

SYRACUSE - RACINE REGIONAL SEWER DISTRICT

Meigs County

Regular Audit

January 1 , 2001 Through December 31, 2002

Fiscal Year Audited Under GAGAS: 2002 and 2001

BALESTRA & COMPANY

(A Division of Harr & Scherer, CPAs, Inc.)

CERTIFIED PUBLIC ACCOUNTANTS

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**Auditor of State
Betty Montgomery**

Board of Trustees
Syracuse Racine Regional Sewer District

We have reviewed the Independent Auditor's Report of the Syracuse Racine Regional Sewer District, Meigs County, prepared by Balestra & Company for the audit period January 1, 2001 through December 31, 2002. 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 cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

June 3, 2003

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MEIGS COUNTY
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REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying general purpose financial statements of the Syracuse-Racine Regional Sewer District, Meigs County, Ohio, (the District) as of and for the years ended December 31, 2002 and December 31, 2001. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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, 2002 and 2001, and the results of its operations and cash flows the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have issued our report dated March 28, 2003 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As described in Note 14 to the general purpose financial statements, the Syracuse-Racine Regional Sewer District implemented Governmental Accounting Standards Board Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*, and Governmental Accounting Standards Board Statement No. 36, *Recipient Reporting for Certain Shared Non-exchange Revenues* (an amendment of GASB Statement No. 33).

Balestra & Company
Balestra & Company

March 28, 2003

SYRACUSE-RACINE REGIONAL SEWER DISTRICT
MEIGS COUNTY

BALANCE SHEET
PROPRIETARY FUND TYPE
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

	<u>2002</u>	<u>2001</u>
Assets:		
Cash and Cash Equivalents	\$ 141,075	\$ 162,024
Accounts Receivable	24,801	25,181
Fixed Assets (net of accumulated depreciation)	<u>2,704,565</u>	<u>2,851,214</u>
 Total Assets	 <u>\$ 2,870,441</u>	 <u>\$ 3,038,419</u>
Liabilities and Equity:		
Liabilities:		
Accounts Payable	\$ 346	\$ 836
Notes Payable	14,657	24,500
FmHA Revenue Water Resource Revenue Bonds	<u>921,000</u>	<u>945,000</u>
 Total Liabilities	 <u>936,003</u>	 <u>970,336</u>
Equity:		
Contributed Capital	2,069,980	2,178,926
Retained Earnings*	<u>(135,542)</u>	<u>(110,846)</u>
 Total Equity	 <u>1,934,438</u>	 <u>2,068,080</u>
 Total Liabilities and Equity	 <u>\$ 2,870,441</u>	 <u>\$ 3,038,416</u>

* As restated, see Note 13

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

SYRACUSE-RACINE REGIONAL SEWER DISTRICT
MEIGS COUNTY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPE
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

	2002	2001
Operating Revenue:		
Charges for services	\$ 233,516	\$ 244,060
Total Operating Revenue	233,516	244,060
Operating Expenses:		
Personal services and Administration	109,062	87,306
Office Expenses and Insurance	5,295	19,976
Chemicals and operating supplies	64,122	40,981
Depreciation	146,649	146,649
Total Operating Expenses	325,128	294,912
Operating Income/(Loss)	(91,612)	(50,852)
Non-Operating Revenues (Expenses):		
Interest Income	5,220	7,016
Interest Expense	(47,250)	(48,450)
Net Income	(133,642)	(92,286)
Depreciation on Fixed Assets Reducing Contributed Capital	108,946	108,946
Net Increase (Decrease) in Retained Earnings	(24,696)	16,660
Retained Earnings - January 1*	(110,846)	(127,506)
Retained Earnings - December 31	\$ (135,542)	\$ (110,846)

