



Dave Yost • Auditor of State

**SYRACUSE RACINE REGIONAL SEWER DISTRICT
MEIGS COUNTY**

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Dave Yost • Auditor of State

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

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

August 31, 2012

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statement of the Syracuse-Racine Regional Sewer District, Meigs County, Ohio (the Sewer District), as of and for the year ended December 31, 2011. This financial statement is the responsibility of the Sewer District's management. Our responsibility is to express an opinion on this financial statement 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Sewer District has prepared this financial statement using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statement of the variances between these regulatory accounting practices and GAAP, we presume they are material.

GAAP require presenting entity-wide statements. While the Sewer District does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statement does not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require sewer districts to reformat their statement. The Sewer District has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statement referred to above for the year ended December 31, 2011 does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Sewer District as of December 31, 2011, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statement referred to above presents fairly, in all material respects, the cash balance as of December 31, 2011 of the Syracuse Racine Regional Sewer District, Meigs County, Ohio, and its cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2012, on our consideration of the Sewer 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. While we did not opine on the internal control over financial reporting and compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the financial statements that collectively comprise the Sewer District's financial statements taken as a whole. The Federal Awards Expenditures Schedule (the Schedule) provides additional information required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The Schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This Schedule was subject to the auditing procedures we applied to the financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.



Dave Yost
Auditor of State

August 31, 2012

**SYRACUSE RACINE REGIONAL SEWER DISTRICT
MEIGS COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN CASH BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>2011</u>
Operating Cash Receipts:	
Charges for Services	<u>\$317,056</u>
Total Operating Cash Receipts	<u>317,056</u>
Operating Cash Disbursements:	
Professional Services	125,247
Employee Fringe Benefits	22,574
Contract Services	66,998
Supplies	<u>26,771</u>
Total Operating Cash Disbursements	<u>241,590</u>
Operating Income/(Loss)	<u>75,466</u>
Non-Operating Receipts:	
Earnings on Investments (proprietary funds only)	1,889
Intergovernmental Revenues	1,039,721
Special Assessments	22,514
Other Debt Proceeds	1,747,000
Miscellaneous Receipts	2,644
Transfers In	<u>720,420</u>
Total Non-Operating Cash Receipts	<u>3,534,188</u>
Non-Operating Cash Disbursements:	
Capital Outlay	2,190,721
Principal Retirement	596,000
Interest and Other Fiscal Charges	29,800
Other Financing Uses	200
Transfers Out	<u>720,420</u>
Total Non-Operating Cash Disbursements	<u>3,537,141</u>
Net Receipts Over/(Under) Disbursements	72,513
Cash Balance, January 1	<u>217,946</u>
Cash Balance, December 31	<u><u>\$290,459</u></u>

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

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**SYRACUSE RACINE REGIONAL SEWER DISTRICT
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2011
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges for the Syracuse-Racine Regional Sewer District, Meigs County, (the Sewer District) as a body corporate and politic. Each political subdivision within the District appoints one member to the Board of Trustees to direct the Sewer District. There are three board members. Subdivisions within the Sewer District are the Sutton District, the Village of Syracuse, and the Village of Racine. The Sewer District provides sewer services to residents of the Sewer District.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Sewer District recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

The Sewer District's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

D. Budgetary Process

The Ohio Revised Code requires the Board to budget annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the function level of control, and appropriations may not exceed estimated resources. Appropriation Authority includes current year appropriations plus encumbrances carried over from the prior year (if any). The Board must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1.

**SYRACUSE RACINE REGIONAL SEWER DISTRICT
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2011
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

3. Encumbrances

The Ohio Revised Code requires the Sewer District to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are canceled and reappropriated in the subsequent year.

A summary of 2011 budgetary activity appears in Note 3.

D. Property, Plant, and Equipment

The Sewer District records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

F. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not report these items as assets.

