

Fayetteville-Perry Township Regional Sewer District

Brown County

Regular Audit

January 1, 2006 through December 31, 2007

**BALESTRA, HARR & SCHERER, CPAs, INC.
CERTIFIED PUBLIC ACCOUNTANTS**

528 South West Street, P.O. Box 687
Piketon, Ohio 45661

Telephone (740) 289-4131
Fax (740) 289-3639
www.bhscpas.com



Mary Taylor, CPA
Auditor of State

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, 2006 through December 31, 2007. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 10, 2008

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FAYETTEVILLE-PERRY TOWNSHIP
REGIONAL SEWER DISTRICT
BROWN COUNTY

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Independent Auditor's Report

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

We have audited the accompanying financial statements of the business-type activities of Fayetteville-Perry Township Regional Sewer District, Brown County, Ohio, (the District) as of and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

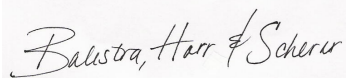
As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the business-type activities of the Fayetteville-Perry Township Regional Sewer District, Brown County, Ohio, as of December 31, 2007 and 2006, and the respective changes in cash basis financial position thereof for the years then ended in conformity with the accounting basis Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2008, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Board of Directors
Fayetteville-Perry Township Regional Sewer District
Independent Auditor's Report
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The Management's Discussion and Analysis on pages 3 through 5 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Balestra, Harr & Scherer, CPAs, Inc.
April 25, 2008

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

**Management's Discussion and Analysis
For the Years Ended December 31, 2007 and December 31, 2006
(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 assets decreased by \$36,127 in 2007 and \$76,231 in 2006.

The District's Operating Cash Receipts were \$335,592 and \$293,112 in 2007 and 2006, respectively. Operating Cash Disbursements were \$734,916 and \$609,595 in 2007 and 2006, respectively.

OVERVIEW OF BASIC FINANCIAL STATEMENTS

The District is a single enterprise fund using proprietary fund accounting, similar to private sector business. The Basic Financial Statements are presented using the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The Statements of Net Assets-Cash Basis and the Statements of Cash Receipts, Disbursements and Changes in Net Assets-Cash Basis provide information on the District's cash basis operations over the past two years and the success of recovering all its costs through user fees, charges, and other income. Revenues (cash receipts) are reported when received and expenses (cash disbursements) are reported when paid.

Basis of Accounting

The basis of accounting is a set of guidelines that determines 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, 2007 and December 31, 2006
(Unaudited)**

STATEMENTS OF NET ASSETS-CASH BASIS

Table 1 summarizes the Statements of Net Assets – Cash Basis of the District at December 31, 2007 and December 31, 2006, with a comparative analysis with 2005.

TABLE 1	2007	2006	Change Amount	2005	Change Amount
Cash and Cash Equivalents	\$368,282	\$404,409	(\$36,127)	\$480,640	(\$76,231)
Total Assets	<u>\$368,282</u>	<u>\$404,409</u>	<u>(\$36,127)</u>	<u>\$480,640</u>	<u>(\$76,231)</u>
Net Assets -					
Unrestricted	\$368,282	\$404,409	(\$36,127)	\$480,640	(\$76,231)
Total Net Assets	<u>\$368,282</u>	<u>\$404,409</u>	<u>(\$36,127)</u>	<u>\$480,640</u>	<u>(\$76,231)</u>

The District's Net Assets decreased by \$36,127 in 2007, and \$76,231 in 2006. The decrease from 2006 to 2007 was primarily the result of an increase in capital outlay disbursements. The decrease from 2005 to 2006 was primarily the result of a decline of tap-in fees and an increase in capital outlay disbursements.

STATEMENTS OF CHANGES IN NET ASSETS-CASH BASIS

Table 2 below summarizes the changes in cash receipts, cash disbursements and the resulting change in Net Assets for 2007 and 2006, with a comparative analysis to 2005.

