

Syracuse-Racine Regional Sewer District

Meigs County

Regular Audit

January 1, 2003 through December 31, 2004

Fiscal Years Audited Under GAAS: 2004 and 2003



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**Auditor of State  
Betty Montgomery**

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

We have reviewed the *Independent Auditor's Report* of the Syracuse-Racine Regional Sewer District, Meigs County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2003 through December 31, 2004. 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

March 2, 2006

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Syracuse-Racine Regional Sewer District  
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For the Fiscal Years Ended December 31, 2004 and December 31, 2003

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Ohio Society of Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying statements of net assets of the Syracuse-Racine Regional Sewer District (the "District") as of December 31, 2004 and December 31, 2003, and the related statements of revenues, expenses and changes in net assets and statements of cash flows for the years then ended. 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 audits.

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. 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 audits provide a reasonable basis for our opinion.

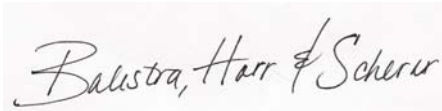
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2004 and December 31, 2003, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated September 30, 2005 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 8 is not a required part of the basic financial statements, but is supplementary information required by the *Governmental Accounting Standards Board*. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods or measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Board of Trustees  
Syracuse-Racine Regional Sewer District  
Independent Auditor's Report  
Page Two

As described in Note 1-F to the basic financial statements, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*, GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*,

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in dark ink on a light-colored, slightly textured background.

Balestra, Harr & Scherer, CPAs, Inc.

September 30, 2005



**Syracuse-Racine Regional Sewer District**  
*Management's Discussion and Analysis*  
*For the Years Ended December 31, 2004 and December 31, 2003*  
*Unaudited*

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Our discussion and analysis of the Syracuse-Racine Regional Sewer District (the District's) financial performance provides an overview of the District's financial activities for the years ended December 31, 2004 and December 31, 2003. Please read it in conjunction with the District's basic financial statements, which begin immediately following this analysis. This annual financial report consists of two parts – Management's Discussion and Analysis (this section) and the Basic Financial Statements and Notes.

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. GASB No. 34 established financial reporting standards for state and local governments, including cities, villages and special purpose governments such as the Syracuse-Racine Regional Sewer District. GASB No. 34 required the following changes to the District's financial statements:

1. The *Statements of Net Assets* present information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The net assets section is displayed in three categories: 1) Invested in Capital Assets, net of related debt, 2) Restricted, and 3) Unrestricted. The District has no restricted net assets.
2. The *Statements of Revenues, Expenses, and Changes in Net Assets* present information showing how the District's net assets changed during the most recent two fiscal years. These statements measure the success of the District's operations over the past two years and can be used to determine the District's creditworthiness.
3. The *Statements of Cash Flows* now include a summary of the cash flows from operations and investments during the past two fiscal years. As in the past, the *Statements of Cash Flows* continue to reconcile the reasons why cash from operating activities differs from operating income.

**Overview of the Basic Financial Statements**

The District operates as a utility enterprise and presents its financial statements using the economic resources measurement focus and the full accrual basis of accounting. As an enterprise fund, the District's basic financial statements include four components:

- *Statements of Net Assets*
- *Statements of Revenues, Expenses and Changes in Net Assets*
- *Statements of Cash Flows*
- *Notes to the Basic Financial Statements*

The *Statements of Net Assets* include all of the District's assets and liabilities, with the difference between the two reported as net assets. Net assets for the District are displayed in two categories:

- Invested in Capital Assets, Net of Related Debt
- Unrestricted

**Syracuse-Racine Regional Sewer District**  
*Management's Discussion and Analysis*  
*For the Years Ended December 31, 2004 and December 31, 2003*  
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The *Statements of Net Assets* provide the basis for evaluating the capital structure of the District and assessing its liquidity and financial flexibility.

The *Statements of Revenue, Expenses and Changes in Net Assets* present information which shows how the District's net assets changed during the two most recent fiscal years. All of the current year's revenues and expenses are recorded when the underlying transaction occurs, regardless of the timing of the related cash flows. The Statement of Revenues, Expenses and Changes in Net Assets measure the success of the District's operations over the past two years and determine whether the District has recovered its costs through user fees and other charges.

The *Statements of Cash Flows* provide information regarding the District's cash receipts and cash disbursements during the year. This statement reports cash activity in four categories:

- Operating
- Non-capital Financing
- Capital Financing
- Investing

These statements differ from the *Statements of Revenues, Expenses and Changes in Net Assets* in that they account only for transactions that result in cash receipts and cash disbursements.