2. DEPOSITS

The carrying amount of deposits and investments at December 31 was as follows:

	2011
Demand deposits	\$260,419
Certificates of Deposit	30,040
Total Deposits	<u>\$290,459</u>

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2011 follows:

2011 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$8,741,488	\$3,851,244	(\$4,890,244)

2011 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$8,639,045	\$3,778,731	\$4,860,314

**SYRACUSE RACINE REGIONAL SEWER DISTRICT
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2011
(Continued)**

4. DEBT

Debt outstanding at December 31, 2011 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
USDA Rural Development - Series A Bonds	\$452,000	2.75%
USDA Rural Development - Series B Bonds Refunding Portion	611,000	2.875%
USDA Rural Development - Series B Bonds New Money Portion	684,000	2.875%

The Sewer District received a loan from United States Department of Agriculture Rural Development for the construction phase of the sanitary sewer collection and treatment system. Repayment of this debt will begin in 2012 in accordance with the approved amortization schedule. The debt is collateralized by water resource revenue bonds issued through USDA. The Sewer District has agreed to set utility rates sufficient to cover United States Department of Agricultural Rural Development (USDA) debt service requirements.

The Loan Agreement required the Sewer District to establish certain funds, which are restricted as to their use. The Debt Service Sewer Revenue Bond and Interest Sinking Fund are to be used for making the annual payment, the Debt Service Reserve Fund can be used to make the annual payment, however, the Sewer District needs RD consent, and the Short Lived Asset Reserve Fund can only be used to replace short lived assets.

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

Year ending December 31:	<u>USDA - Series A</u>	<u>USDA - Series B Refunding</u>	<u>USDA - Series B New Money</u>
2012	\$11,947	\$70,483	\$18,900
2013	12,430	71,225	19,665
2014	19,330	71,138	29,865
2015	19,340	71,108	29,772
2016	19,245	71,232	29,873
2017-2021	96,618	355,845	149,044
2022-2026	96,681		149,127
2027-2031	96,606		149,155
2032-2036	96,579		149,013
2037-2041	96,660		149,179
2042-2046	96,588		149,056
2047-2050	96,585		149,149
Total	<u>\$758,609</u>	<u>\$711,031</u>	<u>\$1,171,798</u>

**SYRACUSE RACINE REGIONAL SEWER DISTRICT
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2011
(Continued)**

5. RETIREMENT SYSTEMS

The Sewer District's full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the Plan's retirement benefits, including postretirement healthcare and survivor and disability benefits to participants.

The Ohio Revised Code also prescribes contribution rates. For 2011, OPERS members contributed 10% of their gross salaries and the Sewer District contributed an amount equaling 14% of participants' gross salaries. The Sewer District has paid all contributions required through December 31, 2011.

6. RISK MANAGEMENT

Commercial Insurance

The Sewer District has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions

7. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Sewer District are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**SYRACUSE RACINE REGIONAL SEWER DISTRICT
MEIGS COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2011**

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<i>Direct from the Federal Government</i>			
Water and Waste Disposal Systems for Rural Communities	NA	10.760	\$1,295,000
Water and Waste Disposal Systems for Rural Communities - ARRA	NA	10.781	<u>991,722</u>
Total U.S. Department of Agriculture			<u>2,286,722</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
<i>Passed Through Ohio Department of Development</i>			
Water and Sanitary Sewer Program (CDBG) - ARRA	B-R-09-049-1	14.255	<u>500,000</u>
Total U.S. Department of Housing and Urban Development			<u>500,000</u>
Total Federal Awards Expenditures			<u><u>\$2,786,722</u></u>

The Notes to the Federal Awards Expenditures Schedule is an integral part of the Schedule.

**SYRACUSE RACINE REGIONAL SEWER DISTRICT
MEIGS COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) reports the Syracuse-Racine Regional Sewer District's (the Sewer District's) federal award programs disbursements. The Schedule has been prepared on the cash basis of accounting.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

To the Board of Trustees:

We have audited the financial statement of Syracuse-Racine Regional Sewer District, Meigs County, Ohio (the Sewer District), as of and for the year ended December 31, 2011, and have issued our report thereon dated August 31, 2012, wherein we noted the Sewer District prepared its financial statement using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying Schedule of Findings we identified certain deficiencies in internal control over financial reporting that we consider material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that a material financial statement misstatement of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements and will not prevented or detected and timely corrected. We consider findings 2011-01 and 2011-02 described in the accompanying Schedule of Findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Sewer District's financial statement is free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2011-01.

We also noted certain matters not requiring inclusion in this report that we reported to the Sewer District's management in a separate letter dated August 31, 2012.

