



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

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1998-1997



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Trustees:

We have audited the accompanying general-purpose financial statements of Syracuse-Racine Regional Sewer District, Meigs County, Ohio, (the District) as of and for the years ended December 31, 1998 and 1997. 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 generally accepted auditing standards 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.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the District, as of December 31, 1998 and 1997, and the results of its operations and cash flows of its proprietary fund type for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 1999, 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.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

November 30, 1999

**BALANCE SHEET
 PROPRIETARY FUND TYPE
 AS OF DECEMBER 31, 1998 AND DECEMBER 31, 1997**

	<u>1998</u>	<u>1997</u>
Assets:		
Cash and Cash Equivalents	\$117,583	\$86,631
Accounts Receivable - Sewer Billings	17,478	17,620
Accounts Receivable - Delinquent Accounts	20,963	29,590
Prepaid Insurance	3,426	3,320
Fixed Assets (net of accumulated depreciation)	<u>3,256,861</u>	<u>3,398,610</u>
 Total Assets	 <u><u>\$3,416,311</u></u>	 <u><u>\$3,535,771</u></u>
Liabilities and Equity:		
Liabilities:		
Accrued Payroll Deductions and Benefits	\$2,736	\$2,736
FmHA Water Resource Revenue Bonds	<u>1,017,000</u>	<u>1,041,000</u>
 Total Liabilities	 1,019,736	 1,043,736
Equity:		
Contributed Capital (net of accumulated depreciation)	2,505,764	2,614,710
Retained Earnings:		
Unreserved	<u>(109,189)</u>	<u>(122,675)</u>
 Total Equity	 <u><u>2,396,575</u></u>	 <u><u>2,492,035</u></u>
 Total Liabilities and Equity	 <u><u>\$3,416,311</u></u>	 <u><u>\$3,535,771</u></u>

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

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
 PROPRIETARY FUND TYPE
 FOR THE YEARS ENDED DECEMBER 31, 1998 AND DECEMBER 31, 1997**

	<u>1998</u>	<u>1997</u>
Operating Revenues:		
Charges for Services	\$227,324	\$225,803
	<u>227,324</u>	<u>225,803</u>
Operating Expenses:		
Treatment Plant and Related Expenses	52,363	53,174
Office Expenses and Insurance	9,234	6,568
Personal Services	69,575	74,814
Supplies and Miscellaneous	8,300	2,183
Depreciation	141,749	141,749
	<u>281,221</u>	<u>278,488</u>
Operating Income/(Loss)	<u>(53,897)</u>	<u>(52,685)</u>
Non-Operating Revenues (Expenses):		
Interest Income	6,073	5,568
Interest Expense	(52,050)	(53,250)
Proceeds from Sale of Common Stock	0	392
Other Non-Operating Revenues	4,414	2,230
Net Income	(95,460)	(97,745)
Depreciation on Fixed Assets Reducing Contributed Capital	<u>108,946</u>	<u>108,946</u>
Net Increase (Decrease) in Retained Earnings	13,486	11,201
Retained Earnings - January 1 (Restated Note 3)	<u>(122,675)</u>	<u>(133,876)</u>
Retained Earnings - December 31	<u><u>(\$109,189)</u></u>	<u><u>(\$122,675)</u></u>

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

**STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPE
 FOR THE YEARS ENDED DECEMBER 31, 1998 AND DECEMBER 31, 1997**

	<u>1998</u>	<u>1997</u>
Cash Flows from Operating Activities:		
Cash Received from Customers	\$236,092	\$220,725
Cash Paid to Suppliers	(70,002)	(71,022)
Cash Paid to Employees	(69,575)	(74,814)
	<hr/>	<hr/>
Net Cash Provided by Operating Activities	96,515	74,889
Cash Flows from Noncapital Financing Activities:		
Bureau of Workers Comp Refund	4,414	0
Miscellaneous Non-Operating Income	0	2,230
	<hr/>	<hr/>
Net Cash Provided by (Used by) Noncapital Financing Activities	4,414	2,230
Cash Flows from Capital and Capital-Related Financing Activities:		
Principal Paid on FmHA Water Resource Revenue Bonds	(24,000)	(24,000)
Interest Paid on FmHA Water Resource Revenue Bonds	(52,050)	(53,250)
	<hr/>	<hr/>
Net Cash Provided by (Used by) Capital and Capital-Related Financing Activities	(76,050)	(77,250)
Cash Flows from Investing Activities:		
Interest Earned on Investments	6,073	5,568
Proceeds from Sale of Common Stock	0	392
	<hr/>	<hr/>
Net Cash Provided by (Used by) Investing Activities	6,073	5,960
Net Increase (Decrease) in Cash and Cash Equivalents	30,952	5,829
Cash and Cash Equivalents - January 1	86,631	80,802
	<hr/>	<hr/>
Cash and Cash Equivalents - December 31	<u>\$117,583</u>	<u>\$86,631</u>

