

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

***AUDIT REPORT***

***FOR THE YEARS ENDED DECEMBER 31, 2014 & 2013***







# Dave Yost • Auditor of State

Board of Trustees  
Syracuse Racine Regional Sewer District  
PO 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, 2013 through December 31, 2014. 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 "Dave Yost".

Dave Yost  
Auditor of State

September 16, 2015

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**SYRACUSE RACINE REGIONAL SEWER DISTRICT  
MEIGS COUNTY  
AUDIT REPORT  
For Years Ending December 31, 2014 and 2013**

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

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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:

***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of the Syracuse Racine Regional Sewer District, Meigs County, (the District) as of and for the years ended December 31, 2014 and 2013.

***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 of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D); 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 1 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, to satisfy 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, 2014 and 2013, or changes in financial position or its cash flows 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 of the Syracuse Racine Regional Sewer District, Meigs County, as of December 31, 2014 and 2013, and its cash receipts and disbursements 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) permits, described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2015, 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.***  
June 15, 2015



SYRACUSE RACINE REGIONAL SEWER DISTRICT  
 MEIGS COUNTY  
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
 AND CHANGES IN CASH BALANCE  
 FOR THE YEAR ENDED DECEMBER 31, 2014

	<b>2014</b>
Operating Cash Receipts:	
Charges for Services	\$ 365,964
Total Operating Cash Receipts	365,964
Operating Cash Disbursements:	
Personal Services	116,764
Fringe Benefits	20,955
Contractual Services	127,113
Supplies and Materials	23,054
Total Operating Cash Disbursements	287,886
Operating Income (Loss)	78,078
Non-Operating Cash Receipts :	
Special Assessments	8,259
Miscellaneous Receipts	4,753
Earnings on Investments	1,000
Total Non-Operating Cash Receipts	14,012
Non-Operating Cash Disbursements:	
Principal Redemption	73,800
Interest and Fiscal Charges	46,533
Other Financing Uses	12,036
Total Non-Operating Cash Disbursements	132,369
Transfers In	120,322
Transfers Out	(120,322)
Net Receipts Over /(Under) Disbursements	(40,279)
Cash Balance, January 1	486,375
Cash Balance, December 31	\$ 446,096

SYRACUSE RACINE REGIONAL SEWER DISTRICT  
MEIGS COUNTY  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN CASH BALANCE  
FOR THE YEAR ENDED DECEMBER 31, 2013

	<b>2013</b>
Operating Cash Receipts:	
Charges for Services	\$ 355,989
Total Operating Cash Receipts	355,989
Operating Cash Disbursements:	
Personal Services	116,469
Fringe Benefits	19,500
Contractual Services	90,113
Supplies and Materials	30,515
Total Operating Cash Disbursements	256,597
Operating Income (Loss)	99,392
Non-Operating Cash Receipts :	
Intergovernmental	132,397
Special Assessments	4,312
Miscellaneous Receipts	23,512
Earnings on Investments	936
Total Non-Operating Cash Receipts	161,157
Non-Operating Cash Disbursements:	
Principal Redemption	55,200
Interest and Fiscal Charges	48,120
Other Financing Uses	4,012
Total Non-Operating Cash Disbursements	107,332
Transfers In	223,136
Transfers Out	(223,136)
Net Receipts Over /(Under) Disbursements	153,217
Cash Balance, January 1	333,158
Cash Balance, December 31	\$ 486,375

**SYRACUSE RACINE REGIONAL SEWER DISTRICT  
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

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

**B. Accounting Basis**

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 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.

**C. 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.

**D. Budgetary Process**

The Ohio Revised Code requires the Board to budget annually.

**1. Appropriations**

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

**2. Estimated Resources**

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

**SYRACUSE RACINE REGIONAL SEWER DISTRICT  
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)**

**D. Budgetary Process – (continued)**

**3. Encumbrances**

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

A summary of 2014 and 2013 budgetary activity appears in Note 3.

**E. Property, Plant, and Equipment**

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

**F. Accumulated Leave**

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

**2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS**

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

	2014	2013
Demand deposits	\$415,931	\$456,235
Certificates of deposit	30,165	30,140
Total deposits	446,096	486,375
Total deposits	\$446,096	\$486,375

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$449,677	\$500,298	\$50,621

2014 Budgeted vs. Actual Budgetary Basis Disbursements		
Appropriation Authority	Budgetary Disbursements	Variance
\$587,200	\$540,577	\$46,623

**SYRACUSE RACINE REGIONAL SEWER DISTRICT  
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

2013 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$538,666	\$740,282	\$201,616

2013 Budgeted vs. Actual Budgetary Basis Disbursements		
Appropriation Authority	Budgetary Disbursements	Variance
\$661,114	\$587,065	\$74,049

**4. DEBT**

Debt outstanding at December 31, 2014 was as follows:

	Principal	Interest Rate
USDA Rural Development - Series A Bonds	\$445,100	2.75%
USDA Rural Development - Series B Bonds Refunding Portion	435,300	2.875
USDA Rural Development - Series B Bonds New Money Portion	684,000	2.875
Total	\$1,564,400	

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.

**SYRACUSE RACINE REGIONAL SEWER DISTRICT  
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**4. DEBT – (Continued)**

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

Year ending December 31:	USDA - Series A	USDA - Series B
2015	\$19,340	\$100,880
2016	19,245	101,105
2017	19,347	100,966
2018	19,341	100,973
2019	19,329	101,020
2020-2024	96,568	291,458
2025-2029	96,642	149,038
2030-2034	96,614	149,152
2035-2039	96,649	149,066
2040-2044	96,599	149,114
2045-2049	96,951	149,102
2050-2051	38,637	59,678
Total	\$715,262	\$1,601,552

**5. RETIREMENT SYSTEMS**

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

The Ohio Revised Code also prescribes contribution rates. For 2014 and 2013, 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, 2014.

**6. RISK MANAGEMENT**

**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 in the past year.

**SYRACUSE RACINE REGIONAL SEWER DISTRICT  
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**7. 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.

The District is defendant in a lawsuit. Although management cannot presently determine the outcome of this suit, management believes that the resolution of this matter will not materially adversely affect the District's financial condition.

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

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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 Syracuse Racine Regional Sewer District, Meigs County, (the District) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated June 15, 2015, wherein we noted the District followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permits.

***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.

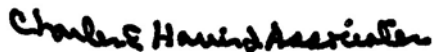


***Compliance and Other Matters***

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.***

June 15, 2015

SYRACUSE RACINE REGIONAL SEWER DISTRICT  
MEIGS COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2014 AND 2013

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2012-001	Federal Finding: The Sewer District reported on a cash basis, which is contrary to the basis required by the Grantor.	No	District still reports on cash basis but no single audit requirement this year.



# Dave Yost • Auditor of State

**SYRACUSE-RACINE REGIONAL SEWER**

**MEIGS COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 29, 2015**