

SYRACUSE - RACINE REGIONAL SEWER DISTRICT

Meigs County

Regular Audit

January 1 , 1999 Through December 31, 2000

Fiscal Year Audited Under GAGAS: 1999 and 2000

BALESTRA & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Board of Trustees
Syracuse-Racine Regional Sewer District

We have reviewed the Independent Auditor's Report of the Syracuse-Racine Regional Sewer District, Meigs County, prepared by Balestra & Company for the audit period January 1, 1999 through December 31, 2000. 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 Syracuse-Racine Regional Sewer District is responsible for compliance with these laws and regulations.

JIM PETRO
Auditor of State

November 21, 2001

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MEIGS COUNTY
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REPORT OF INDEPENDENT AUDITORS

Board of Trustees
Syracuse-Racine Regional Sewer District
P.O. Box 201
Racine, Ohio 45771

We have audited the accompanying general purpose financial statements of the Syracuse-Racine Regional Sewer District, Meigs County, Ohio, (the District) as of and for the years ended December 31, 2000 and December 31, 1999. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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.

The District declined to present a statement of cash flows for the years ended December 31, 2000 and December 31, 1999. Such a statement summarizing the District's operating, financing and investing activities and other changes in its cash flow is required in order to conform with accounting principles generally accepted in the United States of America.

In our opinion, except that the omission of a statement of cash flows results in an incomplete presentation as explained in the preceding paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the District, as of December 31, 2000 and 1999, and the results of its operations for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have issued our report dated August 23, 2001 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 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 audit.

Balestra & Company
Balestra & Company
CERTIFIED PUBLIC ACCOUNTANTS

August 23, 2001

SYRACUSE-RACINE REGIONAL SEWER DISTRICT
MEIGS COUNTY

BALANCE SHEET
PROPRIETARY FUND TYPE
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

	2000	1999
Assets:		
Cash and Cash Equivalents	\$ 132,419	\$ 136,949
Accounts Receivable - Sewer Billings	18,179	16,737
Accounts Receivable - Delinquent Accounts	11,174	15,755
Fixed Assets (net of accumulated depreciation)	2,973,363	3,115,112
Total Assets	\$ 3,135,135	\$ 3,284,553
Liabilities and Equity:		
Liabilities:		
FmHA Water Resource Revenue Bonds	\$ 969,000	\$ 993,000
Total Liabilities	969,000	993,000
Equity:		
Contributed Capital (net of accumulated depreciation)	2,287,872	2,396,818
Retained Earnings:		
Unreserved	(121,737)	(105,265)
Total Equity	2,166,135	2,291,553
Total Liabilities and Equity	\$ 3,135,135	\$ 3,284,553

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

SYRACUSE-RACINE REGIONAL SEWER DISTRICT
MEIGS COUNTY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPE
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

	2000	1999
Operating Revenue:		
Charges for services	\$ 238,750	\$ 227,076
Total Operating Revenue	238,750	227,076
Operating Expenses:		
Personal services and Administration	91,963	85,200
Office Expenses and Insurance	2,963	2,925
Chemicals and operating supplies	84,363	57,504
Depreciation	141,749	141,749
Total Operating Expenses	321,038	287,378
Operating Income/(Loss)	(82,288)	(60,302)
Non-Operating Revenues (Expenses):		
Interest Income	6,520	6,130
Interest Expense	(49,650)	(50,850)
Net Income	(125,418)	(105,022)
Depreciation on Fixed Assets Reducing Contributed Capital	108,946	108,946
Net Increase (Decrease) in Retained Earnings	(16,472)	3,924
Retained Earnings - January 1	(105,265)	(109,189)
Retained Earnings - December 31	\$ (121,737)	\$ (105,265)

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

SYRACUSE-RACINE REGIONAL SEWER DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE FISCAL YEARS ENDED DECEMBER 31, 2000 AND DECEMBER 31, 1999

NOTE 1 - DESCRIPTION OF THE ENTITY

The Syracuse-Racine Regional Sewer District, Meigs County, Ohio (the District) is a sewer district organized under the provisions of Chapter 6119 of the Revised Code by the Common Pleas Court of Meigs County on September 22, 1978. The District is directed by an appointed three-member Board of Trustees. One Board member is appointed by each political subdivision within the District. Those subdivisions are Sutton Township, Syracuse Village and Racine Village. The District provides sewer services to residents of the District.

The reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Syracuse-Racine Regional Sewer District, this consists of general operations.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. There are no component units of the District.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the District's accounting policies are described below.

A. Basis of Presentation - Fund Accounting

The accounts of the District are organized on the basis of funds, to report on its financial position and the results of its operations, each of which is considered a separate accounting entity. The District has created a single type of fund and a single fund within that fund type. The fund is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, retained earnings, revenues and expenses. This fund accounts for the governmental resources allocated to it for the purpose of carrying on specific activities in accordance with laws, regulations or other restrictions. The fund type which the District utilizes 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.

SYRACUSE-RACINE REGIONAL SEWER DISTRICT

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2000 AND DECEMBER 31, 1999**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Basis of Presentation - Fund Accounting (Continued)

Enterprise Fund

This fund is established to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is those costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

B. Basis of Accounting

Enterprise funds are accounted for on the accrual basis of accounting. Their revenues are recognized in the period earned and expenses are recognized in the period incurred.

The proprietary fund type is accounted for on a flow of economic resources and all assets and liabilities associated with the operation are included on the balance sheet. Fund equity is segregated into accumulated deficit and contributed capital components.

C. Budgetary Process

The Ohio Revised Code requires each fund be budgeted annually.

Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object 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 unencumbered cash as of January 1.

Encumbrances

The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made.

A summary of 1999 and 2000 budgetary activity appears in Note 10.

D. Deposits and Investments

Investments were limited to certificates of deposit.

SYRACUSE-RACINE REGIONAL SEWER DISTRICT

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2000 AND DECEMBER 31, 1999**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Fixed Assets and Depreciation

Fixed assets acquired or constructed for the general use of the District in providing services are recorded at cost. Donated assets are recorded at their estimated fair market value at the time recorded. Depreciation of fixed assets of the District is calculated utilizing the straight line method. All assets reported in the financial statements are at cost less accumulated depreciation. Repair and maintenance costs are charged to operations when incurred. Improvements and additions are capitalized.

The estimated useful lives by major fixed asset class are as follows:

Sewer Plant	40 years
Plant Equipment	10 years
Office Furniture	10 years
Office Equipment	5 years
Vehicles	5 years

F. Contributed Capital

Contributed capital represents resources from other governments and private sources provided to proprietary funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated or granted. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to contributed capital at year end. Contributed capital of the District has been in the form of federal government grants.

G. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes.

NOTE 3 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the District into three categories.

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 the Board has identified as not required for use within the current two 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 deposits must be evidenced by time certificates of deposit, or by savings or deposit accounts, including passbook accounts.

SYRACUSE-RACINE REGIONAL SEWER DISTRICT

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2000 AND DECEMBER 31, 1999**

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public money deposited with the institution.

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

1. 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;
2. 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;
3. 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;
4. Bond and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio); and,
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.
8. Under limited circumstances, debt interest rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

SYRACUSE-RACINE REGIONAL SEWER DISTRICT

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2000 AND DECEMBER 31, 1999

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

Deposits At December 31, 2000, the carrying amount of the District's deposits was \$132,419 and the bank balance was \$208,052. Of the bank balance, \$163,247 was covered by federal deposit insurance and \$44,805 was covered by securities pledged specifically to the District. At December 31, 1999, the carrying amount of the District's deposits was \$136,949 and the bank balance was \$216,211. Of the bank balance, \$163,009 was covered by federal deposit insurance and \$53,202 was covered by securities pledged specifically to the District.