**Reconciliation of Operating Income to Net
 Cash Provided by Operating Activity**

Operating Income/(Loss)	(\$53,897)	(\$52,685)
Adjustments to Reconcile Operating Income to Cash Provided by Operating Income to Cash Provided by Operating Activities:		
Depreciation	141,749	141,749
Prior Period Adjustment to Interest Expense	0	(6,600)
(Increase) Decrease in Accounts Receivable - Sewer Billings	142	(77)
(Increase) Decrease in Accounts Receivable - Delinquent Accounts	8,627	(4,840)
(Increase) Decrease in Prepaid Insurance	(106)	(1,086)
Increase (Decrease) in Accounts Payable	0	(2,460)
Increase (Decrease) in Accrued Payroll Deductions and Benefits	0	888
	<hr/>	<hr/>
Total Adjustments	150,412	127,574
Net Cash Provided by Operating Activities	<u>\$96,515</u>	<u>\$74,889</u>

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

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**NOTES TO THE GENERAL- PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997**

1. REPORTING ENTITY

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (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 Accounting

Enterprise funds are accounted for in a manner similar to private business enterprises where the intent of management is that the costs and expenses, including depreciation, of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges and where management has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control and accountability.

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.

**NOTES TO THE GENERAL- PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Budgetary Process

The District's Board of Trustees did not adopt a budget for 1998 or 1997. Recent Ohio Attorney General Opinion No. 99-020 has clarified that the budget process described in Ohio Revised Code Chapter 5705 applies to the District, regardless of whether the District levies property taxes. The District must henceforth adopt annual appropriations, limited by estimated resources. Expenditures will be limited by appropriations.

C. Deposits and Investments

Investments were limited to certificates of deposit.

D. Inventory

Inventories are valued at cost, which approximates market, utilizing the first in, first out (FIFO) method. The inventory of the District consists of expendable materials and supplies. The cost is recorded as an expense at the time individual inventory items are used. Inventory amounts on hand at December 31, 1998 and 1997 were insignificant to, and therefore not reported in, the financial statements of the District.

E. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 1998 and 1997 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which the services are consumed.

F. 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.

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

G. Compensated Absences

Vacation and sick leave must be used during the year in which it was earned; therefore, no liability is reported for unpaid accumulated leave.

**NOTES TO THE GENERAL- PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. 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.

I. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

3. RESTATEMENT OF PRIOR YEAR BALANCE OF RETAINED EARNINGS

Prior period adjustments had the following effect on retained earnings as it was previously reported as of December 31, 1996:

	<u>Enterprise</u>
Balance as previously reported	(\$224,968)
Accounts Receivable (understated)	27,269
Prepaid Insurance (unreported)	2,234
Depreciation Expense (overstated)	65,189
Interest Expense (understated)	<u>(3,600)</u>
Restated Balance as of January 1, 1997	<u>(\$133,876)</u>

Also, as of December 31, 1996, fixed assets and contributed capital were understated by \$4,357,850; and corresponding accumulated depreciation was understated by \$1,569,005 and \$1,634,194, respectively. Therefore, fixed assets (net of accumulated depreciation) at January 1, 1997, increased from \$751,514 to \$3,540,359; and contributed capital (net of accumulated depreciation) was not reported in previous years; therefore, it increased from \$0 to \$2,723,656.

4. 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.

**NOTES TO THE GENERAL- PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997**

4. DEPOSITS AND INVESTMENTS (Continued)

Inactive deposits are public deposits that 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 maturing not more than one year from the date of deposit, or by savings or deposit accounts, including passbook accounts.

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 or by a single collateral pool established by the financial institution to secure the repayment of all public monies 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 State 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. Bonds 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) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and,
6. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**NOTES TO THE GENERAL- PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997**

4. DEPOSITS AND INVESTMENTS (Continued)

The following information classifies deposits by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements".

