(164,870)	323,855
Net Cash Position, January 1	291,096	132,111	158,985	296,981	(164,870)
Net Cash Position, December 31	\$420,323	\$291,096	\$129,227	\$132,111	\$158,985

From 2012 to 2013 operating cash receipts decreased \$14,144 due to a decrease in tap-in installation fees and/or prepayment of charges for service in December 2012 for calendar year 2013. Operating cash disbursements increased \$496,304 primarily due to an increase in capital outlay resulting from previous loans and a new OWDA loan. Non-Operating cash receipts increased \$803,714 which is primarily due to an increase in proceeds from loans related to the new OWDA loan and intergovernmental receipts to expand the sewer system to include the Village of St. Martin. Non-Operating cash disbursements increased \$323,024 due to additional principal payments made in 2013.

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

**Management's Discussion and Analysis
For the Years Ended December 31, 2013 and December 31, 2012
(Unaudited)**

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

From 2011 to 2012 operating cash receipts increased \$15,142 due to an increase in charges for services. Operating cash disbursements decreased \$308,532 primarily due to a decrease in capital outlay resulting from loans and an OPWC grant. Non-Operating cash receipts decreased \$149,366 which is primarily due to a decrease in proceeds from loans, which was partially offset by intergovernmental revenues received to expand the sewer system to include the Village of St. Martin. Non-Operating cash disbursements decreased \$149,547 due to fewer principal payments made in 2012 as a result of additional payments made in 2011.

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 \$596,169 and \$21,736 during 2013 and 2012, 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	2013	2012
USDA Loan	\$1,368,545	\$1,395,709
OPWC Loan	109,037	125,812
OPWC Loan (2010)	114,460	120,647
OWDA Loan	395,677	419,468
OWDA Loan	264,134	278,050
OWDA Loan	894,301	933,304
OWDA Loan	617,724	-
WWTP Improvement Loan	1,340,611	1,407,822
Water Pollution Control Loan	694,786	899,456
Total Long Term Debt	<u>\$5,799,275</u>	<u>\$5,580,268</u>

CASH

Cash and cash equivalents as of December 31, 2013 and December 31, 2012 was \$420,323 and \$291,096, respectively.

CONTACT INFORMATION

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

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

**Statement of Net Position - Cash Basis
As of December 31, 2013 and December, 31, 2012**

	<u>2013</u>	<u>2012</u>
Assets		
Cash and Cash Equivalents	\$ 420,323	\$ 291,096
<i>Total Assets</i>	<u>\$ 420,323</u>	<u>\$ 291,096</u>
Net Position		
Unrestricted	\$ 420,323	\$ 291,096
<i>Total Net Position</i>	<u>\$ 420,323</u>	<u>\$ 291,096</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, 2013 and December 31, 2012**

	<u>2013</u>	<u>2012</u>
Operating Cash Receipts		
Charges for services	\$ 388,346	\$ 401,270
Tap-in installation fees	10,625	11,490
Miscellaneous	13	368
<i>Total Operating Cash Receipts</i>	<u>398,984</u>	<u>413,128</u>
Operating Cash Disbursements		
Contract labor	1,142	7,798
Capital outlay	596,169	21,736
Water lab testing	2,112	4,882
Sludge hauling	5,792	8,901
Repairs and maintenance	24,850	28,521
Water	588	571
Utilities	45,764	53,890
Engineering fees	143,106	174,980
Accounting and audit fees	607	6,729
Meeting compensation fees	5,400	5,300
Billing fees	2,134	2,127
Rental fees	266	56
Insurance	17,111	18,463
Tap-in installation fees	4,549	12,488
Legal fees	827	7,350
Job supplies	87,831	85,499
Office supplies	143	146
Trash pickup	515	490
Postage	1,299	567
Bank service charges	184	9
Miscellaneous	-	40
Customer refund	773	368
Publications	321	-
Licenses	825	5,093
<i>Total Operating Cash Disbursements</i>	<u>942,308</u>	<u>446,004</u>
<i>Operating Cash Receipts Under Operating Cash Disbursements</i>	<u>(543,324)</u>	<u>(32,876)</u>
Non-Operating Cash Receipts (Disbursements)		
Interest	134	124
Proceeds from loans	617,724	-
Assessment revenues	318,943	292,080
Intergovernmental Receipts	319,167	160,050
Principal Payments	(398,717)	(150,148)
Interest Payments	(184,700)	(110,245)
<i>Total Non-Operating Cash Receipts (Disbursements)</i>	<u>672,551</u>	<u>191,861</u>
<i>Change in Net Position</i>	129,227	158,985
<i>Net Position, January 1</i>	<u>291,096</u>	<u>132,111</u>
<i>Net Position, December 31</i>	<u>\$ 420,323</u>	<u>\$ 291,096</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, 2013 and December 31, 2012**

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. 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

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, 2013 and December 31, 2012**

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, 2013 and 2012.