The *Notes to the Basic Financial Statements* provide a description of the accounting policies used to prepare the financial statements and present material disclosures required by generally accepted accounting principles that are not otherwise present in the financial statements.

### **Financial Highlights**

During the year ended December 31, 2004, the District's operating revenues increased \$13,739 (or 6%) and operating expenses decreased \$28,810 (or 8%) resulting in \$59,240 of loss from operations. The increase in operating revenues for this year was a result of greater customer usage as compared to last year. The decrease in operating expenses was primarily due to a slight decline in personal services and administrative expenses and a large decrease in chemicals and supplies expense.

During the year ended December 31, 2003, the District's operating revenues increased \$8,560 (or 4%) and operating expenses increased \$18,737 (or 6%) resulting in \$101,789 of loss from operations. The increase in operating revenues for this year was a result of one time miscellaneous revenues not received in the prior year. The increase in operating expenses was primarily due to a large increase in Personal Services and Administrative Expenses due to staffing increases.

### **Financial Analysis of the District**

**Net Assets** - The District's net assets decreased between fiscal years 2002 and 2003 as well as 2003 and 2004, decreasing from \$1,934,438 in 2002 to \$1,789,946 in 2003 and \$1,688,094 in 2004. The \$144,492 decrease in 2003 and the \$101,852 in 2004 decrease in net assets was due to the changes discussed in the above paragraph.

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

**Syracuse-Racine Regional Sewer District**  
*Management's Discussion and Analysis*  
For the Years Ended December 31, 2004 and December 31, 2003  
Unaudited

**SYRACUSE-RACINE REGIONAL SEWER DISTRICT**  
**Statement of Net Assets**

<b>Net Assets</b>	<b>2004</b>	<b>2003</b>	<b>Change</b>	<b>2002</b>	<b>Change</b>
Total Current Assets	\$119,250	\$129,472	(\$10,222)	165,876	(\$36,404)
Total Non-Current Assets	2,416,167	2,557,916	(141,749)	2,704,565	(146,649)
<b>Total Assets</b>	<b>2,535,417</b>	<b>2,687,388</b>	<b>(151,971)</b>	<b>2,870,441</b>	<b>(183,053)</b>
Total Current Liabilities	2,323	5,960	(3,637)	346	5,614
Total Noncurrent Liabilities	845,000	891,482	(46,482)	935,657	(44,175)
<b>Total Liabilities</b>	<b>847,323</b>	<b>897,442</b>	<b>(50,119)</b>	<b>936,003</b>	<b>(38,561)</b>
<b>Net Assets</b>					
Invested in capital assets, net of related debt	1,571,167	1,666,434	(95,267)	1,768,908	(102,474)
Unrestricted	116,927	123,512	(6,585)	165,530	(42,018)
<b>Total Net Assets</b>	<b>\$1,688,094</b>	<b>\$1,789,946</b>	<b>(\$101,852)</b>	<b>\$1,934,438</b>	<b>(\$144,492)</b>

The greatest change in assets between fiscal years 2004 and 2003, and fiscal years 2003 and 2002 was in the non-current assets due to depreciation expense.

The greatest changes between fiscal years 2004 and 2003 and fiscal years 2003 and 2002 in liabilities was in the non-current liabilities due to principal retirements in both years.

The changes in net assets invested in capital assets, net of related debt was due to depreciation expense for both years reduced by reductions in debt for both years.

**Syracuse-Racine Regional Sewer District**  
*Management's Discussion and Analysis*  
For the Years Ended December 31, 2004 and December 31, 2003  
Unaudited

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**Change in Net Assets** – The District's loss from operations decreased in 2004 by \$42,549 to (\$59,240) and increased in 2003 by \$10,177 to (101,789). The decrease in 2004 was due to an increase in revenues and a decrease in operating expenses of \$28,810. The increase in operating loss in 2003 was due primarily to operating expenses increasing slightly more than revenue.

The following table shows changes in Net Assets for fiscal years 2004 and 2003. Since 2003 is the first year the District has prepared basic financial statements following GASB Statement 34, comparisons to fiscal year 2002 have not been compiled. In future years, a comparative analysis will be presented.