TABLE 2	2007	2006	Change	2005	Change
Operating Cash Receipts	\$335,592	\$293,112	\$42,480	\$338,536	(\$45,424)
Operating Cash Disbursements	734,916	609,595	125,321	358,636	250,959
Operating Cash Receipts Over/(Under)					
Operating Cash Disbursements	(399,324)	(316,483)	(82,841)	(20,100)	(296,383)
Non-Operating Cash Receipts	672,570	542,935	129,635	264,865	278,070
Non-Operating Cash Disbursements	309,373	302,683	6,690	302,683	0
Changes in Net Cash Assets	(36,127)	(76,231)	40,104	(57,918)	(18,313)
Net Cash Assets, January 1	404,409	480,640	(76,231)	538,558	(57,918)
Net Cash Assets, December 31	<u>\$368,282</u>	<u>\$404,409</u>	<u>(\$36,127)</u>	<u>\$480,640</u>	<u>(\$76,231)</u>

From 2006 to 2007 operating cash receipts increased \$42,480 due to an increase in revenues collected from sewer charges and tap in fees. From 2005 to 2006 operating cash receipts decreased \$45,424 due to a decrease in revenues collected from sewer charges and tap in fees. Operating cash disbursements increased \$125,321 and \$250,959 in 2007 and 2006, respectively, primarily due to capital expenditures that resulted from OWDA loans. Non-Operating Cash Receipts increased \$129,635 and \$278,070 in 2007 and 2006, respectively, primarily due to OWDA loans received.

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

**Management's Discussion and Analysis
For the Years Ended December 31, 2007 and December 31, 2006
(Unaudited)**

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 \$421,556 and \$336,936 during 2007 and 2006, respectively.

DEBT

Under the cash basis of accounting the District does not report liabilities for bonds, long-term notes or short-term notes in the accompanying basic financial statements. However, in order to provide information to the readers of this report, we are providing the following detailed information about the District's long-term debt. Additional information regarding debt can be found in Note 4 to the Basic Financial Statements.

TABLE 3	2007	2006
USDA Loan	\$1,513,946	\$1,534,442
OPWC Loan	201,299	218,075
OWDA Loan	487,726	502,281
OWDA Loan	317,973	230,602
WWTP Improvement Loan	289,775	0
Water Pollution Control Loan	1,443,437	1,551,353
Total Long Term Debt	<u>\$4,254,156</u>	<u>\$4,036,753</u>

CASH

Cash and cash equivalents as of December 31, 2007 and 2006 were \$368,282 and \$404,409, respectively.

CONTACT INFORMATION

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

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

**Statements of Net Assets - Cash Basis
As of December 31, 2007 and December 31, 2006**

	<u>2007</u>	<u>2006</u>
Assets		
Cash and Cash Equivalents	<u>\$ 368,282</u>	<u>\$ 404,409</u>
<i>Total Assets</i>	<u><u>\$ 368,282</u></u>	<u><u>\$ 404,409</u></u>
Net Assets		
Unrestricted	<u>\$ 368,282</u>	<u>\$ 404,409</u>
<i>Total Net Assets</i>	<u><u>\$ 368,282</u></u>	<u><u>\$ 404,409</u></u>

See accompanying notes to the basic financial statements.

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

**Statements of Cash Receipts, Disbursements and
Changes in Net Assets - Cash Basis
For the Years Ended December 31, 2007 and December 31, 2006**