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 2013 and 2012 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, 2013 and December 31, 2012**

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, 2013 and December 31, 2012**

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, 2013 and December 31, 2012**

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

The District’s bank balance as of December 31, 2013 and 2012 was \$377,500 and \$188,831. The entire bank balance for 2013 and 2012 was covered by federal depository insurance.

Investments: As of December 31, 2013 and 2012, the District had the following investments and maturities:

	2013		2012	
	Fair Value	Weighted Average Maturity (Yrs.)	Fair Value	Weighted Average Maturity (Yrs.)
STAR Ohio	\$ 47,678	< One Year	\$ 107,488	< One Year
Total Fair Value	\$ 47,678		\$ 107,488	

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, 2013 and December 31, 2012**

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, 2013 and 2012 is as follows:

	Balance			Balance	Due Within	Interest
	1/1/2013	Additions	Deletions	12/31/2013	One Year	Rate
USDA Loan	\$ 1,395,709	\$ -	\$ 27,164	\$ 1,368,545	\$ 28,470	4.75%
Ohio Public Works Commission Loan	125,812	-	16,775	109,037	16,775	0.00%
Ohio Public Works Commission Loan 2010	120,647	-	6,187	114,460	6,187	0.00%
OWDA Loan #3953	419,468	-	23,791	395,677	16,160	1.50%
OWDA Loan #4518	278,050	-	13,916	264,134	9,452	1.50%
OWDA Loan #5330	933,304	-	39,003	894,301	26,491	1.50%
OWDA Loan #6438*	-	617,724	-	617,724	-	1.50%
WWTP Improvement Loan #4734	1,407,822	-	67,211	1,340,611	45,652	1.50%
Water Pollution Control Loan	899,456	-	204,670	694,786	143,570	4.12%
Total	\$ 5,580,268	\$ 617,724	\$ 398,717	\$ 5,799,275	\$ 292,757	

	Balance			Balance	Due Within	Interest
	1/1/2012	Additions	Deletions	12/31/2012	One Year**	Rate
USDA Loan	\$ 1,421,627	\$ -	\$ 25,918	\$ 1,395,709	\$ 27,164	4.75%
Ohio Public Works Commission Loan	134,200	-	8,388	125,812	16,775	0.00%
Ohio Public Works Commission Loan 2010	123,740	-	3,093	120,647	6,187	0.00%
OWDA Loan #3953	427,281	-	7,813	419,468	15,802	1.50%
OWDA Loan #4518	282,620	-	4,570	278,050	9,242	1.50%
OWDA Loan #5330	946,112	-	12,808	933,304	25,904	1.50%
WWTP Improvement Loan #4734	1,429,892	-	22,070	1,407,822	44,640	1.50%
Water Pollution Control Loan	964,944	-	65,488	899,456	135,051	4.12%
Total	\$ 5,730,416	\$ -	\$ 150,148	\$ 5,580,268	\$ 280,765	

*This loan has not been finalized as of 12/31/2013.

**Due within one year as of December 31, 2012 does not match principal payments made during the year ended December 31, 2013 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, 2013 and December 31, 2012**

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
2014	\$ 143,570	\$ 27,162	\$ 16,775	\$ 28,470	\$ 63,404	\$ 26,491	\$ 13,315
2015	149,546	21,185	16,775	29,838	62,063	26,891	12,917
2016	155,772	14,960	16,775	31,271	60,656	27,296	12,512
2017	162,255	8,477	16,775	32,775	59,183	27,706	12,101
2018	83,643	1,723	16,775	34,351	57,639	28,123	11,683
2019-2023	-	-	25,162	198,162	262,300	147,099	52,009
2024-2028	-	-	-	250,588	210,892	158,510	40,525
2029-2033	-	-	-	316,882	145,907	170,808	28,228
2034-2038	-	-	-	400,718	63,717	184,060	14,975
2039-2041	-	-	-	45,490	1,059	97,317	2,200
Totals	<u>\$ 694,786</u>	<u>\$ 73,507</u>	<u>\$ 109,037</u>	<u>\$ 1,368,545</u>	<u>\$ 986,820</u>	<u>\$ 894,301</u>	<u>\$ 200,465</u>

Year Ending December 31:	OWDA Loan #4518		OWDA Loan #3953		WWTP OWDA Loan #4734		OPWC - 2010
	Principal	Interest	Principal	Interest	Principal	Interest	Principal
2014	\$ 9,452	\$ 3,927	\$ 16,160	\$ 5,875	\$ 45,652	\$ 19,939	\$ 6,187
2015	9,594	3,784	16,403	5,631	46,339	19,251	6,187
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
2019-2023	52,483	14,411	89,732	20,443	253,488	74,464	30,935
2024-2028	56,554	10,338	96,692	13,570	273,155	54,798	30,935
2029-2033	60,943	5,951	104,194	5,979	294,346	33,606	21,655
2034-2038	45,450	1,373	21,789	245	284,385	10,771	-
Totals	<u>\$ 264,134</u>	<u>\$ 50,261</u>	<u>\$ 395,677</u>	<u>\$ 67,140</u>	<u>\$ 1,340,611</u>	<u>\$ 266,355</u>	<u>\$ 114,460</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 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).