As restated, See Note 13

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

SYRACUSE-RACINE REGIONAL SEWER DISTRICT
MEIGS COUNTY

STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

<i>Increase/(Decrease) in Cash and Cash Equivalents:</i>	<u>2002</u>	<u>2001</u>
<i>Cash Flows from Operating Activities:</i>		
Cash received for charges for services	\$233,083	\$243,462
Cash paid to Suppliers for goods & services	<u>178,916</u>	<u>148,425</u>
<i>Net Cash Provided by Operating Activities</i>	54,167	95,037
<i>Cash Flows from Investing Activities:</i>		
Interest	<u>5,215</u>	<u>7,018</u>
<i>Net cash provided by Investing Activities:</i>	5,215	7,018
<i>Cash Flows from Financing Activities:</i>		
Payments on Interest	(46,488)	(48,450)
Payments on Principal	<u>(33,843)</u>	<u>(24,000)</u>
<i>Net Cash Used for Financing Activities:</i>	<u>(80,331)</u>	<u>(72,450)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	(20,949)	29,605
Cash & Cash Equivalents at Beginning of the Year	<u>\$162,024</u>	<u>\$132,419</u>
Cash & Cash Equivalents at End of the Year	<u><u>\$141,075</u></u>	<u><u>\$162,024</u></u>
<i><u>Reconciliation of Operation Loss to Net Cash Provided by Operating Activities:</u></i>		
Operating Income/Loss	(\$91,612)	(\$50,852)
Depreciation	146,649	146,649
Increase/Decrease in Accounts Receivable*	(380)	(1,596)
Increase/Decrease in Accounts Payable	<u>(490)</u>	<u>836</u>
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$54,167</u></u>	<u><u>\$95,037</u></u>

*As restated, See Note 13

SYRACUSE-RACINE REGIONAL SEWER DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE FISCAL YEARS ENDED DECEMBER 31, 2002 AND DECEMBER 31, 2001

NOTE 1 - DESCRIPTION OF THE ENTITY

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation - Fund Accounting

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

Proprietary Fund Type

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

SYRACUSE-RACINE REGIONAL SEWER DISTRICT

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2002 AND DECEMBER 31, 2001**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Basis of Presentation - Fund Accounting (Continued)

Enterprise Fund

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

B. Basis of Accounting

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

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

C. Budgetary Process

The Ohio Revised Code requires each fund be budgeted annually.

Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The District must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

Estimated Resources

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

Encumbrances

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

A summary of 2002 and 2001 budgetary activity appears in Note 11.

D. Deposits and Investments

Deposits and Investments were limited to interest bearing checking accounts and certificates of deposit.

SYRACUSE-RACINE REGIONAL SEWER DISTRICT

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2002 AND DECEMBER 31, 2001**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Fixed Assets and Depreciation

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

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

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

F. Contributed Capital

Contributed capital is recorded by the District for capital grants or contributions from developers and customers prior to the implementation of GASB No. 33 and 36 in 2001. The assets acquired are recorded at their fair market value on the date donated or granted. Depreciation on those assets acquired or constructed with contributed resources is an expense and closed to contributed capital at year end. Contributed capital of the District has been in the form of federal government grants.

G. Estimates

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

NOTE 3 - DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit, or by savings or deposit accounts, including passbook accounts.

SYRACUSE-RACINE REGIONAL SEWER DISTRICT

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2002 AND DECEMBER 31, 2001

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

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

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio); and,
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.
8. Under limited circumstances, debt interest rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

SYRACUSE-RACINE REGIONAL SEWER DISTRICT

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2002 AND DECEMBER 31, 2001

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

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

Deposits At December 31, 2002, the carrying amount of the District's deposits was \$141,075 and the bank balance was \$142,275. Of the bank balance, \$142,275 was covered by federal deposit insurance. At December 31, 2001, the carrying amount of the District's deposits was \$162,024 and the bank balance was \$162,860. Of the bank balance, \$162,860 was covered by federal deposit insurance.

NOTE 4 - FIXED ASSETS

A summary of fixed assets at December 31, 2002 and 2001 is as follows:

	<u>2002</u>	<u>2001</u>
Property, Plant and Equipment	\$5,663,650	\$5,663,650
Vehicles	<u>31,612</u>	<u>31,612</u>
Total	5,695,262	5,695,262
Less: Accumulated Depreciation	<u>(2,990,697)</u>	<u>(2,844,048)</u>
Total Net Fixed Assets	<u>\$2,704,565</u>	<u>\$2,851,214</u>

NOTE 5 - CONTRIBUTED CAPITAL

A summary of contributed capital at December 31, 2002 and 2001 is as follows:

	<u>2002</u>	<u>2001</u>
Contributed Capital	\$4,357,850	\$4,357,850
Less: Accumulated Depreciation	<u>(2,287,870)</u>	<u>(2,178,924)</u>
Total Net Contributed Capital	<u>\$2,069,980</u>	<u>\$2,178,926</u>

NOTE 6 - RESTATEMENT OF FUND BALANCE

The January 1, 2001 beginning retained earnings changed due to the correction of an error.