	<u>2007</u>	<u>2006</u>
Operating Cash Receipts		
Charges for services	\$ 260,237	\$ 226,905
Tap-in installation fees	66,046	58,778
Miscellaneous	9,309	7,429
Total operating cash receipts	<u>335,592</u>	<u>293,112</u>
Operating Cash Disbursements		
Contract labor	3,572	3,000
Capital outlay	421,556	336,936
Water lab testing	1,273	1,460
Sludge hauling	13,506	6,473
Repairs and maintenance	27,077	9,491
Water	428	360
Utilities	42,769	36,990
Engineering fees	126,916	123,830
Accounting and audit fees	1,596	13,398
Meeting compensation fees	5,800	5,700
Billing fees	1,934	1,820
Rental fees	2,742	38
Insurance	14,351	13,931
Tap-in installation fees	32,413	20,074
Legal fees	244	417
Job supplies	36,286	24,742
Office supplies	209	97
Trash pickup	352	351
Postage	740	507
Dues and subscriptions	100	800
Bank service charges	30	168
Customer refund	23	845
Publications	204	441
Licenses	795	7,726
Total operating cash disbursements	<u>734,916</u>	<u>609,595</u>
Operating Cash Receipts Under		
Operating Cash Disbursements	<u>(399,324)</u>	<u>(316,483)</u>
Non-Operating Cash Receipts (Disbursements)		
Interest	20,732	5,871
Proceeds from loans	381,418	272,829
Assessment revenues	270,420	264,235
Principal	(164,015)	(154,274)
Interest	(145,358)	(148,409)
Total non-operating cash receipts (disbursements)	<u>363,197</u>	<u>240,252</u>
Change in net cash assets	(36,127)	(76,231)
Net assets, January 1	<u>404,409</u>	<u>480,640</u>
Net assets, December 31	<u>\$ 368,282</u>	<u>\$ 404,409</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, 2007 and December 31, 2006

1. Nature of Organization

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

In accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* (an amendment of GASB Statement No. 14), the accompanying financial statements include only the accounts and transactions of the District. Under the criteria specified in these GASB Statements, the District has no component units nor is it considered a component unit of the State of Ohio. The District is considered, however, a political subdivision of 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

The significant accounting policies followed in the preparation of these financial statements conform to accounting principles generally accepted in the United States of America for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board and other recognized authoritative sources. Under the guidelines of GASB 20, the District has elected not to apply Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989 to its enterprise fund activities. A summary of the significant accounting policies consistently 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 net yet collected) and liabilities and their related expenses (such as accounts payable and expenses for goods and services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the basis of accounting as described above.

FAYETTEVILLE-PERRY TOWNSHIP REGIONAL SEWER DISTRICT
BROWN COUNTY

Notes to the Basic Financial Statements
For the Years Ended December 31, 2007 and December 31, 2006

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

A. **Basis of Accounting** (continued)

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

B. **Cash and Investments**

For reporting purposes, the District considers “Net assets” and “Cash and cash equivalents” to be cash on hand, demand deposits, and all investments held by the District with a maturity date less than or equal to three months from the date of purchase.

C. **Basis of Presentation – Fund Accounting**

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The District has created a single type of fund and a single fund within that type. The fund accounts for the governmental resources allocated to it and the segregation of cash and investments for the purpose of carrying on specific activities in accordance with laws, regulations or other restrictions.

The fund type, which the Fayetteville-Perry Township Regional Sewer District uses, is described below:

Proprietary Fund Type – This fund type accounts for operations that are organized to be self-supporting through user charges. The fund included in this category used by the District is the Enterprise Fund.

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

D. **Budgetary Process**

The Ohio Revised Code requires the District to adopt an annual budget.

Appropriations – Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund and function 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 2007 and 2006 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, 2007 and December 31, 2006

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 statements.

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 services that are the primary activities of the fund.

I. Net Assets

Net assets represent the difference between assets and liabilities. Since under the District's current basis of accounting, the District does not record any other assets other than cash and investments and does not record any liabilities, net assets is equivalent to cash and investments. The District currently does not record any restrictions on its net assets.

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Trustees has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies, which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

Interim monies may be deposited or invested in the following securities:

- A. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;

FAYETTEVILLE-PERRY TOWNSHIP REGIONAL SEWER DISTRICT
BROWN COUNTY

Notes to the Basic Financial Statements
For the Years Ended December 31, 2007 and December 31, 2006

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.

FAYETTEVILLE-PERRY TOWNSHIP REGIONAL SEWER DISTRICT
BROWN COUNTY

Notes to the Basic Financial Statements
For the Years Ended December 31, 2007 and December 31, 2006

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

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 or 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.

