

**SYRACUSE-RACINE REGIONAL SEWER DISTRICT
MEIGS COUNTY
Regular Audit
For the Years Ended December 31, 2006 and 2005**



Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Independent Accountants' Report* of the Syracuse-Racine Regional Sewer District, Meigs County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2005 through December 31, 2006. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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 "Mary Taylor".

Mary Taylor, CPA
Auditor of State

June 26, 2007

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

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Perry & Associates
Certified Public Accountants, A.C.

PARKERSBURG
1035 Murdoch Avenue
Parkersburg, WV 26101
(304) 422-2203

MARIETTA
428 Second Street
Marietta, OH 45750
(740) 373-0056

INDEPENDENT ACCOUNTANTS' REPORT

June 12, 2007

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

To the Board of Trustees:

We have audited the accompanying financial statements of **Syracuse-Racine Regional Sewer District**, Meigs County, Ohio, (the District) as of and for the years ended December 31, 2006 and 2005. These 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial 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 our audit provides a reasonable basis for our opinion.

As described more fully in Note 6, the District prepared its financial statements in accordance with GASB 34 in the prior period. The District elected to prepare its financial statements for this period under the method described more fully in Note 1 and the following paragraph, thus resulting in a change in the Basis of Accounting.

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

Revisions to GAAP would require the District to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2006 and 2005. While the District does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The District has elected not to reformat its statements. Since the District does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2006 and 2005 or their changes in financial position or cash flows for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of **Syracuse-Racine Regional Sewer District**, Meigs County, as of December 31, 2006 and 2005, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the District to include Management's Discussion and Analysis for the years ended December 31, 2006 and 2005. The District has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2007, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Respectfully Submitted,

Perry and Associates
Certified Public Accountants, A.C.

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

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGE IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2006**

	2006
Operating Receipts:	
Sewer Service	\$ 287,125
Intergovernmental	1,711
	288,836
Total Operating Receipts	288,836
Operating Cash Disbursements:	
Labor and Benefits	103,101
Office and Utility Expense	23,431
Administrative	6,097
Treatment Plant	59,310
Capital Outlay	1,246
	193,185
Total Operating Cash Disbursements	193,185
Operating Income	95,651
Other Financing Receipts And Disbursements	
Interest Income	4,176
Principal Debt Payments	(49,563)
Interest Expense	(41,993)
	(87,380)
Total Other Financing Receipts And Disbursements	(87,380)
Excess Of Cash Receipts And Other Financing Receipts Over(Under) Cash Disbursements And Other Financing Disbursements	8,271
Fund Cash Balances, January 1	134,825
Fund Cash Balances, December 31	\$ 143,096

See notes to the financial statements

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

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGE IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2005**

	2005
Operating Receipts:	
Sewer Service	\$ 290,662
Miscellaneous	1,831
	<u>292,493</u>
Total Operating Receipts	
Operating Cash Disbursements:	
Labor and Benefits	108,481
Office and Utility Expense	9,462
Administrative	5,880
Treatment Plant	38,540
Capital Outlay	38,590
	<u>200,953</u>
Total Operating Cash Disbursements	
Operating Income	<u>91,540</u>
Other Financing Receipts And Disbursements	
Interest Income	2,203
Debt Issued	36,759
Principal Debt Payments	(41,177)
Interest Expense	(42,585)
	<u>(44,800)</u>
Total Other Financing Receipts And Disbursements	
Excess Of Cash Receipts And Other Financing Receipts Over(Under) Cash Disbursements And Other Financing Disbursements	46,740
Fund Cash Balances, January 1	<u>88,085</u>
Fund Cash Balances, December 31	<u>\$ 134,825</u>

See notes to the financial statements

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

1. Summary of Significant Accounting Policies

A. 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, the Village of Syracuse and the Village of Racine. The District provides sewer services to residents of the District.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and cash disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report expenditures when a commitment is made (i.e., when an encumbrance is approved.) These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Deposits and Investments

Investments are reported assets and are valued at cost. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

D. Fund Accounting

The Authority uses fund accounting to segregate cash and investments that are restricted as to use. The Authority classifies its funds into the following types:

Proprietary Fund Type

Enterprise Fund

This fund accounts for operations that are similar to private business enterprises where management intends to recover the significant costs of providing certain goods or services through user charges.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(continued)**

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process

Under HB 262, effective for fiscal years ended December 31, 2000 and subsequent, water and sewer districts not levying property taxes must follow most of the Ohio Revised Code Chapter 5705 budget requirements, but need not seek approval of a county budget commission for any budgetary actions. These districts must:

HB 262 Requirements	Applicable ORC Sections
Estimated receipts and adopt an operating budget	5705.28(B)(2)(a)
Prepare certificate of estimated resources (but does not require budget commission approval)	5705.36
Must amend estimated resources under the circumstances described in OCS	5705.36
Appropriate at the minimum level of control prescribed by ORC 5705.38. No budget commission approval is required.	5705.38
Cannot appropriate more than estimated resources	5705.28(B)(2)(c)
Must amend appropriations if they intend to spend more than the original appropriation	5705.40
Cannot disburse or encumber more than appropriated	5705.41(B)
Must certify availability of funds	5705.41(D)
May issue blanket or super blanket purchase orders	5705.41(D)

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 Board of Trustee's 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 commitments are made. Encumbrances outstanding at year-end are carried over, and need not be re-appropriated.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(continued)**

1. Summary of Significant Accounting Policies (Continued)

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the District.