NOTE 4 - FIXED ASSETS

A summary of fixed assets at December 31, 2000 and 1999 is as follows:

	<u>2000</u>	<u>1999</u>
Property, Plant and Equipment	\$5,663,650	\$5,663,650
Vehicles	<u>7,112</u>	<u>7,112</u>
Total	5,670,762	5,670,762
Less: Accumulated Depreciation	<u>(2,697,399)</u>	<u>(2,555,650)</u>
Total Net Fixed Assets	<u>\$2,973,363</u>	<u>\$3,115,112</u>

NOTE 5 - CONTRIBUTED CAPITAL

A summary of contributed capital at December 31, 2000 and 1999 is as follows:

	<u>2000</u>	<u>1999</u>
Contributed Capital	\$4,357,850	\$4,357,850
Less: Accumulated Depreciation	<u>(2,069,978)</u>	<u>(1,961,032)</u>
Total Net Contributed Capital	<u>\$2,287,872</u>	<u>\$2,396,818</u>

NOTE 6 - DEBT

Debt outstanding at December 31, 2000 consisted of the following:

Farmers Home Administration (FmHA) Water Resource Revenue Bonds	
Principal Outstanding	\$969,000
Interest Rate	5%

SYRACUSE-RACINE REGIONAL SEWER DISTRICT

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2000 AND DECEMBER 31, 1999

NOTE 6 - DEBT (CONTINUED)

The outstanding FmHA Water Resource Revenue Bonds are for the various fixed assets constructed to provide sewer service, including the operations plant and various storage facilities. Property and revenue of the District have been pledged to repay this debt.

The annual requirements to amortize all bonded debt outstanding as of December 31, 2000 including interest payments of \$631,400 are as follows:

Year Ending	Revenue	FmHA
<u>December 31:</u>		<u>Bonds</u>
2001	\$	73,650
2002		77,100
2003		77,650
2004		77,100
2005		77,500
Thereafter		<u>\$1,217,400</u>
Totals		<u>\$1,600,400</u>

NOTE 7 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2000, the District contracted for the following insurance coverage:

Buildings and Contents	\$1,158,000
Commercial Inland Marine	20,000
General Liability:	
Per occurrence	1,000,000
Total per year	2,000,000
Personal and Advertising Injury Limit	1,000,000
Medical Expense Limit, Any One Person	5,000
Fire Damage Limit, Any One Limit	100,000
Auto Liability:	
Bodily Injury- per person/per accident	500,000
Property Damage - Per accident	250,000
Uninsured Motorists:	
Bodily Injury - per person/per accident	500,000
Medical Payments	10,000
Public Officials Fidelity:	
Secretary/Treasurer	100,000
Billing Clerk	5,000

SYRACUSE-RACINE REGIONAL SEWER DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE FISCAL YEARS ENDED DECEMBER 31, 2000 AND DECEMBER 31, 1999

NOTE 7 - RISK MANAGEMENT (CONTINUED)

Settled claims have not exceeded this commercial coverage in any of the past three years and there have been no significant reductions in insurance coverage from last year.

The District also provides health insurance and dental and vision coverage to eligible employees through a private carrier.

NOTE 8 - DEFINED BENEFIT RETIREMENT SYSTEM

District employees participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple employer defined benefit pension plan created by the State of Ohio. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Public Employees Retirement System of Ohio issues a stand-alone financial report that includes financial statements and required supplementary information for the PERS of Ohio. Interested parties may obtain a copy by making written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614)466-2085 or 1-800-222-PERS.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The 2000 and 1999 employee contribution rate for employees is 8.5%. The 2000 and 1999 employer contribution rate was 13.5% of covered payroll. The District has paid all contributions required through December 31, 2000.

NOTE 9 - POSTEMPLOYMENT BENEFITS

The Public Employees Retirement System of Ohio (PERS) provides postemployment health care benefits to age service retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health care coverage for disability recipients is also available. The health care coverage provided by the retirement service is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the PERS of Ohio is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The employer contribution rate was rolled back for the year 2000. The 2000 employer contribution rate for local government employer units was 10.84% of covered payroll; 4.3% was the portion that was used to fund health care for the year. The portion of employer contributions that were used to fund postemployment benefits for December 31, 2000 and 1999 was \$2,466 for each respective year.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to PERS.

