

Fayetteville-Perry Township Regional Sewer District

Brown County

Regular Audit

January 1, 2002-December 31, 2003

BALESTRA, HARR & SCHERER, CPAS, INC.

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**Auditor of State
Betty Montgomery**

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

We have reviewed the Independent Auditor's Report of the Fayetteville-Perry Township Regional Sewer District, Brown County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2002 through December 31, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Fayetteville-Perry Township Regional Sewer District is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

September 2, 2004

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Fayetteville-Perry Township Regional Sewer District
Brown County
January 1, 2002 through December 31, 2003

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Fayetteville-Perry Township Regional Sewer District, Brown County, Ohio, (the District) as of and for the years ended December 31, 2003, and December 31, 2002, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the District prepares its financial statements on a basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Fayetteville-Perry Township Regional Sewer District, Brown County, Ohio, as of December 31, 2003, and December 31, 2002, and its combined cash receipts and disbursements for the years then ended on a basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2004 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

This report is intended solely for the information and use of the officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Balestra, Harr & Scherer, CPAs, Inc.
Balestra, Harr & Scherer, CPAs, Inc.

March 29, 2004

FAYETTEVILLE-PERRY TOWSHIP REGIONAL SEWER DISTRICT
BROWN COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES
IN FUND CASH BALANCE - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2003

	Enterprise
Operating cash receipts:	
Charges for services	\$188,885
Tap-in Installation Fees	61,666
Miscellaneous	85
Total operating cash receipts	250,636
Operating cash disbursements:	
Chemicals and Operating Supplies	143
Contract Labor	11,394
Planning Costs - Capital Outlay	112,600
Construction Costs - Capital Outlay	197,760
Water Lab Testing	1,066
Sludge Hauling	11,850
Repairs & Maintenance	12,528
Water	280
Utilities	27,951
Engineering Fees	112,560
Accounting Fees	1,200
Meeting Compensation Fees	5,300
Billing Fees	1,831
Rental Fees	2,211
Insurance	12,119
Tap-in Installation Fees	5,419
Legal Fees	3,885
Job Supplies	43,583
Office Supplies	243
Trash Pickup	267
Postage	525
Dues & Subscriptions	595
Miscellaneous	310
Publications	300
Licenses	1,475
Total operating cash disbursements	567,395
Operating receipts under operating disbursements	(316,759)
Other non-operating receipts and disbursements:	
Interest Income	4,309
Proceeds from OWDA Loans	183,108
Assessment Revenues	257,693
Principal Debt Payments	(125,435)
Interest Expense	(155,213)
Total other non-operating receipts and disbursements	164,462
Excess of cash receipts over/(under) cash disbursements	(152,297)
Fund cash balances, January 1, 2003	536,945
Fund cash balances, December 31, 2003	\$384,648

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

FAYETTEVILLE-PERRY TOWSHIP REGIONAL SEWER DISTRICT
BROWN COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES
IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Enterprise</u>
Operating cash receipts:	
Charges for services	\$219,198
Tap-in Installation Fees	106,384
Miscellaneous	18,685
Total operating cash receipts	<u>344,267</u>
Operating cash disbursements:	
Chemicals and Operating Supplies	128
Contract Labor	10,893
Equipment Purchases	39,076
Water Lab Testing	2,935
Sludge Hauling	7,400
Repairs & Maintenance	19,135
Water	288
Utilities	40,098
Engineering Fees	106,200
Accounting Fees	2,200
Meeting Compensation Fees	6,100
Audit Fees	6,328
Billing Fees	1,749
Rental Fees	32
Insurance	10,808
Tap-in Installation Fees	37,306
Legal Fees	2,689
Job Supplies	32,746
Office Supplies	115
Trash Pickup	264
Postage	431
Bank Service Charges	129
Dues & Subscriptions	395
Miscellaneous	1,711
Publications	162
Licenses	448
Total operating cash disbursements	<u>329,766</u>
Operating loss	<u>14,501</u>
Other financing receipts and disbursements:	
Interest Income	5,657
Assessment Revenues	254,747
Principal Debt Payments	(120,993)
Interest Expense	(159,655)
Total other financing receipts and disbursements	<u>(20,244)</u>
Excess of cash receipts over/(under) cash disbursements and other financing receipts and disbursements	(5,743)
Fund cash balances, January 1, 2002	<u>542,688</u>
Fund cash balances, December 31, 2002	<u><u>\$536,945</u></u>