The Sewer District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Sewer District's responses and accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, the Board of Trustees, and others within the Sewer District. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

August 31, 2012



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INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

To the Board of Trustees:

Compliance

We have audited the compliance of the Syracuse-Racine Regional Sewer District, Meigs County, Ohio (the Sewer District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Sewer District's major federal programs for the year ended December 31, 2011. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the Sewer District's major federal programs. The Sewer District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Sewer District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Sewer District's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Sewer District's compliance with these requirements.

In our opinion, the Sewer District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with these requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying Schedule of Findings lists these instances as Findings 2011-03 and 2011-04.

Internal Control Over Compliance

The Sewer District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Sewer District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of opining on compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Sewer District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We also noted a certain matter not requiring inclusion in this report that we reported to the Sewer District's management in a separate letter dated August 31, 2012.

The Sewer District's responses to the findings we identified are described in the accompanying Schedule of Findings. We did not audit the Sewer District's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of the audit committee, management, the Board of Trustees, others within the Sewer District, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Dave Yost
Auditor of State

August 31, 2012

**SYRACUSE RACINE REGIONAL SEWER DISTRICT
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	Water and Waste System Grant CFDA #10.760 and 10.781 Water and Sanitary Sewer Program CFDA #14.255
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

**SYRACUSE RACINE REGIONAL SEWER DISTRICT
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2011
(Continued)**

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

FINDING NUMBER 2011-01

Noncompliance Citation and Material Weakness

Ohio Rev. Code Section 5705.09 (E) states that each subdivision shall establish a special bond fund for each bond issue. Additionally, Section 7 of the July 2010 Water Resource Revenue Bond Resolution, accepting the terms and conditions set forth in the USDA debt agreement, states the following:

The Sewer District must fund an asset management reserve for short-lived assets by depositing a sum of \$1,742 monthly (\$12,196 for 7 months) in addition to that required for the debt service fund. The Sewer District did not establish this fund and did not transfer funds accordingly.

Monthly, commencing with the first month following the initial delivery of the Series 2011 Bonds to the Government, to the Sewer Revenue Bond and Interest Sinking Fund heretofore created in the custody of the issuer, an amount at least equal to 1/12th, or such larger amount as is necessary, of the amount due and payable with respect to the bonds on the next succeeding payment date. All monies shall be used only for the payment of the principal and interest on the Bonds when due (\$70,204 into fund 5721). However, the Sewer District did not establish this fund and did not transfer funds as stated.

Monthly, commencing with the first month following the initial delivery of the Series 2011 Bonds to the Government, any moneys remaining in the Revenue Fund after reserving therein an adequate amount as working capital for the System, shall be transferred to the Sewer System Surplus Fund, hereby created in the custody of the issuer. Monies in the Surplus fund shall be used to pay the principal and interest on the bonds to the extent moneys in the Bond Payment Fund and Reserve Fund are insufficient, and otherwise may be used for making extensions or improvements to the system, redeeming outstanding Bonds prior to maturity, paying other obligations issued to finance improvements to the System, and any other use of the revenues of the System authorized by law. Although no transfers were necessary, the Sewer District did not establish this fund as per the debt covenant.

While the Sewer District budgeted an amount adequate to meet the 2012 debt obligation in the operating fund, the Sewer District did not establish the required Bond Payment Fund until 2012. The required balance in Bond Payment Fund at December 31, 2011 was \$70,204.

We recommend the Sewer District review the USDA debt agreement and comply with its debt covenants.

Official's Response: The Sewer District has set up the required funds and has deposited amounts sufficient to comply with these requirements.

**SYRACUSE RACINE REGIONAL SEWER DISTRICT
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2011
(Continued)**

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2011-02

Material Weakness

Monitoring controls are procedures and supervisory activities performed by management to help ensure that managements' objectives are being achieved, including the objective of assuring accurate and reliable financial reports for external reporting purposes. Effective monitoring controls should enable management to identify misclassifications, errors, and omissions in financial reports.

The Fiscal Officer did not accurately post all receipts and disbursements to the Sewer District's accounting system. The following misclassifications were noted:

- The Grant Coordinator posted loan expenditures to a Special Revenue fund (2901) rather than an enterprise fund type.
- The Sewer District Clerk posted a transaction to a governmental fund type rather than an enterprise fund type.
- The Sewer District Clerk posted debt related receipts to miscellaneous instead of debt proceeds.

