

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

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2018 & 2017





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

We have reviewed the *Independent Auditor's Report* of the Syracuse Racine Regional Sewer District, Meigs County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2017 through December 31, 2018. 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.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

May 22, 2019

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**SYRACUSE RACINE REGIONAL SEWER DISTRICT
MEIGS COUNTY
AUDIT REPORT
For Years Ending December 31, 2018 and 2017**

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements, and related notes of the Syracuse Racine Regional Sewer District, Meigs County, (the District) as of and for the years ended December 31, 2018 and 2017.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the District prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the District does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2018 and 2017, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements, and related notes of the Syracuse Racine Regional Sewer District, Meigs County as of December 31, 2018 and 2017, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2019, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
March 20, 2019

SYRACUSE RACINE REGIONAL SEWER DISTRICT
 MEIGS COUNTY
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
 AND CHANGES IN CASH BALANCES
 FOR THE YEAR ENDED DECEMBER 31, 2018

	2018
Operating Cash Receipts	
Charges for Services	\$ 384,584
Total Operating Cash Receipts	384,584
Operating Cash Disbursements	
Personal Services	123,843
Fringe Benefits	21,228
Contractual Services	109,155
Supplies and Materials	18,413
Total Operating Cash Disbursements	272,639
Operating Income (Loss)	111,945
Non-Operating Cash Receipts	
Special Assessments	6,413
Miscellaneous Receipts	2,869
Earnings on Investments	824
Total Non-Operating Cash Receipts	10,106
Non-Operating Cash Disbursements	
Principal Redemption	(87,195)
Interest and Fiscal Charges	(37,714)
Total Non-Operating Cash Disbursements	(124,909)
Receipts Over /(Under) Disbursements before Transfers	(2,858)
Transfers In	145,833
Transfers Out	(145,833)
Net Receipts Over /(Under) Disbursements	(2,858)
Cash Balance, January 1	390,171
Cash Balance, December 31	\$ 387,313

See accompanying notes to the financial statements

SYRACUSE RACINE REGIONAL SEWER DISTRICT

MEIGS COUNTY

Notes to the Financial Statements For the Year Ended December 31, 2018

Note 1 - Reporting Entity

The Syracuse Racine Regional Sewer District (the District), Meigs County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Each political subdivision within the District appoints one member to the Board of Trustees to direct the District. There are five Board of Trustees members. Subdivisions within the District are Sutton Township, the Village of Syracuse, and the Village of Racine. The District provides sewer services to residents of the District.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The District's financial statements consist of a statement of receipts, disbursements and changes in fund balances (regulatory cash basis).

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board of Trustees recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the function level of, 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 as of January 1

Encumbrances The Ohio Revised Code requires the District to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2018 budgetary activity appears in Note 3.

SYRACUSE RACINE REGIONAL SEWER DISTRICT

MEIGS COUNTY

*Notes to the Financial Statements
For the Year Ended December 31, 2018*

Deposits and Investments

The 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.

Capital Assets

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

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Note 3 - Budgetary Activity

Budgetary activity for the year ending 2018 follows:

2018 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$574,128	\$540,523	\$33,605

2018 Budgeted vs. Actual Budgetary Basis Disbursements		
Appropriation Authority	Budgetary Disbursements	Variance
\$672,065	\$543,381	\$128,684

SYRACUSE RACINE REGIONAL SEWER DISTRICT

MEIGS COUNTY

*Notes to the Financial Statements
For the Year Ended December 31, 2018*

Note 4 – Deposits and Investments

The District maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

	2018
Demand deposits	<u>\$356,858</u>
Certificates of deposit	<u>30,455</u>
Total deposits	<u>387,313</u>
Total deposits	<u><u>\$387,313</u></u>

Deposits

Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution’s public entity deposit pool

Note 5 - Risk Management

Workers’ Compensation coverage is provided by the State of Ohio. The District pays the State Workers’ Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Commercial Insurance

The District has obtained commercial insurance for the following risks:

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

Settlement amounts have not exceeded insurance coverage for the last three years. There has been no reduction in liability limits.