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

FAYETTEVILLE-PERRY TOWNSHIP REGIONAL SEWER DISTRICT
BROWN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 1, 2002 THROUGH DECEMBER 31, 2003

1. Summary of Significant Accounting Policies

A. Description of the Entity

Fayetteville-Perry Regional Sewer District, Brown County, (the District) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio, in accordance with the provisions of Section 6119.01 of the Ohio Revised Code. The District is directed by five member Board of trustees, three are appointed by the Perry Township Board of Trustees and two are appointed by the Village of Fayetteville.

The District's management believes these financial statements present all activities for which the District is financially accountable.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when a payment is made rather than when a liability is incurred.

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

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

Enterprise Fund - An enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (disbursements) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenue earned, expenses incurred, and/or net income in appropriate for capital maintenance, public policy, management control, accountability or other purposes.

C. Budgetary Process

Annually, the Sewer District adopts an operating budget. The District also adopts annual appropriations which are limited by estimated resources (see note 4).

D. Property, Plant, Equipment, and Furniture

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statement.

FAYETTEVILLE-PERRY TOWNSHIP REGIONAL SEWER DISTRICT
 BROWN COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 JANUARY 1, 2002 THROUGH DECEMBER 31, 2003

2. Cash and Cash Equivalents

The District maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash at December 31, 2003 and 2002 was as follows:

	2003	2002
Demand Deposits	\$384,648	\$536,945

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

3. Debt

Debt Outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
USDA Loan	\$1,590,460	4.75%
Ohio Public Works Loan	268,402	0.00%
Water Pollution Control Loan	<u>1,849,909</u>	4.12%
Total	<u>\$3,708,771</u>	

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

<u>Year ending</u> <u>December 31:</u>	<u>Water Pollution</u> <u>Control Loan</u>	<u>Ohio Public</u> <u>Works Loan*</u>	<u>USDA</u> <u>Loan</u>
2004	\$ 170,732	\$ 16,776	\$ 93,141
2005	170,732	16,776	93,141
2006	170,732	16,776	93,141
2007	170,732	16,776	93,141
2008	170,732	16,776	93,141
Subsequent	<u>1,455,428</u>	<u>184,522</u>	<u>2,840,809</u>
Total	<u>\$ 2,309,088</u>	<u>\$ 268,402</u>	<u>\$3,306,514</u>

The district began construction of a new lift station and new lines for the Creekwood Housing Development and Collection System Extensions at the Bremen/Dortmund/Lorelei areas. These projects are financed by a loan with the Ohio Water Development Authority (OWDA). The 30 year loan is for \$525,000 at a 1.5% rate of interest. Loan disbursements in the amount of \$196,558 were made in 2003. The remaining amount of \$328,442 will be disbursed in 2004, at which time repayment of the loan will begin.

*Amortization balance corrected due to the correction of an error noted in the prior year. A mortization balance should have been \$301,952, which agrees to the principal balances as previously reported.

FAYETTEVILLE-PERRY TOWNSHIP REGIONAL SEWER DISTRICT
 BROWN COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 JANUARY 1, 2002 THROUGH DECEMBER 31, 2003

4. Budgetary Process (Continued)

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

Appropriations

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

Estimated Resources

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

Budgetary Activity

Budgetary activity for the year ending December 31, 2003 and 2002 was as follows:

2003 Budgeted VS. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance Favorable/ (Unfavorable)</u>
Enterprise	\$741,000	\$695,746	(\$45,254)

2003 Budgeted VS. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance Favorable/ (Unfavorable)</u>
Enterprise	\$713,200	\$848,043	\$(138,843)

FAYETTEVILLE-PERRY TOWNSHIP REGIONAL SEWER DISTRICT
 BROWN COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 JANUARY 1, 2002 THROUGH DECEMBER 31, 2003

4. Budgetary Process (Continued)

2002 Budgeted VS. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance Favorable/ (Unfavorable)</u>
Enterprise	\$239,800	\$604,671	\$364,871

2002 Budgeted VS. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance Favorable/ (Unfavorable)</u>
Enterprise	\$1,420,800	\$610,414	\$810,386

In 2003, the disbursements exceeded appropriations of \$848,043. This is in violation of Ohio Revised Code Section 5705.41(B), which prohibits the expenditure of funds unless they have been properly appropriated. In 2002, the appropriation authority exceeded estimated resources by \$638,312. This is a violation of Ohio Revised Code Section 5705.39, which states that the total appropriation from each fund shall not exceed the total estimated resources.