**SYRACUSE-RACINE REGIONAL SEWER DISTRICT**  
**Changes in Net Assets**

	<b>2004</b>	<b>2003</b>	<b>Percent Change</b>
Total Operating Revenues	\$ 255,815	\$ 242,076	6%
Total Operating Expenses	315,055	343,865	-8%
<b>Operating Loss</b>	<b>(59,240)</b>	<b>(101,789)</b>	-42%
Interest Income	1,588	2,235	-29%
Interest Expense	(44,200)	(44,938)	-2%
<b>Total Non-Operating Revenues/Expenses</b>	<b>(42,612)</b>	<b>(42,703)</b>	0%
 <b>Change in Net Assets</b>	 <b>\$ (101,852)</b>	 <b>\$ (144,492)</b>	 30%
Net Assets, Beginning of Year	1,789,946	1,934,438	-7%
 <b>Net Assets, End of Year</b>	 <b>\$1,688,094</b>	 <b>\$1,789,946</b>	 -6%

The District's interest revenue decreased by \$647 (or 29%) in 2004 due to slightly lower rates of return and an decrease in the amount of the District's depository balances. This trend is expected to reverse as yield on investments is expected to be higher during 2005. Interest expense decreased by \$738 (or 2%) as a result of lower interest payments on debt service.

The District's operating expenses decreased by \$28,810 (or 8%) to \$315,055 in year 2004. Operating expenses decreased primarily due to decrease in the expense of fuel and chemicals.

**Syracuse-Racine Regional Sewer District**  
*Management's Discussion and Analysis*  
For the Years Ended December 31, 2004 and December 31, 2003  
Unaudited

**Capital Assets**

As of December 31, 2004, the District had invested \$2,416,167 in capital assets net of \$3,279,725 of accumulated depreciation and at December 31, 2003, the District had invested \$2,557,916 in capital assets net of \$3,137,976 of accumulated depreciation. This amount represents a net decrease of \$141,749 in 2004 and a net decrease of \$146,649 in 2003 under 2002. These decreases are directly the result of current depreciation expense. More detailed information about the District's capital assets is presented in Note 8 to the basic financial statements.

**SYRACUSE-RACINE REGIONAL SEWER DISTRICT**  
**Capital Assets**

	2003	Additions	Deletions	2004
<b>Capital Assets Being Depreciated</b>				
Sewer System and Lines	5,498,571	0	0	5,498,571
Equipment	165,709	0	0	165,709
Vehicles	31,612	0	0	31,612
Total Capital Assets, Being Depreciated	5,695,892	0	0	5,695,892
<b>Less Accumulated Depreciation:</b>				
Sewer System and Lines	(2,940,655)	(141,749)	0	(3,082,404)
Equipment	(165,709)	0	0	(165,709)
Vehicles	(31,612)	0	0	(31,612)
Total Accumulated Depreciation	(3,137,976)	(141,749)	0	(3,279,725)
<b>Total Capital Assets, Net</b>	<b>\$2,557,916</b>	<b>\$(141,749)</b>	<b>0</b>	<b>\$2,416,167</b>

	2002	Additions	Deletions	2003
<b>Capital Assets Being Depreciated</b>				
Sewer System and Lines	5,498,571	0	0	5,498,571
Equipment	165,709	0	0	165,709
Vehicles	31,612	0	0	31,612
Total Capital Assets, Being Depreciated	5,695,892	0	0	5,695,892
<b>Less Accumulated Depreciation:</b>				
Sewer System and Lines	(2,798,906)	(141,749)	0	(2,940,655)
Equipment	(165,709)	0	0	(165,709)
Vehicles	(26,712)	(4,900)	0	(31,612)
Total Accumulated Depreciation	(2,991,327)	(146,649)	0	(3,137,976)
<b>Total Capital Assets, Net</b>	<b>\$2,704,565</b>	<b>\$(146,649)</b>	<b>0</b>	<b>\$2,557,916</b>

**Syracuse-Racine Regional Sewer District**  
*Management's Discussion and Analysis*  
*For the Years Ended December 31, 2004 and December 31, 2003*  
*Unaudited*

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**Debt Administration**

At December 31, 2004 and 2003, the District had \$845,000 and \$884,000, respectively, in bonds payable. More detailed information about the District's long-term debt is presented in Note 5 to the Basic Financial Statements.

**Economic Factors**

The District's financial condition continues to improve as the District proceeds through another year of periodic flood conditions and increased cost of fuel and chemicals. The local economic conditions continue to challenge the district with customer delinquency. By implementing a consistent collection approach the District has been able to keep customer delinquency at a reasonable level.

**Contacting the District's Financial Management**

This financial report is designed to provide our customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the financial resources it manages. If you have questions about this report or need additional financial information, contact Joni Fisher, Clerk at Syracuse-Racine Regional Sewer District located at P.O. Box 201, Racine Ohio 45771.