Not posting receipts and disbursements accurately resulted in the financial statements requiring several reclassifications and adjustments. The Sewer District has made all adjustments to its accounting system, and the financial statements reflect all reclassifications and adjustments.

To help ensure accuracy and reliability in the financial reporting process, we recommend that management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all sources of revenues and expenditures are properly identified and classified on the financial statements.

Official's Response:

3. FINDINGS FOR FEDERAL AWARDS

1. Buy American

Finding Number	2011-03
CFDA Title and Number	Water and Sanitary Sewer Program CFDA #14.255
Federal Award Number / Year	2011
Federal Agency	U.S. Department of Housing and Urban Development
Pass-Through Agency	Ohio Department of Development

**SYRACUSE RACINE REGIONAL SEWER DISTRICT
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2011
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS (Continued)

FINDING NUMBER 2011-03 (Continued)

Noncompliance Citation

The Ohio Department of Development, Office of Housing and Community Partnerships' (OHCP) Financial Management Rules and Regulations, Section (A)(3)(f)), states that a grantee must develop a cash management system to ensure compliance with the 15 day rule relating to prompt disbursement of funds. This rule states that funds drawn down should be limited to amounts that will allow the grantee to disburse the funds on hand to a balance of less than \$5,000 within 15 days of receipt of any funds.

During the audit, we noted that 75% of the Sewer District program drawdowns were not always expended below the \$5,000 dollar threshold balance within the period set by federal grant regulations. Failure to properly expend advanced grant money in accordance with program requirements could result in loss of funding or other actions by the grantor.

Although the County has contracted with Buckeye Hills-Hocking Valley Regional Development District for help in preparation of grant advance drawdowns, and Meigs County acts in the capacity of fiscal agent for the grant, the Sewer District is responsible for assuring advances are expended in a timely manner by implementing procedures to ensure requirements are met.

We recommend the Sewer District work with the Buckeye Hills-Hocking Valley Regional Development District and the County to implement procedures to more accurately forecast cash requirements to ensure grant advanced moneys are expended timely to comply with federal regulations.

Official's Response: The Sewer District Grants Administrator stated he had no control over this since it was handled at the County.

2. Reporting

Finding Number	2011-04
CFDA Title and Number	Water and Waste System Grant CFDA #10.760 and 10.781
Federal Award Number / Year	2011
Federal Agency	U.S. Department of Agriculture
Pass-Through Agency	N/A – direct grant

Noncompliance Citation

7 C.F.R. Section 3015.205(b)(9) requires grantees to comply with all requirements imposed by the awarding agency concerning special requirements of law, program requirements, and other administrative requirements.

Section M(1) of the Water and Waste System Grant Agreement requires the Sewer District to provide financial management systems which include accurate, current, and complete disclosure of the financial results of each grant and that the financial reporting will be on an accrual basis.

SYRACUSE RACINE REGIONAL SEWER DISTRICT
MEIGS COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2011
(Continued)

3. FINDINGS FOR FEDERAL AWARDS (Continued)

FINDING NUMBER 2011-04 (Continued)

Noncompliance Citation

The Sewer District reported on a cash basis, which is contrary to the basis required by the Grantor.

We recommend the Sewer District follow all requirements in the grant agreement.

Official's Response: The Officials chose not to respond to this finding.

**SYRACUSE RACINE REGIONAL SEWER DISTRICT
MEIGS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .315 (b)
DECEMBER 31, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	A material weakness was issued for not properly posting receipts and disbursements	No	Re-issued as Finding Number 2011-02.
2010-002	A noncompliance citation was issued under Ohio Rev. Code Section 5705.41(D) for not properly encumbering funds.	Yes	N/A

**SYRACUSE RACINE REGIONAL SEWER DISTRICT
MEIGS COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
DECEMBER 31, 2011**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2011-03	No corrective action plan was provided.	No date provided.	Dave Spencer, Grants Administrator
2011-04	No corrective action plan was provided.	No date provided.	Dave Spencer, Grants Administrator

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Dave Yost • Auditor of State

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
SEPTEMBER 25, 2012**