Deposits: At December 31, 1998, the carrying amount of the District's deposits was \$117,583 and the bank balance was \$195,467. Of the bank balance, \$162,817 was covered by federal deposit insurance and \$32,650 was covered by securities pledged specifically to the District. At December 31, 1997, the carrying amount of the District's deposits was \$86,631 and the bank balance was \$165,792. Of the bank balance, \$157,700 was covered by federal deposit insurance and \$8,092 was covered by securities pledged specifically to the District.

Investments: The District's investments are required to be categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name.

During 1998 and 1997, the District did not have any investments.

The classification of cash and cash equivalents on the financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting."

5. FIXED ASSETS

A summary of fixed assets at December 31, 1998 and 1997 is as follows:

	<u>1998</u>	<u>1997</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>(2,413,901)</u>	<u>(2,272,152)</u>
Total Net Fixed Assets	<u>\$3,256,861</u>	<u>\$3,398,610</u>

6. CONTRIBUTED CAPITAL

A summary of contributed capital at December 31, 1998 and 1997 is as follows:

	<u>1998</u>	<u>1997</u>
Contributed Capital	\$4,357,850	\$4,357,850
Less: Accumulated Depreciation	<u>(1,852,086)</u>	<u>(1,743,140)</u>
Total Net Contributed Capital	<u>\$2,505,764</u>	<u>\$2,614,710</u>

**NOTES TO THE GENERAL- PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997**

7. DEBT

Debt outstanding at December 31, 1998 consisted of the following:

Farmers Home Administration (FmHA) Water Resource Revenue Bonds	
Principal Outstanding	\$1,017,000
Interest Rates	5%

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, including interest payments of \$682,050, are as follows:

Year Ending December 31	FmHA Revenue Bonds
1999	\$77,800
2000	77,500
2001	77,100
2002	77,650
2003	77,100
2004 - 2008	385,800
2009 - 2013	385,450
2014 - 2018	386,850
2019 - 2020	<u>153,800</u>
Total	<u>\$1,699,050</u>

8. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 1998, the District contracted for the following insurance coverages:

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 Fire	100,000

**NOTES TO THE GENERAL- PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997**

8. RISK MANAGEMENT (Continued)

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

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.

9. 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. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. The Public Employees Retirement System issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. The 1998 and 1997 employee contribution rate is 8.5% for employees. The 1998 and 1997 employer contribution rate was 13.55% of covered payroll. The District has paid all contributions required through December 31, 1998.

10. POSTEMPLOYMENT BENEFITS

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirants with 10 or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is 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 PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 1998 employer contribution rate for local government employers was 13.55% of covered payroll; 4.2% was the portion that was used to fund health care for the year 1998. The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to PERS.

OPEB are financed through employer contributions and investments earnings thereon. The contributions allocated to retiree health and Medicare, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely.

**NOTES TO THE GENERAL- PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997**

10. POSTEMPLOYMENT BENEFITS (Continued)

Expenditures for OPEB during 1998 were \$440,596,663. As of December 31, 1998, the unaudited estimated net assets available for future OPEB payments were \$9,447,325,318. The number of benefit recipients eligible for OPEB at December 31, 1998 was 115,579.

During 1997, the Retirement Board adopted a new calculation method for determining employer contributions applied to OPEB. Under the new method, effective January 1, 1998, employer contributions, equal to 4.2% of member covered payroll, are used to fund health care expenses. Under the prior method, accrued liabilities and normal cost rates were determined for retiree health care coverage.

11. YEAR 2000 ISSUE

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the District's operations as early as fiscal year 1999.

The District has completed an inventory of computer systems and other equipment necessary to conducting District operations and has identified such system as its financial institution, which is responsible for remediating its system. The District's financial institution has provided assurance that it has been compliant since December 1998.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the District is or will be Year 2000 ready, that the District's remediation efforts will be successful in whole or in part, or that parties with whom the District does business will be Year 2000 ready.



STATE OF OHIO
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JIM PETRO, AUDITOR OF STATE

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REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL 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 accompanying general-purpose financial statements of Syracuse-Racine Regional Sewer District, Meigs County, Ohio, (the District), as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated November 30, 1999. We conducted our audit in accordance with generally accepted auditing standards 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 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 noncompliance that we have reported to management of the District in a separate letter dated November 30, 1999.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated November 30, 1999.

Syracuse-Racine Regional Sewer District
Meigs County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end of the last name.

Jim Petro
Auditor of State

November 30, 1999



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
JANUARY 6, 2000**