2. Equity in Pooled Cash and Investments

The District maintains cash used by the General fund in a general checking account. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash at December 31 was as follows:

	<u>2006</u>	<u>2005</u>
Demand deposits	\$ 110,314	\$ 102,011
Certificates of deposit	<u>32,782</u>	<u>32,814</u>
Total Deposits	<u>\$ 143,096</u>	<u>\$ 134,825</u>

Deposits:

Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2006 and 2005 follows:

Budgeted vs. Actual Receipts		
	2006	2005
Budgeted Receipts	\$ 294,176	\$ 328,962
Actual Receipts	293,012	331,455
Variance	\$ (1,164)	\$ 2,493

Budgeted vs. Actual Budgetary Basis Expenditures		
	2006	2005
Appropriation Authority	\$ 321,049	\$ 351,021
Budgetary Expenditures	284,741	321,474
Variance	\$ 36,308	\$ 29,547

4. Retirement Systems

The District's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including post retirement healthcare, and survivor and disability benefits to participants as prescribed by the ORC.

Contribution rates are also prescribed by the Ohio Revised Code. For 2006 and 2005, PERS members contributed 9.0% for 2006 and 8.5% for 2005 of their gross salaries. The District contributed an amount equal to 13.70% for 2006 and 13.55% for 2005 of participant's gross salaries. The District has paid all contributions required through December 31, 2006.

5. Risk Management

The District has obtained commercial insurance for the following risks:

- General liability and casualty
- Official's and Employee's Dishonesty Bonds
- Vehicles
- Property

6. Change in Basis of Accounting

In 2005, the District implemented the cash basis of accounting as described in note 1B. The prior audit period was presented under GASB 34 where the entity wide fund financial statements reflecting each major fund in a separate column with non-major funds aggregated and presented in a single column, rather than a column for each fund type. The prior audit financial statements also included a Managements Discussion and Analysis which was not completed for the financial statements during this audit period.

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

**NOTES TO THE FINANCIAL STATEMENTS
(continued)**

NOTE 7 - DEBT OBLIGATIONS

The changes in the District's long-term liabilities during fiscal years 2006 and 2005 were as follows:

	Outstanding 12/31/2005	Issued	Retired	Outstanding 12/31/2006	Due In One Year
Farmers Home Administration (FmHA) Bonds - 5%	\$ 805,000	\$ -	\$ 41,000	\$ 764,000	\$ 39,000
Commercial Note - 5.5%	35,581		8,563	27,019	9,046
Total Long-Term Liabilities	\$ 840,581	\$ -	\$ 49,563	\$ 791,019	\$ 48,046

	Outstanding 12/31/2004	Issued	Retired	Outstanding 12/31/2005	Due In One Year
Farmers Home Administration (FmHA) Bonds - 5%	\$ 845,000	-	40,000	\$ 805,000	\$ 41,000
Commercial Note - 0%	-	36,759	1,177	35,581	8,563
Total Long-Term Liabilities	\$ 845,000	\$ 36,759	\$ 41,177	\$ 840,581	\$ 49,563

The annual requirements to amortize all debt outstanding, including interest, as of December 31, 2006 are as follows:

Year Ending December 31	(FmHA) Bonds Payable	Commerical Note Payable	Total Required
2007	77,200	10,306	87,506
2008	77,250	10,306	87,556
2009	77,200	8,631	85,831
2010	77,050		77,050
2011	76,800		76,800
2012-2016	389,150		389,150
2017-2021	219,820		219,820
Totals	\$ 994,470	\$ 29,243	\$ 1,023,713

The outstanding FmHA Sewer Resource Bonds were originally issued for the various capital 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. The Commercial Note was originally issued for the purchase of a 2006 Ford pickup truck used for maintenance of sewer plant operations.

Perry & Associates
Certified Public Accountants, A.C.

PARKERSBURG
1035 Murdoch Avenue
Parkersburg, WV 26101
(304) 422-2203

MARIETTA
428 Second Street
Marietta, OH 45750
(740) 373-0056

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

June 12, 2007

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

To the Board of Trustees:

We have audited the financial statements of **Syracuse-Racine Regional Sewer District**, Meigs County, (the District) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated June 12, 2007, wherein we noted the District followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Internal Control Over Financial Reporting (Continued)

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

Compliance and Other Matters

As part of reasonably assuring whether the District's basic 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, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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

Respectfully Submitted,

Perry and Associates
Certified Public Accountants, A.C.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006 AND 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004/2003-02	ORC § 5705.36	Yes	Corrected
2004/2003-01	ORC § 5705.38	Yes	Corrected
2004/2003-03	ORC § 5705.39	Yes	Corrected



Mary Taylor, CPA
Auditor of State

SYRACUSE-RACINE REGIONAL SEWER DISTRICT
MEIGS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JULY 10, 2007