SYRACUSE-RACINE REGIONAL SEWER DISTRICT  
 STATEMENTS OF NET ASSETS  
 December 31, 2004 and 2003

<b>Assets</b>	<b><u>2004</u></b>	<b><u>2003</u></b>
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 88,085	\$ 104,729
Accounts Receivable	31,165	24,743
Total Current Assets	119,250	129,472
<b>Capital Assets</b>		
Depreciable Capital Assets, Net of Accumulated Depreciation	2,416,167	2,557,916
Total Non-Current Assets	2,416,167	2,557,916
<b>Total Assets</b>	<b><u>\$2,535,417</u></b>	<b><u>\$ 2,687,388</u></b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 2,323	\$ 5,960
Total Current Liabilities	2,323	5,960
<b>Noncurrent Liabilities</b>		
Notes Payable - Due Within One Year	-	7,482
FmHA Water Resource Revenue Bonds - Due Within One Year	40,000	39,000
FmHA Water Resource Revenue Bonds - Due in More than One Year	805,000	845,000
Total Noncurrent Liabilities	845,000	891,482
<b>Total Liabilities</b>	<b><u>847,323</u></b>	<b><u>897,442</u></b>
<b>Net Assets</b>		
Invested in capital asset net of related debt	1,571,167	1,666,434
Unrestricted	116,927	123,512
<b>Total Net Assets</b>	<b><u>\$1,688,094</u></b>	<b><u>\$ 1,789,946</u></b>

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

SYRACUSE-RACINE REGIONAL SEWER DISTRICT  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
Years Ended December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
<b>Operating Revenues</b>		
Charges for Services	\$ 255,285	\$ 235,801
Miscellaneous	530	6,275
Total Operating Revenues	255,815	242,076
 <b>Operating Expenses</b>		
Personal Services and Administration	112,436	121,400
Office Expenses and Insurance	12,652	12,743
Chemicals and Operating Supplies	28,625	43,717
Utilities	19,593	19,356
Depreciation Expenses	141,749	146,649
Total Operating Expenses	315,055	343,865
Operating Income	(59,240)	(101,789)
 <b>Non-Operating Revenues (Expenses)</b>		
Interest Income	1,588	2,235
Interest Expense	(44,200)	(44,938)
Total Non-Operating Revenues (Expenses)	(42,612)	(42,703)
Changes in Net Assets	(101,852)	(144,492)
Net Assets January 1 - as restated per note 1-F	1,789,946	1,934,438
Net Assets December 31	\$ 1,688,094	\$ 1,789,946

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



SYRACUSE-RACINE REGIONAL SEWER DISTRICT  
 STATEMENTS OF CASH FLOWS  
 Years Ended December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Customers	\$ 249,393	\$ 242,134
Payments to Suppliers and Vendors	(176,943)	(191,602)
Net cash provided by operating activities	72,450	50,532
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Interest Payments	(44,200)	(44,938)
Principal Payments	(46,482)	(44,175)
Net cash provided by/(used for) capital financing activities	(90,682)	(89,113)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	1,588	2,235
Net cash Provided by/ (Used for) by Investing Activities	1,588	2,235
Net increase/decrease in cash and cash equivalents	(16,644)	(36,346)
Cash and cash equivalents, January 1, 2004	104,729	141,075
Cash and cash equivalents, December 31, 2004	\$ 88,085	\$ 104,729
<b>Reconciliation of Operating Income to Net Cash Provided by</b>		
Operating Income	\$ (59,240)	\$ (101,789)
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation Expense	141,749	146,649
(Increase) Decrease in Accounts Receivable	(6,422)	58
Increase (Decrease) in Accounts Payable	(3,637)	5,614
Total Adjustments	131,690	152,321
Net Cash Provided by Operating Activities	\$ 72,450	\$ 50,532

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

SYRACUSE-RACINE REGIONAL SEWER DISTRICT  
MEIGS COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND DECEMBER 31, 2003

NOTE 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.

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 the District that 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. The District has no component units.

B. BASIS OF ACCOUNTING

The accounting methods and procedures adopted by the District conform to generally accepted accounting principles as applied to governmental enterprise funds. In June 1999, the Governmental Accounting Standards Board (GASB) approved Statement No. 34 "Basic Financial Statements and Management Discussion and Analysis for State and Local Governments." This Statement provided for significant changes in financial reporting and was scheduled for phased implementation based on size of the government starting for the fiscal year ended 2002.