Note 6 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

District employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the District contributed an amount equaling 14%, of participants’ gross salaries. The District has paid all contributions required through December 31, 2018.

SYRACUSE RACINE REGIONAL SEWER DISTRICT

MEIGS COUNTY

*Notes to the Financial Statements
For the Year Ended December 31, 2018*

Note 7 – Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, and deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the traditional pension plan and combined plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for members in the member-directed plan was 4.0 percent during calendar year 2018.

Note 8 – Debt

Debt outstanding at December 31, 2018 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
USDA Rural Development - Series A Bonds	\$415,600	2.750%
USDA Rural Development - Series B Bonds Refundind Portion	201,800	2.875%
USDA Rural Development - Series B Bonds New Money Portion	630,200	2.875%
OWDA - 6958	51,537	3.250%
Total	<u>\$1,299,137</u>	

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

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

During 2015, the District obtained a loan (Loan #6958) from the Ohio Water Development Authority for Wastewater System Improvements. The loan is still open and amortization schedule is not available.

SYRACUSE RACINE REGIONAL SEWER DISTRICT

MEIGS COUNTY

*Notes to the Financial Statements
For the Year Ended December 31, 2018*

Note 7 – Debt - (Continued)

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

Year ending December 31:	USDA - Series <u>A</u>	USDA - <u>Series B</u>
2019	\$19,329	101,020
2020	19,312	100,903
2021	19,289	101,026
2022	19,361	29,880
2023	19,324	29,812
2024-2028	96,657	149,091
2029-2033	96,618	149,118
2034-2038	96,571	149,092
2039-2043	96,571	149,156
2044-2048	96,651	149,019
2049-2051	57,947	89,511
Total	<u>\$637,630</u>	<u>\$1,197,628</u>

Note 8 – Contingent Liabilities

Amounts grantor agencies pay to the 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.

Management believes they are not party to any lawsuits.

SYRACUSE RACINE REGIONAL SEWER DISTRICT
MEIGS COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN CASH BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2017

	2017
Operating Cash Receipts	
Charges for Services	\$ 383,581
Total Operating Cash Receipts	383,581
Operating Cash Disbursements	
Personal Services	114,969
Fringe Benefits	19,993
Contractual Services	98,093
Supplies and Materials	16,802
Total Operating Cash Disbursements	249,857
Operating Income (Loss)	133,724
Non-Operating Cash Receipts	
Special Assessments	3,607
Miscellaneous Receipts	811
Earnings on Investments	726
Total Non-Operating Cash Receipts	5,144
Non-Operating Cash Disbursements	
Principal Redemption	(84,895)
Interest and Fiscal Charges	(40,013)
Capital Outlay	(1,440)
Other Financing Uses	(4,053)
Total Non-Operating Cash Disbursements	(130,401)
Receipts Over /(Under) Disbursements before Transfers	8,467
Transfers In	148,436
Transfers Out	(148,436)
Net Receipts Over /(Under) Disbursements	8,467
Cash Balance, January 1	381,704
Cash Balance, December 31	\$ 390,171

See accompanying notes to the financial statements

SYRACUSE RACINE REGIONAL SEWER DISTRICT

MEIGS COUNTY

Notes to the Financial Statements For the Year Ended December 31, 2017

Note 1 - Reporting Entity

The Syracuse Racine Regional Sewer District (the District), Meigs County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Each political subdivision within the District appoints one member to the Board of Trustees to direct the District. There are five Board of Trustees members. Subdivisions within the District are Sutton Township, the Village of Syracuse, and the Village of Racine. The District provides sewer services to residents of the District.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The District's financial statements consist of a statement of receipts, disbursements and changes in fund balances (regulatory cash basis).