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

**Notes to the Basic Financial Statements
For the Years Ended December 31, 2013 and December 31, 2012**

4. Debt (Continued)

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. As of December 31, 2013 the issued amount was \$617,724 with a 1.5% interest rate. The loan has not been fully disbursed as of fiscal year end and therefore is not reflected in the amortization schedules on the previous page.

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 2013 and 2012:

2013				2012			
<u>Budgeted vs. Actual Receipts</u>				<u>Budgeted vs. Actual Receipts</u>			
Budgeted				Budgeted			
Original	Final	Actual	Variance	Original	Final	Actual	Variance
\$934,000	\$1,592,100	\$1,654,952	\$62,852	\$879,000	\$840,000	\$865,382	\$25,382
<u>Budgeted vs. Actual Budgetary Basis Expenditures</u>				<u>Budgeted vs. Actual Budgetary Basis Expenditures</u>			
Budgeted				Budgeted			
Original	Final	Actual	Variance	Original	Final	Actual	Variance
\$1,001,766	\$1,580,000	\$1,525,725	\$54,275	\$944,966	\$854,200	\$706,397	\$147,803

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, 2013 and December 31, 2012**

7. Contingent Liabilities

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

8. Change in Accounting Principles

For 2013, the District implemented Governmental Accounting Standard Board (GASB) Statement No. 62, “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,” Governmental Accounting Standards Board (GASB) Statement No. 66, “Technical Corrections – 2012 – An Amendment of GASB Statements No. 10 and No. 62,” GASB Statement No. 69, “Government Combinations and Disposals of Government Operations,” and GASB Statement No. 70, “Accounting and Financial Reporting for Nonexchange Financial Guarantees.”

GASB Statement No. 62 incorporated into the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants’ (AICPA) Committee on Accounting Procedure issued on or before November 30, 1989 which does not conflict with or contradict GASB pronouncements.

Statement No. 66 resolves conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

This Statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity’s risk financing activities to the general fund and the internal service fund type. As a result, governments should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement 54 and Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*.

This Statement also amends Statement 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, and result in guidance that is consistent with the requirements in Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, respectively.

Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combinations* includes a variety of transactions referred to as mergers, and transfers of operations.

Statement No. 70 improves accounting and financial reporting by state and local governments that extend and receive non exchange financial guarantees. This statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee.

The implementation of GASB Statements No. 62, 66, 69, and 70 had no effect on the financial statements.

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

**Notes to the Basic Financial Statements
For the Years Ended December 31, 2013 and December 31, 2012**

9. Expansion of Sewer Services

In 2013 and 2012, the District received \$319,167 and \$160,050, respectively, 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.



Dave Yost • Auditor of State

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 basic financial statements of the Fayetteville Perry Township Regional Sewer District, Brown County, (the District) as of and for the years ended December 31, 2013 and 2012, and have issued our report thereon dated October 15, 2014, wherein we noted the District uses a special purpose framework other than general 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 the following instance of noncompliance or other matters we must report under Government Auditing Standards, which is described in the accompanying schedule of findings as item 2013-001.

Corporate Centre of Blue Ash, 11117 Kenwood Road, Blue Ash, Ohio 45242
Phone: 513-361-8550 or 800-368-7419 Fax: 513-361-8577

www.ohioauditor.gov

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

October 15, 2014

FAYETTEVILLE PERRY TOWNSHIP REGIONAL SEWER DISTRICT
BROWN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012

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

FINDING NUMBER 2013-001

Noncompliance Citation

Ohio Rev. Code, § 5705.41(D)(1), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

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" Certificate – 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 District can authorize the drawing of a warrant for the payment of the amount due. The District has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance 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 expenditures by the District Trustees.

2. Blanket Certificate – 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 operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

**FINDING NUMBER 2013-001
(Continued)**

The availability of funds was not certified prior to the time of commitment in 100% (36 of 36) of expenditures tested nor did the District use the aforementioned exceptions. Every effort should be made by the District to properly utilize the encumbrance method of accounting by certifying funds on purchase orders. Failure to properly encumber could result in overspending funds and negative cash fund balances.

Unless the District uses the exceptions noted above, prior certification is not only required by statute but also 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 that the Fiscal Officer certify that funds are or will be available prior to obligation by the District. When prior certification is not possible, "then and now" certification should be used.

Officials' Response:

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

**FAYETTEVILLE – PERRY TOWNSHIP JOINT SEWER DISTRICT
BROWN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	Ohio Rev. Code, Section 5705.41(D) , proper certification of funding	No	Reissued as finding 2013-001
2011-002	Ohio Rev. Code, Section 5705.36(A)(5) , total appropriations must not exceed estimated resources.	Yes	
2011-003	Ohio Rev. Code, Section 5705.41(B) , states that no subdivision or taxing unit is to expend money unless it has been appropriated.	Yes	

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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
NOVEMBER 06, 2014**