

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2765

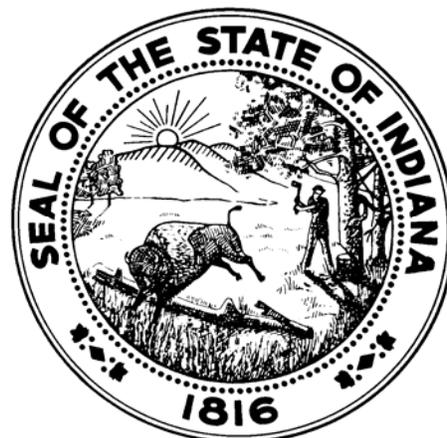
AUDIT REPORT

OF

ROCKFIELD REGIONAL SEWER DISTRICT

CARROLL COUNTY, INDIANA

January 1, 2004 to December 31, 2005



FILED
08/31/2006

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Steven W. Goodrich	01-01-04 to 12-31-06
President of the Board	Terry Nipple	01-01-04 to 12-31-06



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF THE ROCKFIELD REGIONAL SEWER DISTRICT, CARROLL COUNTY, INDIANA

We have audited the accompanying financial statements of the business-type activities of the Rockfield Regional Sewer District (Sewer District), as of and for the years ended December 31, 2004 and 2005, which collectively comprise the Sewer District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Sewer District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note I, the Sewer District prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the business-type activities of the Sewer District as of December 31, 2004 and 2005, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated August 9, 2006, on our consideration of the Sewer District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Sewer District taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

The Sewer District has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sewer District's basic financial statements. The Schedule of Capital Assets and Schedule of Long-Term Debt are presented for additional analysis and are not a required part of the basic financial statements. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

August 9, 2006



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE ROCKFIELD REGIONAL SEWER DISTRICT, CARROLL COUNTY, INDIANA

We have audited the financial statements of the Rockfield Regional Sewer District (Sewer District), as of and for the years ended December 31, 2004 and 2005, and have issued our report thereon dated August 9, 2006. 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.

Compliance

As part of obtaining reasonable assurance about whether the Sewer District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Sewer District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses.

This report is intended solely for the information and use of the Sewer District's management and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

August 9, 2006

ROCKFIELD REGIONAL SEWER DISTRICT
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2004

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Net Receipt and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Capital Grants and Contributions</u>	<u>Business-Type Activities</u>
Primary government:				
Business-type activities:				
Sewer District	\$ 1,204,968	\$ 21,304	\$ 1,207,149	\$ 23,485
General receipts:				
Unrestricted investment earnings				17
Change in net assets				23,502
Net assets - beginning				52,181
Net assets - ending				\$ 75,683
<u>Assets</u>				
Cash and investments				\$ 75,683
<u>Net Assets</u>				
Unrestricted				\$ 75,683

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

ROCKFIELD REGIONAL SEWER DISTRICT
STATEMENT OF ASSETS AND FUND BALANCE AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUND
As of and for the Year Ended December 31, 2004

	<u>Sewer District</u>
Operating receipts:	
Flat rate receipts	\$ 19,754
Other receipts	1,550
Total operating receipts	<u>21,304</u>
Operating disbursements:	
Equipment and capital improvements	1,176,343
Administration and general	4,035
Purchased power	248
Contractual services	17,969
Insurance disbursements	250
Miscellaneous disbursements	<u>6,123</u>
Total operating disbursements	<u>1,204,968</u>
Deficiency of operating receipts under operating disbursements	<u>(1,183,664)</u>
Nonoperating receipts:	
Interest and investment receipts	<u>17</u>
Deficiency of receipts over disbursements and nonoperating receipts (disbursements)	(1,183,647)
Capital contributions	1,207,149
Transfers in	5,627
Transfers out	<u>(5,627)</u>
Excess of receipts, contributions and transfers in over disbursements and transfers out	23,502
Cash and investment fund balance - beginning	<u>52,181</u>
Cash and investment fund balance - ending	<u>\$ 75,683</u>
<u>Cash and Investment Assets - December 31</u>	
Cash and investments	<u>\$ 75,683</u>
<u>Cash and Investment Fund Balance - December 31</u>	
Restricted for:	
Unrestricted	<u>\$ 75,683</u>