The District, as an enterprise fund, accounts for its operations in a manner similar to private business enterprises. The intent of the governing body is that the costs (including depreciation and amortization) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The focus of enterprise fund measurement is based upon determination of operating income, changes in net assets, financial position, and cash flows. Under the provisions of Governmental Accounting Standards Board (GASB) Pronouncement No. 20, the District has elected to follow all GASB pronouncements and Financial Accounting Standards Board pronouncements issued on or after November 30, 1989, except for those that conflict with GASB pronouncements. The District's operating revenues are those that result from providing services and producing and delivering goods, and include all other revenues that do not result from transactions defined by GASB Statement No. 9 as capital and related financing, non-capital financing, or investing activities.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

For financial statement presentation purposes, the Syracuse-Racine Regional Sewer District utilizes the accrual basis of accounting. Under this method of accounting, revenues are recognized when they are earned. Unbilled water utility service receivables are recorded at year end. Expenses are recognized under the accrual basis of accounting when the liability is incurred.

SYRACUSE-RACINE REGIONAL SEWER DISTRICT  
MEIGS COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND DECEMBER 31, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. FUND ACCOUNTING

The District uses fund accounting to segregate cash that is restricted as to use. The District classifies its fund into the Proprietary Fund Type and uses an Enterprise Fund to account for the provision of sewer services to customers.

D. MEASUREMENT FOCUS

The enterprise fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operations of the District are included on the statement of net assets. The statements of revenues, expenses and changes in net assets present increases (i.e. revenue) and decreases (i.e. expenses) in net total assets. The statements of cash flows provided information about how the District finances and meets the cash flow needs of its enterprise activity.

E. BUDGETARY PROCESS

The Ohio Revised Code requires that 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 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 canceled, and re-appropriated in the subsequent year.

A summary of 2004 and 2003 budgetary activity appears in Note 3.

F. CHANGE IN ACCOUNTING PRINCIPLES

GASB Statement No. 34, *Basic Financial Statement – and Management’s Discussion and Analysis – for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements and Management’s discussion and Analysis for State and Local Governments: Omnibus*, GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements* were adopted by the District effective January 1, 2003.

GASB 34 creates new basic financial statements for reporting on the District’s financial activities. The financial statements now include statements of net assets; statements of revenues, expenses, and changes in net assets; and statements of cash flows all prepared on the accrual basis of accounting.

There was no restatement of net assets as a result of implementation; however, reclassifications were made to report retained earnings and contributed capital as net assets.

SYRACUSE-RACINE REGIONAL SEWER DISTRICT  
MEIGS COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND DECEMBER 31, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. CAPITAL ASSETS

Capital assets acquired or constructed for the general use of the District in providing service are recorded at cost. Donated assets are recorded at their estimated fair market value at the time received. The District maintains a capitalization threshold of five hundred dollars. Depreciation of capital 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 capital asset class are as follows:

Vehicles	5 years
Sewer System and Lines	40 years
Other Equipment	5 years

K. CASH & CASH EQUIVALENTS

Cash and Cash Equivalents were limited to interest bearing checking accounts and certificates of deposit.

N. 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.

O. NET ASSETS

Net assets represent the differences between assets and liabilities. Net Assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets.

NOTE 2 - EQUITY IN POOLED CASH 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 can be withdrawn 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 maturing not more than one year from the date of deposit or by savings accounts, including passbook accounts.

SYRACUSE-RACINE REGIONAL SEWER DISTRICT  
MEIGS COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND DECEMBER 31, 2003

NOTE 2 - EQUITY IN POOLED CASH 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.

State statute permits monies to 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 (STAROhio);
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; and,
8. Under limited circumstances, debt interests 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.

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."

SYRACUSE-RACINE REGIONAL SEWER DISTRICT  
MEIGS COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND DECEMBER 31, 2003

NOTE 2 - EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

Deposits - At December 31, 2003, the carrying amount of the District's deposits was \$104,729 and the bank balance was \$104,017. The bank balance was covered by federal depository insurance. At December 31, 2004, the carrying amount of the District's deposits was \$88,085 and the bank balance was \$172,831. Of the bank balance \$121,760 was covered by federal depository insurance; the remainder is secured by a collateral pool established by the financial institution. Although all Ohio statutory requirements for the collateralization of deposits had been followed, noncompliance with federal requirements could potentially prevent the District from exercising a successful claim as a secured creditor against the FDIC and render them a general creditor for the uncollateralized amount.