Retained Earnings <u>12/31/00</u>	<u>Change</u>	Retained Earnings <u>01/01/01</u>
\$ (121,737)	\$(5,769)	\$ (127,506)

SYRACUSE-RACINE REGIONAL SEWER DISTRICT

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2002 AND DECEMBER 31, 2001

NOTE 7 - DEBT

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

	<u>Principal Outstanding</u>	<u>Interest Rate:</u>
Farmers Home Administration (FmHA) Sewer Resource Revenue Bonds	\$921,000	5%
GMAC Commercial Note	\$14,657	0%

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

A commercial note was issued for the purchase of a 2002 Chevy Silverado pickup truck used for maintenance of sewer plant operations.

The annual requirements to amortize debt outstanding as of December 31, 2002 including interest payments of \$621,788 are as follows:

<u>Year Ending December 31:</u>	<u>FmHA Sewer Revenue Resource Bonds</u>	<u>Commercial Note</u>
2003	\$ 70,050	\$ 8,163
2004	68,850	6,494
2005	67,650	
2006	66,450	
2007	65,250	
Thereafter	<u>\$1,204,538</u>	_____
Totals	<u>\$1,542,788</u>	<u>\$ 14,657</u>

NOTE 8 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2002, the District contracted for the following insurance coverage:

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

SYRACUSE-RACINE REGIONAL SEWER DISTRICT

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2002 AND DECEMBER 31, 2001**

NOTE 8 - RISK MANAGEMENT (Continued)

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.

NOTE 9 - PENSION PLAN

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

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate for employees is 8.5%. The 2002 employer rate for local government employer units was 10.84%, of covered payroll, 6.54% to fund the pension benefit obligation and 4.30% to fund health care. The contribution requirements of plan members and the Sewer District are established and may be amended by the Public Employees Retirement Board. The Sewer District's contributions to the PERS of Ohio for the year ending December 31, 2000, 2001, and 2002 was \$11,852, \$11,376, and \$12,273 respectively which was equal to the required contributions.

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS

The Public Employees Retirement System of Ohio (the System) provides post-retirement health care coverage to age and advanced on pay as you go service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to the System is set aside for the funding of post-retirement health care based on authority granted by state statute.

The 2002 employer contribution rate was 13.31 percent of covered payroll; 5.00 percent was the portion that was used to fund health care for 2002. The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to PERS.

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

As of December 31, 2001 the actuarial value of net assets available for future OPEB payments were \$11,600,000,000. The number of active contributing participants eligible for OPEB at December 31, 2001 was 402,041.

SYRACUSE-RACINE REGIONAL SEWER DISTRICT

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2002 AND DECEMBER 31, 2001

NOTE 11 - BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2002 and 2001 are as follows:

<u>2002 Budgeted vs Actual Receipts</u>			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Favorable/ (Unfavorable) Variance</u>
Enterprise	\$0	\$238,301	\$238,301

<u>2002 Budgeted vs Actual Disbursements</u>			
<u>Fund Type</u>	<u>Budgeted Disbursements</u>	<u>Actual Disbursements</u>	<u>Favorable/ (Unfavorable) Variance</u>
Enterprise	\$0	\$259,250	(\$259,250)

<u>2001 Budgeted vs Actual Receipts</u>			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Favorable/ (Unfavorable) Variance</u>
Enterprise	\$0	\$250,480	\$250,480

<u>2001 Budgeted vs Actual Disbursements</u>			
<u>Fund Type</u>	<u>Budgeted Disbursements</u>	<u>Actual Disbursements</u>	<u>Favorable/ (Unfavorable) Variance</u>
Enterprise	\$0	\$220,875	(\$220,875)

NOTE 12 - ACCOUNTABILITY

At December 31, 2002 and December 31, 2001, the District had deficit retained earnings in the amounts of \$135,542 and \$110,846 respectively, which were created by the application of accounting principles generally accepted in the United States of America.