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

ROCKFIELD REGIONAL SEWER DISTRICT
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2005

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Net Receipt and Changes in Net Assets</u>
		Charges for Services	Capital Grants and Contributions	Business-Type Activities
Primary government:				
Business-type activities:				
Sewer District	<u>\$ 215,991</u>	<u>\$ 53,862</u>	<u>\$ 133,646</u>	<u>\$ (28,483)</u>
General receipts:				
Unrestricted investment earnings				<u>132</u>
Change in net assets				(28,351)
Net assets - beginning				<u>75,683</u>
Net assets - ending				<u>\$ 47,332</u>
 <u>Assets</u>				
Cash and investments				<u>\$ 47,332</u>
 <u>Net Assets</u>				
Unrestricted				<u>\$ 47,332</u>

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

ROCKFIELD REGIONAL SEWER DISTRICT
STATEMENT OF ASSETS AND FUND BALANCE AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUND
As of and for the Year Ended December 31, 2005

	Sewer District
Operating receipts:	
Flat rate receipts	\$ 52,606
Other receipts	1,256
Total operating receipts	53,862
Operating disbursements:	
Equipment and capital improvements	158,165
Administration and general	5,913
Purchased power	2,400
Contractual services	32,805
Insurance disbursements	2,222
Miscellaneous disbursements	1,460
Total operating disbursements	202,965
Deficiency of operating receipts under operating disbursements	(149,103)
Nonoperating receipts (disbursements):	
Interest and investment receipts	132
Interest expense	(13,026)
Total nonoperating disbursements	(12,894)
Deficiency of receipts under disbursements and nonoperating receipts (disbursements)	(161,997)
Capital contributions	133,646
Transfers in	10,000
Transfers out	(10,000)
Deficiency of receipts, contributions and transfers in under disbursements and transfers out	(28,351)
Cash and investment fund balance - beginning	75,683
Cash and investment fund balance - ending	\$ 47,332
<u>Cash and Investment Assets - December 31</u>	
Cash and investments	\$ 47,332
<u>Cash and Investment Fund Balance - December 31</u>	
Unrestricted	\$ 47,332

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

ROCKFIELD REGIONAL SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The Sewer District was established under the laws of the State of Indiana. The Sewer District operates under an appointed governing board.

The Sewer District's financial reporting entity is composed of the following:

Primary Government

In determining the financial reporting entity, the Sewer District complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis display information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The Sewer District reports the following major proprietary fund:

The operating fund is the primary operating fund. It accounts for receipts from sewer customers and capital contributions and disbursements for operating activities and capital additions and improvements of the district.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

ROCKFIELD REGIONAL SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

The cash and investment basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial statements.

If the Sewer District utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The Sewer District has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to people outside the government (enterprise funds.)

D. Assets and Cash and Investment Balances

1. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as interest receipts in the year of the sale of the investment.

2. Capital Assets

Capital assets arising from cash transactions acquired for use in proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

3. Long-Term Debt

Long-term debt arising from cash basis transactions of the proprietary fund is not reported as liabilities in the basic financial statements. The payment of principal and interest is reported as disbursements.

4. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.

ROCKFIELD REGIONAL SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the Sewer District's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Proprietary fund equity is classified the same as in the government-wide statements.

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts.

2. Operating Receipts and Disbursements

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to people outside the government (enterprise funds.)

II. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds; and has a principal office or branch that qualifies to receive public funds of the political subdivision. Balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

2. Investments

Authorization for investment activity is stated in Indiana Code 5-13. As of December 31, 2005, the Sewer District did not have any funds invested.