NOTE 3 - BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2004 and December 31, 2003 is as follows:

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
Enterprise	\$0	\$257,403	\$257,403

2004 Budgeted vs. Actual Budgetary Basis Disbursements

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
Enterprise	\$0	\$359,255	\$(359,255)

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
Enterprise	\$0	\$244,311	\$244,311

2003 Budgeted vs. Actual Budgetary Basis Disbursements

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
Enterprise	\$0	\$388,803	\$(388,803)

NOTE 4 – ACCOUNTABILITY/NON-COMPLIANCE

The District did not estimate resources for the Enterprise Fund for 2004 and 2003 contrary to Ohio Revised Code Section 5705.36.

The District did not adopt formal appropriations for the Enterprise Fund for 2004 and 2003 contrary to Ohio Revised Code Section 5705.38 and expended monies which were not properly appropriated for the Enterprise Fund for 2004 and 2003 contrary to Ohio Revised Code Section 5705.41(B).

SYRACUSE-RACINE REGIONAL SEWER DISTRICT  
MEIGS COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND DECEMBER 31, 2003

NOTE 5 - DEBT OBLIGATIONS

The changes in the District's long-term liabilities during fiscal years 2004 and 2003 were as follows:

	Outstanding 12/31/2003	Issued	Retired	Outstanding 12/31/2004	Due In One Year
Farmers Home Administration (FmHA) Bonds - 5%	\$884,000	\$0	\$39,000	\$845,000	\$40,000
GMAC Commercial Note - 0%	7,482	0	7,482	0	0
<b>Total Long-Term Liabilities</b>	<b>\$891,482</b>	<b>\$0</b>	<b>\$46,482</b>	<b>\$845,000</b>	<b>\$40,000</b>

	Outstanding 12/31/2002	Issued	Retired	Outstanding 12/31/2003	Due In One Year
Farmers Home Administration (FmHA) Bonds - 5%	\$921,000	\$0	\$37,000	\$884,000	\$39,000
GMAC Commercial Note - 0%	14,657	0	7,175	7,482	7,482
<b>Total Long-Term Liabilities</b>	<b>\$935,657</b>	<b>\$0</b>	<b>\$44,175</b>	<b>\$891,482</b>	<b>\$46,482</b>

The annual requirements to amortize all debt outstanding as of December 31, 2004 are as follows:

Year Ending December 31	<u>Farmers Home Administration Bonds</u>		
	Principal	Interest	Total
2005	\$40,000	\$42,250	\$82,250
2006	41,000	40,250	81,250
2007	39,000	38,200	77,200
2008	41,000	36,250	77,250
2009	43,000	34,200	77,200
2010-2014	249,000	136,600	385,600
2015-2019	319,000	67,650	386,650
2020-2024	<u>73,000</u>	<u>3,650</u>	<u>76,650</u>
<b>Total</b>	<b><u>\$845,000</u></b>	<b><u>\$399,050</u></b>	<b><u>\$1,244,050</u></b>

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 GMAC Commercial Note was originally issued for the purchase of a 2002 Chevy Silverado pickup truck used for maintenance of sewer plant operations. The note was paid off during fiscal year 2004.

SYRACUSE-RACINE REGIONAL SEWER DISTRICT  
MEIGS COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND DECEMBER 31, 2003

NOTE 6 - 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. For fiscal year 2004, the District contracted for the following insurance coverage.

Buildings and Contents	\$1,158,000
Commercial Inland Marine	\$20,000
General Liability	\$3,000,000
Public Officials	\$100,000
Automobile	\$1,000,000
Faithful Performance & Employee Bond	\$105,000

Health insurance was provided by a private carrier for the year.

Workers' compensation benefits are provided through the State Bureau of Workers' Compensation. The District pays all elected officials' bonds by statute.

The District has not incurred significant reductions in insurance coverage from coverage in the prior year by major category of risk. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE 7 - PENSION PLAN AND OTHER POST-EMPLOYMENT BENEFITS

A. Public Employees Retirement System

1. Pension Benefit Obligation

Statement 27 of the Governmental Accounting Standards Board (GASB), *Accounting for Pensions by State and Local Governmental Employers*, requires public employers to provide detailed disclosure of pension information in financial statements and accompanying information.

A. Ohio Public Employees Retirement System (OPERS) administers three separate pension plans as described below:

- The Traditional Pension Plan —a cost sharing, multiple-employer defined benefit pension plan.
- The Member-Directed Plan —a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.
- The Basic Plan —a cost sharing, multiple-employer defined benefit pension plan. Under the Basic Plan, employer contributions are invested by OPERS to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

B. OPERS provides retirement, disability, survivor and death benefits and annual cost-of living adjustments to members of the Traditional Pension and Basic Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.

C. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.



SYRACUSE-RACINE REGIONAL SEWER DISTRICT  
MEIGS COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND DECEMBER 31, 2003

NOTE 7 - PENSION PLAN AND OTHER POST-EMPLOYMENT BENEFITS (continued)

A. Public Employees Retirement System (Continued)

D. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-6701 or 800-222-7377.

E. The Ohio Revised Code provides statutory authority for member and employer contributions. For 2004, member and employer contribution rates were consistent across all three plans. Separate divisions for law enforcement and public safety exist only within the Traditional Pension Plan.

The 2004 member contribution rate for the District was 8.5% of covered payroll.

The 2004 employer contribution rate for the District was 13.55% of covered payroll.

F. The District's contributions to the OPERS of Ohio for the year ended December 31, 2004, 2003, and 2002 were \$15,593, \$16,321, and \$12,273, respectively which were equal to the total required contributions.

2. Other Post-employment Benefits

Statement 12 of the Governmental Accounting Standards Board (GASB), *Disclosure of Information on Post-employment Benefits other than Pension Benefits by State and Local Governmental Employers*, establishes standards for disclosure of information on post-employment benefits other than pension benefits by all state and local government employers.

OPERS provides retirement, disability, and survivor benefits as well as postretirement health care coverage to qualifying members of both the Traditional Pension and the Basic Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for postretirement health care coverage, age-and-service retirees under the Traditional Pension and Basic Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS is considered to be an Other Post-employment Benefit (OPEB) as described in GASB Statement 12.

A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The OPERS law enforcement program is separated into two divisions, law enforcement and public safety with separate employee contribution rates and benefits. The 2004 employer contribution rate for the District was 13.55% of covered payroll, and 4.00% was used to fund health care for the year.

B. The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS.

C. Summary of Assumptions:

Actuarial Review—The assumptions and calculations below were based on OPERS' latest actuarial review performed as of December 31, 2003.

Funding Method—An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability.

SYRACUSE-RACINE REGIONAL SEWER DISTRICT  
MEIGS COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND DECEMBER 31, 2003

NOTE 7 - PENSION PLAN AND OTHER POST-EMPLOYMENT BENEFITS (continued)

Assets Valuation Method—All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually.

Investment Return—The investment assumption rate for 2003 was 8.00%.

Active Employee Total Payroll—An annual increase of 4.00%, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees.

Additionally, annual pay increases, over and above the 4.00% base increase, were assumed to range from 0.50% to 6.30%.

Health Care—Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1% to 6% for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase at 4% (the projected wage inflation rate).

D. OPEBs are advance-funded on an actuarially determined basis. The following disclosures are required:

1. At year-end 2004, the number of active contributing participants in the Traditional Pension and Basic Plans totaled 369,885.
2. The rates stated in Section A, above, are the actuarially determined contribution requirements for OPERS. The portion of your employer contributions that were used to fund post-employment benefits were total PERS wages \$893,283 times .2952 which equals \$263,697
3. The amount of \$10.5 billion represents the actuarial value of OPERS' net assets available for OPEBs at December 31, 2003.
4. The actuarially accrued liability and the unfunded actuarially accrued liability, based on the actuarial cost method used, were \$26.9 billion and \$16.4 billion, respectively.

E. OPERS Retirement Board adopts a Health Care Preservation Plan

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

SYRACUSE-RACINE REGIONAL SEWER DISTRICT  
MEIGS COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND DECEMBER 31, 2003

NOTE 8 -CAPITAL ASSETS

A summary of the District's capital assets as of December 31, 2004, and 2003 are as follows:

	2002	Additions	Deletions	2003	Additions	Deletions	2004
<b>Capital Assets Being Depreciated</b>							
Sewer System & Lines	\$ 5,498,571	\$ -	\$ -	\$ 5,498,571	\$ -	\$ -	\$ 5,498,571
Equipment	165,709	-	-	165,709	-	-	165,709
Vehicles	31,612	-	-	31,612	-	-	31,612
<b>Total Capital Assets Being Depreciated</b>	5,695,892	-	-	5,695,892	-	-	5,695,892
<b>Less: Accumulated Depreciation:</b>							
Sewer System & Lines	(2,798,906)	(141,749)	-	(2,940,655)	(141,749)	\$ -	(3,082,404)
Equipment	(165,709)	-	-	(165,709)	-	\$ -	(165,709)
Vehicles	(26,712)	(4,900)	-	(31,612)	-	\$ -	(31,612)
Total Accumulated Depreciation	(2,991,327)	(146,649)	-	(3,137,976)	(141,749)	\$ -	(3,279,725)
<b>Total Capital Assets, Net</b>	<u>\$ 2,704,565</u>	<u>\$ (146,649)</u>	<u>\$ -</u>	<u>\$ 2,557,916</u>	<u>\$ (141,749)</u>	<u>\$ -</u>	<u>\$ 2,416,167</u>