5. 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.

6. Contingent Liabilities

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

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

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

We have audited the accompanying financial statements of Fayetteville-Perry Township Regional Sewer District (the District), as of and for the years ended December 31, 2003, and December 31, 2002, and have issued our report thereon dated March 29, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulation, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance that are required to be reported under *Government Auditing Standards*. Those two reportable citations are described in the accompanying schedule of findings as items 2003-01, 2003-02, 2003-03, and 2003-04. We also noted certain immaterial instances of noncompliance which we have reported to the management of the District in a separate letter dated March 29, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over the financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to the management of the District in a separate letter dated March 29, 2004.

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

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*
Page 2

This report is intended solely for the information and use of the officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Balestra, Harr & Scherer, CPAs, Inc.
Balestra, Harr & Scherer, CPAs, Inc.

March 29, 2004

Fayetteville-Perry Township Regional Sewer District
Brown County
January 1, 2002 through December 31, 2003

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

Finding Number: 2003-01	<p><u>Appropriations limited by Estimated Resources</u></p> <p>Ohio Revised Code section 5705.39 states that the total appropriation from each fund shall not exceed the total estimated resources. Appropriations for 2002 exceeded estimated resources by \$638,312.</p>
Finding Number: 2003-02	<p><u>Appropriations vs. Disbursements</u></p> <p>Ohio Revised Code section 5705.41(B) prohibits any subdivision from making any expenditure without it being properly appropriated. Expenditures exceeded appropriations by \$138,843 for 2003.</p>
Finding Number: 2003-03	<p><u>Amending or Supplementing Appropriations</u></p> <p>Ohio Revised Code section 5705.40 states that any appropriation measure may be amended or supplemented as long as the entity complies with the same provisions of the law as are used in making the original appropriation. The District should have increased appropriations by amendment to the original appropriations, as actual expenditures exceeded appropriations by \$138,843 for 2003.</p>
Finding Number: 2003-04	<p><u>Amending or Supplementing Estimated Revenues</u></p> <p>Ohio Revised Code section 5705.36 states that an increased amended certificate of estimated resources must be obtained if the legislative authority intends to appropriate and expend the excess revenue. The District should have certified the amount of estimated resources available and filed amendments as necessary, as actual revenue exceeded estimated revenue for 2002 by \$364,871 of which all was appropriated and expended.</p>

CORRECTIVE ACTION PLAN:

FINDING NUMBER:	PLANNED CORRECTIVE ACTION:	ANTICIPATED COMPLETION DATE:	RESPONSIBLE CONTACT PERSON:
2003-01	The Board will monitor budgetary activity more closely during the next fiscal year.	12/31/04	Tom Denier, Board President
2003-02	The Board will monitor budgetary activity more closely during the next fiscal year.	12/31/04	Tom Denier, Board President
2003-03	The Board will monitor budgetary activity more closely during the next fiscal year.	12/31/04	Tom Denier, Board President
2003-04	The Board will monitor budgetary activity more closely during the next fiscal year.	12/31/04	Tom Denier, Board President

Fayetteville-Perry Township Regional Sewer District
Brown County
January 1, 2002 through December 31, 2003

SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected; Significantly Difference Corrective Action Taken; or Finding No Longer Valid; <i>Explain.</i>
2001-01 Amending or Supplementing Appropriations	No	Not Corrected – Reissued.
2001-02 Appropriations vs. Disbursements	No	Not Corrected – Reissued.



**Auditor of State
Betty Montgomery**

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FAYETTEVILLE-PERRY TOWNSHIP REGIONAL SEWER DISTRICT

BROWN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 16, 2004**