

***SYRACUSE RACINE REGIONAL SEWER DISTRICT  
MEIGS COUNTY  
AUDIT REPORT  
FOR THE YEARS ENDED DECEMBER 31, 2016 & 2015***







# Dave Yost • Auditor of State

Board of Trustees  
Syracuse Racine Regional Sewer District  
PO Box 201  
Racine, OH 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, 2015 through December 31, 2016. 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

June 1, 2016

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**SYRACUSE RACINE REGIONAL SEWER DISTRICT  
MEIGS COUNTY  
AUDIT REPORT  
For the Years Ending December 31, 2016 and 2015**

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

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**REPORT OF INDEPENDENT AUDITORS**

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 of the cash balances, receipts and disbursements and related notes of the Syracuse Racine Regional Sewer District, Meigs County (the District) as of and for the year ended December 31, 2016 and 2015.

***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 Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; 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 2 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, 2016 and 2015, 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 as of December 31, 2016 and 2015, 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) permit, described in Note 2.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 17, 2017 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.***  
April 17, 2017



SYRACUSE RACINE REGIONAL SEWER DISTRICT  
 MEIGS COUNTY  
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
 AND CHANGES IN CASH BALANCE  
 FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>2016</u>
Operating Cash Receipts	
Charges for Services	\$ 376,475
Miscellaneous	10,017
	<hr/>
Total Operating Cash Receipts	<u>386,492</u>
Operating Cash Disbursements	
Personal Services	116,269
Fringe Benefits	20,836
Contractual Services	134,505
Supplies and Materials	27,086
	<hr/>
Total Operating Cash Disbursements	<u>298,696</u>
Operating Income (Loss)	87,796
Non-Operating Cash Receipts	
Special Assessments	8,084
Miscellaneous Receipts	152
Earnings on Investments	752
Loan Proceeds	14,593
	<hr/>
Total Non-Operating Cash Receipts	<u>23,581</u>
Non-Operating Cash Disbursements	
Principal Redemption	82,695
Interest and Fiscal Charges	42,250
Capital Outlay	14,593
	<hr/>
Total Non-Operating Cash Disbursements	<u>139,538</u>
Transfers In	156,238
Transfers Out	<u>(156,238)</u>
Net Receipts Over /(Under) Disbursements	(28,161)
Cash Balance, January 1	<hr/> 409,865
Cash Balance, December 31	<u>\$ 381,704</u>

SYRACUSE RACINE REGIONAL SEWER DISTRICT  
MEIGS COUNTY  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN CASH BALANCE  
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>2015</u>
Operating Cash Receipts	
Charges for Services	\$ 362,061
Miscellaneous	14,794
	<hr/>
Total Operating Cash Receipts	<u>376,855</u>
Operating Cash Disbursements	
Personal Services	118,598
Fringe Benefits	22,457
Contractual Services	134,596
Supplies and Materials	29,586
	<hr/>
Total Operating Cash Disbursements	<u>305,237</u>
Operating Income (Loss)	71,618
Non-Operating Cash Receipts	
Special Assessments	10,381
Miscellaneous Receipts	160
Earnings on Investments	925
Loan Proceeds	50,729
	<hr/>
Total Non-Operating Cash Receipts	<u>62,195</u>
Non-Operating Cash Disbursements	
Principal Redemption	75,800
Interest and Fiscal Charges	44,420
Capital Outlay	49,824
	<hr/>
Total Non-Operating Cash Disbursements	<u>170,044</u>
Transfers In	122,424
Transfers Out	<u>(122,424)</u>
Net Receipts Over /(Under) Disbursements	(36,231)
Cash Balance, January 1	<hr/> 446,096
Cash Balance, December 31	<u>\$ 409,865</u>

# SYRACUSE RACINE REGIONAL SEWER DISTRICT

*Meigs County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2016 and 2015*

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## **Note 1 - Reporting Entity**

The Syracuse Racine Regional Sewer District (the District), Meigs County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Each political subdivision within the District appoints one member to the Board of Trustees to direct the District. There are five Board of Trustees members. Subdivisions within the District are the Sutton Township, 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 accountably.

## **Note 2 - Summary of Significant Accounting Policies**

### ***Basis of Accounting***

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 of Trustees 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.

### ***Budgetary Process***

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

***Appropriations*** Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the function level of, 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 individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2016 and 2015 budgetary activity appears in Note 3.

**SYRACUSE RACINE REGIONAL SEWER DISTRICT**

*Meigs County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2016 and 2015*

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***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.

***Capital Assets***

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

***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.

**Note 3 - Budgetary Activity**

Budgetary activity for the year ending 2016 and 2015 follows:

2016 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$468,055	\$566,311	\$98,256

2016 Budgeted vs. Actual Budgetary Basis Disbursements		
Appropriation Authority	Budgetary Disbursements	Variance
\$704,300	\$594,472	\$109,828

2015 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$468,055	\$561,474	\$93,419

2015 Budgeted vs. Actual Budgetary Basis Disbursements		
Appropriation Authority	Budgetary Disbursements	Variance
\$752,197	\$597,705	\$154,492

**SYRACUSE RACINE REGIONAL SEWER DISTRICT**

*Meigs County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2016 and 2015*

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**Note 4 – Deposits and Investments**

The District maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

	2016	2015
Demand deposits	\$351,420	\$379,627
Certificates of deposit	30,284	30,238
Total deposits	381,704	409,865
Total deposits	\$381,704	\$409,865

***Deposits***

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

**Note 5 - Risk Management**

Workers’ Compensation coverage is provided by the State of Ohio. The District pays the State Workers’ Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

***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.

**Note 6 - Defined Benefit Pension Plan**

***Ohio Public Employees Retirement System***

District employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. 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, 2016.

**SYRACUSE RACINE REGIONAL SEWER DISTRICT**

*Meigs County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2016 and 2015*

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**Note 7 - Postemployment Benefits**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. OPERS contributes 2 percent of the employer contribution to fund these benefits.

**Note 8 – Debt**

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
USDA Rural Development - Series A Bonds	\$430,800	2.750%
USDA Rural Development - Series B Bonds Refunded Portion	297,685	2.875%
USDA Rural Development - Series B Bonds New Money Portion	682,015	2.875%
OWDA - 6958	60,727	3.250%
Total	<u>\$1,471,227</u>	

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.

During 2015, the District obtained a loan (Loan #6958) from the Ohio Water Development Authority for Wastewater System Improvements. The loan is still open and amortization schedule is not available.

**SYRACUSE RACINE REGIONAL SEWER DISTRICT**

*Meigs County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2016 and 2015*

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**Note 8 – Debt - (Continued)**

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

Year ending December 31:	USDA - Series A	USDA - Series B
2017	\$19,347	\$100,966
2018	19,341	100,973
2019	19,329	101,020
2020	19,314	100,903
2021	19,314	101,026
2022-2026	96,681	149,127
2027-2031	96,606	149,155
2032-2036	96,579	149,013
2037-2041	96,661	149,179
2042-2046	96,588	149,056
2047-2051	96,586	149,149
Total	<u>\$676,346</u>	<u>\$1,399,567</u>

**Note 9 – Contingent Liabilities**

The District may be a defendant in various lawsuits. Although management cannot presently determine the outcome of these suits, 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 cash balances, receipts and disbursements of the Syracuse Racine Regional Sewer District, Meigs County, (the District) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated April 17, 2017. We noted the District followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

***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.

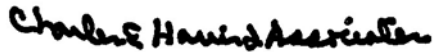


***Compliance and Other Matters***

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.***  
April 17, 2017

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# Dave Yost • 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  
JUNE 13, 2017**