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**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters 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 financial statements of Syracuse-Racine Regional Sewer District (the District), as of and for the years ended December 31, 2004 and December 31, 2003, and have issued our report thereon dated September 30, 2005, in which we indicated the District implemented Governmental Accounting Standards Board Statements number 34, 37, 38, and Interpretation 6. 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.

**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 an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and responses as item 2004/2003-03.

A material weakness is a reportable 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 caused by error or fraud 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness.

**Compliance and Other Matters**

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, regulation, contracts and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2004/2003-01 and 2004/2003-02.

However, we noted other matters that we have communicated to the District in a letter dated September 30, 2005.

Syracuse-Racine Regional Sewer District  
Board of Trustees  
Report on Internal Control Over Financial Reporting  
And On Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in Accordance  
With *Government Auditing Standards*  
Page 2

This report is intended solely 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.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

September 30, 2005

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

**SCHEDULE OF FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND DECEMBER 31, 2003**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unqualified
<i>(d)(1)(ii)</i>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any other reportable conditions reported at the financial statement level (GAGAS)?</b>	Yes
<i>(d)(1)(iii)</i>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes

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

**Finding 2004/2003-01 – Material Noncompliance:**

**Condition:**

The District did not adopt a formal appropriation measure for 2004 or 2003.

**Criteria:**

Ohio Revised Code Section 5705.38 states that on or about the first day of each fiscal year, an appropriation measure is to be passed. 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.

**Cause:**

District Officials did not pass a formal appropriation measure for 2004 or 2003.

**Effect:**

This caused the District to be noncompliant with the Ohio Revised Code Section 5705.38 for 2004 and 2003 since a formal appropriation measure was not passed by the District. This also caused the District to be noncompliant with the Ohio Revised Code Section 5705.41(B) since the District expended monies which were not properly appropriated for 2004 and 2003.

**Recommendation:**

The District should implement procedures to ensure that an annual appropriation measure is approved on or about the first day of each fiscal year..

**District Response:**

The District Clerk will monitor budgetary compliance more closely and try to ensure that annual appropriation measures are formally approved in a timely manner.

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

**SCHEDULE OF FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND DECEMBER 31, 2003  
(Continued)**

**Finding 2004/2003-02 – Material Noncompliance:**

**Condition:**

The District did not certify available revenue per the Ohio Revised Code.

**Criteria:**

Ohio Revised Code Section 5705.36 states that on or about the first day of each fiscal year, the fiscal officers of subdivisions and other taxing authorities are to certify the total amount from all sources which are available for expenditure along with unencumbered balances that existed at the end of the preceding year.

**Cause:**

District Officials did not prepare an operating budget and certify available resources for 2004 or 2003.

**Effect:**

This causes the District to be noncompliant with the Ohio Revised Code for 2004 and 2003.

**Recommendation:**

The District should implement procedures to ensure that an estimate of available revenue is prepared and properly certified in accordance with the aforementioned section of the Ohio Revised Code.

**District Response:**

The District Clerk will monitor budgetary compliance more closely.

**Finding 2004/2003-03 – Reportable Condition:**

**Condition:**

The District did not prepare an operating budget or monitor budget activity.

**Criteria:**

Management of the District needs a budget in order to monitor progress and financial position during the year.

**Cause:**

Management did not prepare an operating budget and had no operating budget to monitor.

**Effect:**

This could lead to overspending and mismanagement of funds because there is no ongoing monitoring of budgeted activity during the year.

**Recommendation:**

We recommend that Management adopt an operating budget; monitor and update the budget during the year as necessary.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS  
REQUIED BY GAGAS  
DECEMBER 31, 2004 AND DECEMBER 31, 2003**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
2001/2002-001	Citation of ORC 5705.41	No	Reissued As Part of Finding 2004/2003-001
2001/2002-002	Citation of ORC 5705.38	No	Reissued As Finding 2004/2003-002
2001/2002-003	Citation of ORC 5705.36	No	Reissued As Part of Finding 2004/2003-001





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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  
MARCH 14, 2006**