ROCKFIELD REGIONAL SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

3. USDA Rural Development Loan

Under the terms of the USDA Rural Development Loan Agreement, funds were loaned to the District to finance the construction of a wastewater treatment facility and collection system. Funds were loaned to the Sewer District as construction costs accrued to the maximum allowed. The 2004 loan established a maximum draw of \$496,500 of which \$496,500 was actually borrowed. The outstanding principal balance of \$496,500 was amortized over a period of 38 years.

III. Other Information

A. Risk Management

The Sewer District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters.

The risks of torts and errors and omissions; are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past year. There were no significant reductions in insurance by major category of risk. Risk financing is not utilized for the other risks of loss. Instead, the Sewer District records as a disbursement any replacement items purchased.

ROCKFIELD REGIONAL SEWER DISTRICT
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 For Year Ended December 31, 2005

Capital assets are reported at actual cost. Contributed or donated assets are reported at estimated fair value at the time received.
 General infrastructure assets completed in the current and prior year have been reported.

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Sewer District:	
Capital assets, not being depreciated:	
Land	\$ 30,165
Buildings	634,000
Improvements other than buildings	<u>1,147,335</u>
 Total business-type activities capital assets	 <u>\$ 1,811,500</u>

ROCKFIELD REGIONAL SEWER DISTRICT
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 For The Year Ended December 31, 2005

	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type Activities:		
Sewer District:		
USDA Loan Payable	<u>\$ 496,500</u>	<u>\$ 5,000</u>

ROCKFIELD REGIONAL SEWER DISTRICT
AUDIT RESULT AND COMMENT

Prescribed Forms Not in Use

The Rockfield Regional Sewer District was using the following forms which had not been approved for use in lieu of prescribed forms:

Checks
Payment Coupon Book
Computer Printouts of Activity/Ledger
Payroll Sheets
Customer A/R

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Clerk/Treasurer, Chapter 46)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE ROCKFIELD REGIONAL SEWER DISTRICT, CARROLL COUNTY, INDIANA

Compliance

We have audited the compliance of the Rockfield Regional Sewer District (Sewer District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended December 31, 2004 and 2005. The Sewer District's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Sewer District's management. Our responsibility is to express an opinion on the Sewer District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Sewer District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Sewer District's compliance with those requirements.

In our opinion, the Sewer District complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2004 and 2005.

Internal Control Over Compliance

The management of the Sewer District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Sewer District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Sewer District's management and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

August 9, 2006

ROCKFIELD REGIONAL SEWER DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended December 31, 2004 and 2005

Federal Grantor Agency/Pass-Through Entity Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 12-31-04	Total Federal Awards Expended 12-31-05
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Direct Grant				
Water and Waste Disposal Loans and Grants	10.770		\$ -	\$ -
RD Loan 15-008-0352142408 #01		15-008-0352142408 #01	408,000	-
RD Loan 15-008-0352142408 #03		15-008-0352142408 #03	88,500	-
RD Grant 15-008-0352142408 G1C02		15-008-0352142408 G1C02	630,649	110,351
RD Grant 15-008-0352142408 G1C04		15-008-0352142408 G1C04	74,000	-
			<u>1,201,149</u>	<u>110,351</u>
Total federal awards expended			<u>\$ 1,201,149</u>	<u>\$ 110,351</u>

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

ROCKFIELD REGIONAL SEWER DISTRICT
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Rockfield Regional Sewer District (Sewer District) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with the Indiana Code (IC 5-11-1 et seq.), audits of Sewer Districts shall be conducted biennially. Such audits shall include both years within the biennial period.

ROCKFIELD REGIONAL SEWER DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:
 Material weaknesses identified? no
 Reportable conditions identified that are not considered to be material weaknesses? none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:
 Material weaknesses identified? no
 Reportable conditions identified that are not considered to be material weaknesses? none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? no

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
10.770	Water and Waste Disposal Loans and Grants

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

ROCKFIELD REGIONAL SEWER DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

ROCKFIELD REGIONAL SEWER DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on August 9, 2006, with Steven W. Goodrich, Treasurer; and Terry Nipple, President of the Board. The officials concurred with our audit finding.