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board of Trustees recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the function level of, 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 as of January 1

Encumbrances The Ohio Revised Code requires the District to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2017 budgetary activity appears in Note 3.

SYRACUSE RACINE REGIONAL SEWER DISTRICT

MEIGS COUNTY

*Notes to the Financial Statements
For the Year Ended December 31, 2017*

Deposits and Investments

The 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.

Capital Assets

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

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Note 3 - Budgetary Activity

Budgetary activity for the year ending 2017 follows:

2017 Budgeted vs. Actual Receipts		
Budgeted	Actual	
Receipts	Receipts	Variance
\$576,084	\$537,161	\$38,923

2017 Budgeted vs. Actual Budgetary Basis Disbursements		
Appropriation	Budgetary	
Authority	Disbursements	Variance
\$672,065	\$528,694	\$143,371

SYRACUSE RACINE REGIONAL SEWER DISTRICT

MEIGS COUNTY

*Notes to the Financial Statements
For the Year Ended December 31, 2017*

Note 4 – Deposits and Investments

The District maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

	<u>2017</u>
Demand deposits	\$359,842
Certificates of deposit	<u>30,329</u>
Total deposits	<u>390,171</u>
Total deposits	<u><u>\$390,171</u></u>

Deposits

Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution’s public entity deposit pool

Note 5 - Risk Management

Workers’ Compensation coverage is provided by the State of Ohio. The District pays the State Workers’ Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Commercial Insurance

The District has obtained commercial insurance for the following risks:

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

Settlement amounts have not exceeded insurance coverage for the last three years. There has been no reduction in liability limits.

Note 6 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

District employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the District contributed an amount equaling 14%, of participants’ gross salaries. The District has paid all contributions required through December 31, 2017.

SYRACUSE RACINE REGIONAL SEWER DISTRICT

MEIGS COUNTY

*Notes to the Financial Statements
For the Year Ended December 31, 2017*

Note 7 – Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, and deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the traditional pension plan and combined plan was 1 percent during calendar year 2017. The portion of employer contributions allocated to health care for members in the member-directed plan was 4.0 percent during calendar year 2017.

Note 8 – Debt

Debt outstanding at December 31, 2017 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
USDA Rural Development - Series A Bonds	\$423,300	2.750%
USDA Rural Development - Series B Bonds Refundind Portion	265,300	2.875%
USDA Rural Development - Series B Bonds New Money Portion	641,600	2.875%
OWDA - 6958	56,132	3.250%
Total	<u>\$1,386,332</u>	

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

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

During 2015, the District obtained a loan (Loan #6958) from the Ohio Water Development Authority for Wastewater System Improvements. The loan is still open and amortization schedule is not available.

SYRACUSE RACINE REGIONAL SEWER DISTRICT

MEIGS COUNTY

*Notes to the Financial Statements
For the Year Ended December 31, 2017*

Note 7 – Debt - (Continued)

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

Year ending December 31:	USDA - Series A	USDA - Series B
2018	\$19,341	\$100,973
2019	19,329	101,020
2020	19,312	100,903
2021	19,289	101,026
2022	19,361	29,880
2023-2027	96,635	149,086
2028-2032	96,581	149,118
2033-2037	96,648	149,039
2038-2042	96,591	149,109
2043-2047	96,549	149,138
2048-2051	77,335	119,308
Total	<u>\$656,971</u>	<u>\$1,298,600</u>

Note 8 – Contingent Liabilities

Amounts grantor agencies pay to the 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.

Management believes they are not party to any lawsuits.

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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements of the Syracuse Racine Regional Sewer District, Meigs County, as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated March 20, 2019 wherein we noted the District followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. *A material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a *material weakness*, yet important enough to merit attention by those charged with governance.


Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris & Associates, Inc.

March 20, 2019

OHIO AUDITOR OF STATE KEITH FABER



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
JUNE 4, 2019**