NOTE 13 - COMPLIANCE

The District did not estimate resources for any funds during the fiscal year contrary to Ohio Revised Code Section 5705.36.

The District had expenditures that exceeded appropriations in all funds during the fiscal year contrary to Ohio Revised Code Section 5705.41B.

NOTE 14- ADOPTION OF NEW ACCOUNTING PRINCIPLES

The District implemented Governmental Accounting Standards Board Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions*, and Governmental Accounting Standards Board Statement No. 36, *Recipient Reporting for Certain Shared Non-exchange Revenues* (an amendment of GASB Statement No. 33). Implementation of these standards had no effect on the financial statement balances as of January 1, 2001.

BALESTRA & COMPANY

(A DIVISION OF HARR & SCHERER, CPAs, INC.)

CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited the general purpose financial statements of the Syracuse-Racine Regional Sewer District, Meigs County, Ohio (the District), as of and for the years ended December 31, 2002 and 2001, in which we indicated the District had changed its method of accounting for non-exchange transactions, and have issued our report thereon dated March 28, 2003. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompany schedule of findings as items 2002/2001-01, 2002/2001-02, and 2002/2001-03.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. A 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.

Board of Trustees
Syracuse-Racine Regional Sewer District
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*
Page 2

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

Balestra & Company
Balestra & Company

March 28, 2003

**SYRACUSE-RACINE REGIONAL SEWER DISTRICT
MEIGS COUNTY
FOR THE YEARS ENDED DECEMBER 31, 2002 AND DECEMBER 31, 2001**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN
ACCORDANCE WITH GAGAS:**

Finding Number: 2001/2002-01	The provisions of Ohio Rev. Code Section 5705.41 state in part that no subdivision or taxing unit is to expend money unless it has been appropriated; no subdivision is to expend money except by a proper warrant drawn against an appropriate fund; and that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. The following exception to this basis requirement are provided by statute: then and now certificate, continuing contracts to be performed in whole or in part in an ensuing fiscal year, per unit contracts, contract or lease running beyond the termination of the fiscal year made and county commissioner authorization. The District failed to adopt appropriations for both years ending December 31, 2002 and 2001 by formal resolution of the Board.
Finding Number: 2002/2001-02	The provisions of Ohio Rev. Code Section 5705.38 state in part that on or about the first day of each fiscal year, an appropriation measure is to be passed. The District failed to adopt appropriations by a formal resolution of the Board for both years ending December 31, 2002 and 2001.
Finding Number: 2002/2001-03	Ohio Rev. Code Section 5705.36 states in part that on or about the first day of each fiscal year, the fiscal officers of the subdivision are to certify the total amount from all sources which is available for expenditure from each fund in the budget along with any unencumbered balances that existed at the end of the preceding year. This section allows subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated revenues. This section also allows states that the total appropriations made during the fiscal year from any fund must not exceed the amount contained in the certificate of estimated resources or the amended certificate of estimated resources which was certified prior to making the appropriations or supplemental appropriations. The District failed to certify the total amount from all sources available for expenditure by a formal resolution of the Board for both years ending December 31, 2002 and 2001.

CORRECTIVE ACTION PLAN

Finding Number:	Planned Corrective Action:	Anticipated Completion Date:	Responsible Contact Person:
2002/2001-01	The Board will monitor budgetary activity more closely during the next fiscal year.	04/21/03	Hilton Wolfe, Vice President of the Board
2002/2001-02	The Board will monitor budgetary activity more closely during the next fiscal year.	04/21/03	Hilton Wolfe, Vice President of the Board
2002/2001-03	The Board will monitor budgetary activity more closely during the next fiscal year.	04/21/03	Hilton Wolfe, Vice President of the Board

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND DECEMBER 31, 2001**

FINDING NUMBER 1999-2000-001

Reportable Condition

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

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

Finding Number	Corrective Action	Responsible Contact Person
1999-2000-001	The reportable condition has been appropriately addressed by the District. The Statement of cash flows was presented for the years ended December 31, 2002 and December 31, 2001. All prior and current year's audit adjustments have been accurately posted to the entity's accounting system.	Theresa Pressley, Clerk



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Betty Montgomery**

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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
JUNE 17, 2003**