The District’s bank balances as of December 31, 2007 and December 31, 2006, were \$36,462 and \$405,899, respectively. The entire bank balance as of December 31, 2007 was covered by federal depository insurance. As of December 31, 2006, \$100,000 of the bank balance was covered by federal depository insurance. The remaining balance of \$305,899 was not exposed to custodial credit risk because it was collateralized with securities held by the pledging financial institution’s trust department or agent, but not in the District’s name.

Investments: As of December 31, 2007, the District had the following investments and maturities:

	2007	
	Fair Value	Weighted Average Maturity (Yrs.)
STAR Ohio	\$ 342,481	< One Year
Total Fair Value	\$ 342,481	

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 than an issuer or other counterparty to an investment will not fulfill its obligations. The District limits its investments to STAR Ohio. Investments in STAR Ohio were rated AAAM by Standard & Poor’s.

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, Certificates 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.

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.

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, 2007 and December 31, 2006 is as follows:

FAYETTEVILLE-PERRY TOWNSHIP REGIONAL SEWER DISTRICT
BROWN COUNTY

Notes to the Basic Financial Statements
For the Years Ended December 31, 2007 and December 31, 2006

4. Debt (Continued)

	Balance 12/31/2006	Additions	Deletions	Balance 12/31/2007	Due Within One Year	Interest Rate
USDA Loan	\$ 1,534,442	\$ -	\$ 20,496	\$ 1,513,946	\$ 21,480	4.75%
Ohio Public Works Commission Loan	218,075	-	16,776	201,299	16,776	0.00%
OWDA Loan #3953	502,281	-	14,555	487,726	14,774	1.50%
OWDA Loan #4518	230,602	91,643	4,272	317,973	8,641	1.50%
WWTP Improvement Loan	-	289,775	-	289,775	-	*
Water Pollution Control Loan	1,551,353	-	107,916	1,443,437	112,408	4.12%
Total	\$ 4,036,753	\$ 381,418	\$ 164,015	\$ 4,254,156	\$ 174,079	

	Balance 12/31/2005	Additions	Deletions	Balance 12/31/2006	Due Within One Year	Interest Rate
USDA Loan	\$ 1,553,998	\$ -	\$ 19,556	\$ 1,534,442	\$ 20,496	4.75%
Ohio Public Works Loan	234,851	-	16,776	218,075	16,776	0.00%
OWDA Loan # 3953	474,393	42,227	14,339	502,281	14,555	1.50%
OWDA Loan # 4518	-	230,602	-	230,602	4,272	1.50%
Water Pollution Control Loan	1,654,956	-	103,603	1,551,353	107,916	4.12%
Total	\$ 3,918,198	\$ 272,829	\$ 154,274	\$ 4,036,753	\$ 164,015	

Amortization of the above debt is scheduled as follows:

Year Ending December 31:	Water Pollution Control Loan		OPWC	USDA	
	Principal	Interest	Principal	Principal	Interest
2008	\$ 112,408	\$ 58,324	\$ 16,776	\$ 21,480	\$ 71,661
2009	117,087	53,644	16,776	22,514	70,627
2010	121,961	48,771	16,776	23,595	69,546
2011	127,037	43,694	16,776	24,730	67,070
2012	132,325	38,407	16,776	25,918	65,906
2013-2017	748,975	104,684	83,880	149,518	309,990
2018-2022	83,644	1,723	33,539	189,075	271,210
2023-2027	-	-	-	239,096	222,170
2028-2032	-	-	-	302,350	160,153
2033-2037	-	-	-	382,341	81,733
2038-2039	-	-	-	133,329	6,253
Totals	\$ 1,443,437	\$ 349,247	\$ 201,299	\$ 1,513,946	\$ 1,396,319

FAYETTEVILLE-PERRY TOWNSHIP REGIONAL SEWER DISTRICT
BROWN COUNTY

Notes to the Basic Financial Statements
For the Years Ended December 31, 2007 and December 31, 2006