The health inflation and significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the PERS of Ohio's latest actuarial review performed as of December 31, 1999. There were 401,339 active contributing participants in the PERS of Ohio as of December 31, 1999. An entry age normal actuarial cost method of valuation was used in determining the present value of benefit liabilities and normal cost. The difference between assumed and actual experience (actuarial gains and losses) became part of unfunded actuarial accrued liability. All investments are carried at market value. Using the smoothed market approach for actuarial valuation purposes, assets were adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 1999 was 7.75%. An annual increase of 4.75% compounded annually was the base portion of the individual pay increase assumption, which assumed no change in the number of active employees. Additionally, annual pay increases over and above the 4.75% base increase were assumed to range from 0.54% to 5.1%. Health care premiums were assumed to increase 4.75% annually.

SYRACUSE-RACINE REGIONAL SEWER DISTRICT

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2000 AND DECEMBER 31, 1999

NOTE 9 - POSTEMPLOYMENT BENEFITS (CONTINUED)

PERS's net assets available for other postemployment benefits as of that date was \$10,805,500,000 leaving an actuarially accrued liability and unfunded actuarial accrued liability based on the actuarial cost method of \$12,476,600,000 and \$1,668,100,000, respectively.

NOTE 10 - BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2000 and 1999 are as follows:

2000 Budgeted vs Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
Enterprise	\$230,000	\$241,889	\$11,889

2000 Budgeted vs Actual Disbursements

<u>Fund Type</u>	<u>Budgeted Disbursements</u>	<u>Actual Disbursements</u>	<u>Variance</u>
Enterprise	\$229,000	\$228,939	\$61

1999 Budgeted vs Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
Enterprise	\$230,000	\$228,463	(\$1,537)

1999 Budgeted vs Actual Disbursements

<u>Fund Type</u>	<u>Budgeted Disbursements</u>	<u>Actual Disbursements</u>	<u>Variance</u>
Enterprise	\$226,645	\$196,479	\$30,116

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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
Syracuse-Racine Regional Sewer District
P.O. Box 201
Racine, Ohio 45771

We have audited the general purpose financial statements of the Syracuse-Racine Regional Sewer District, Meigs County, Ohio (the District), as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated August 23, 2001. 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.

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, regulations, 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance that we reported to management of the District in a separate letter dated August 23, 2001.

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. However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 1999-2000-001. 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.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. We consider item 1999-2000-001 to be a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated August 23, 2001.

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

Balestra & Company

Balestra & Company
CERTIFIED PUBLIC ACCOUNTANTS

August 23, 2001

**SYRACUSE-RACINE REGIONAL SEWER DISTRICT
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND DECEMBER 31, 1999**

FINDING NUMBER 1999-2000-001

Reportable Condition

Statement on Auditing Standards No. 61 requires auditors to inform management and the audit committee (i.e., the Fiscal Report Review Committee) of material adjustments posted during the audit. In a separate communication, we informed them of material adjustments we required to issue an opinion on the District's financial statements. Also, the District failed to present a statement of cash flows as required by accounting principles generally accepted in the United States of America. The adjustments and lack of required financial statements indicate a breakdown in the process the District uses to compile its financial statements under accounting principles generally accepted in the United States of America.

While the District has engaged an accounting services firm to compile the financial statements, the District is still ultimately responsible for the fair presentation of the statements. The District should monitor the compilation. The District should review draft financial statements and footnotes. The District should monitor the progress of the compilation against agreed upon schedules, and assure the firm receives the proper information to prepare financial statements. The District should approve the financial statements before the accounting firm presents them.

**SYRACUSE-RACINE REGIONAL SEWER DISTRICT
MEIGS COUNTY**

**CORRECTIVE ACTION PLAN
FOR THE YEARS ENDED DECEMBER 31, 2000 AND DECEMBER 31, 1999**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
1999-2000-001	The Clerk and Board will monitor financial statement and footnote preparation more closely for next District audit.	05/31/02	Theresa Pressley, Clerk



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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SYRACUSE-RACINE REGIONAL SEWER DISTRICT

MEIGS 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
DECEMBER 4, 2001**