4. Debt (Continued)

Year Ending December 31:	OWDA Loan #4518		OWDA Loan #3953	
	Principal	Interest	Principal	Interest
2008	\$ 8,641	\$ 4,738	\$ 14,774	\$ 7,261
2009	8,771	4,607	14,996	7,038
2010	8,903	4,475	15,223	6,813
2011	9,038	4,341	15,452	6,583
2012	9,174	4,205	15,684	6,351
2013-2017	47,981	18,911	82,034	28,138
2018-2022	51,705	15,189	88,400	21,774
2023-2027	55,714	11,177	95,257	14,915
2028-2032	60,038	6,854	102,648	7,525
2033-2037	58,008	2,196	43,258	813
Totals	<u>\$ 317,973</u>	<u>\$ 76,693</u>	<u>\$ 487,726</u>	<u>\$ 107,211</u>

* The WWTP Improvement loan was still open as of December 31, 2007 and no amortization schedule has been established for this loan. This loan was for the wastewater treatment plant expansion and upgrade. This project is financed by a loan with the Ohio Water Development Authority (OWDA). The 30 year loan is approved for \$1,575,616 at a 1.5% interest rate.

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 OWDA loan # 4518 original issue amount was \$319,000 at 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 original issue amount was \$335,502 at 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 at a 4.75% interest rate with payments through 2039. The Water Pollution Control loan original issue amount was \$2,310,838 at a 4.12% interest rate for a twenty year period. This loan financed the wastewater treatment system construction project.

5. Budgetary Process

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

The following summarizes the District's budgetary activity for 2007 and 2006:

FAYETTEVILLE-PERRY TOWNSHIP REGIONAL SEWER DISTRICT
BROWN COUNTY

Notes to the Basic Financial Statements
For the Years Ended December 31, 2007 and December 31, 2006

5. Budgetary Process (Continued)

Budgetary Activity

Budgetary activity for the year ending December 31, 2007 was as follows:

<u>Budgeted vs. Actual Receipts</u>			
<u>Budgeted</u>		<u>Actual</u>	<u>Variance</u>
<u>Original</u>	<u>Final</u>		
\$1,556,500	\$939,000	\$1,008,162	\$69,162

<u>Budgeted vs. Actual Budgetary Basis Expenditures</u>			
<u>Budgeted</u>		<u>Actual</u>	<u>Variance</u>
<u>Original</u>	<u>Final</u>		
\$1,565,660	\$1,068,000	\$1,044,289	\$23,711

Budgetary activity for the year ending December 31, 2006 was as follows:

<u>Budgeted vs. Actual Receipts</u>			
<u>Budgeted</u>		<u>Actual</u>	<u>Variance</u>
<u>Original</u>	<u>Final</u>		
\$1,105,500	\$787,278	\$836,047	\$48,769

<u>Budgeted vs. Actual Budgetary Basis Expenditures</u>			
<u>Budgeted</u>		<u>Actual</u>	<u>Variance</u>
<u>Original</u>	<u>Final</u>		
\$1,477,400	\$912,278	\$912,278	\$0

6. Risk Management

The District has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Municipal Property
- Vehicles
- Errors and Omissions

There have been no significant reductions in insurance coverage from the prior year. Settlement costs have not exceeded insurance coverage during any of the past three years.

7. Contingent Liabilities

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

BALESTRA, HARR & SCHERER, CPAs, INC.

528 South West Street, P.O. Box 687
Piketon, Ohio 45661

Telephone (740) 289-4131
Fax (740) 289-3639
www.bhscpas.com

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

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

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

We have audited the financial statements of the business-type activities of the Fayetteville-Perry Township Regional Sewer District, Brown County, Ohio (the District), as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated April 25, 2008, wherein we indicated that the District follows the cash accounting basis. We conducted our audits 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the cash accounting basis such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

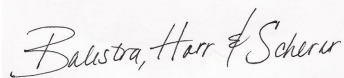
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Board of Directors
Fayetteville-Perry Township Regional Sewer District
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance With *Government Auditing Standards*
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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



Balestra, Harr & Scherer, CPAs, Inc.
April 25, 2008



Mary Taylor, CPA
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
JULY 22, 2008**