

B37487

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

AUDIT REPORT

OF

STEUBEN LAKES REGIONAL WASTE DISTRICT

STEUBEN COUNTY, INDIANA

January 1, 2008 to December 31, 2009



FILED
09/07/2010

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Superintendent	Timothy A. Frederick	01-01-08 to 12-31-10
Treasurer	James C. Kidd	01-01-08 to 12-31-10
President of the Board of Trustees	Bill J. Heckley	01-01-08 to 12-31-10



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 STEUBEN LAKES REGIONAL
WASTE DISTRICT, STEUBEN COUNTY, INDIANA

We have audited the accompanying financial statements of the business-type activities of the Steuben Lakes Regional Waste District (District), as of and for the years ended December 31, 2008, and 2009, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over reporting. 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the District as of December 31, 2008, and 2009, and the respective changes in financial position and cash flows, where applicable, thereof and for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated August 18, 2010, 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, 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.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. 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.

The Schedule of Funding Progress, as listed in the Table of Contents, is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The District has not presented Management's Discussion and Analysis, that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

The District's response to the Audit Result and Comment identified in our audit is described in the accompanying section of the report entitled Official Response. We did not audit the District's response and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

August 18, 2010



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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

TO: THE OFFICIALS OF THE STEUBEN LAKES REGIONAL
WASTE DISTRICT, STEUBEN COUNTY, INDIANA

We have audited the financial statements of the business-type activities of the Steuben Lakes Regional Waste District (District), as of and for the years ended December 31, 2008, and 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated August 18, 2010. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

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

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
(Continued)

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, regulations, contracts and grants 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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the District's management, Board of Trustees, others within the entity, and federal awarding agencies and pass-through entities 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 18, 2010

STEUBEN LAKES REGIONAL WASTE DISTRICT
STATEMENT OF NET ASSETS
December 31, 2008 And 2009

<u>Assets</u>	<u>2008</u>	<u>2009</u>
Current assets:		
Cash and cash equivalents	\$ 135,324	\$ 949,532
Accounts receivable - customer	150,132	122,088
Accounts receivable - customer (liens)	712,546	645,045
Other accounts receivable	<u>36,213</u>	<u>140,993</u>
Total current assets	<u>1,034,215</u>	<u>1,857,658</u>
Noncurrent assets:		
Restricted cash, cash equivalents and investments:		
Improvement cash and investments	313,536	587,890
Bond and interest cash and investments	2,720,806	3,024,386
Customer hook-up deposits cash and investments	<u>131,895</u>	<u>58,502</u>
Total restricted assets	<u>3,166,237</u>	<u>3,670,778</u>
Deferred charges	<u>236,423</u>	<u>229,668</u>
Capital assets:		
Land, improvements to land and construction in progress	1,291,506	4,381,988
Other capital assets (net of accumulated depreciation)	<u>46,316,713</u>	<u>45,558,016</u>
Total capital assets	<u>47,608,219</u>	<u>49,940,004</u>
Total noncurrent assets	<u>51,010,879</u>	<u>53,840,450</u>
Total assets	<u>52,045,094</u>	<u>55,698,108</u>
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	89,755	95,386
Accrued wages and withholdings payable	11,861	11,275
Compensated absences	15,467	15,393
Deferred revenue	97,172	132,089
Current liabilities payable from restricted assets:		
Customer hook-up deposits	131,895	58,502
Contracts and retainage payable	-	611,173
BAN payable	3,505,000	3,505,000
Revenue bonds payable	380,000	395,000
Loans payable	10,000	10,000
Capital lease payable	5,179	5,464
Accrued interest payable	<u>613,891</u>	<u>659,636</u>
Total current liabilities	<u>4,860,220</u>	<u>5,498,918</u>
Noncurrent liabilities:		
Revenue bonds payable	4,360,000	3,965,000
Loans payable	29,284,000	32,284,170
Capital lease payable	<u>5,464</u>	<u>-</u>
Total noncurrent liabilities	<u>33,649,464</u>	<u>36,249,170</u>
Total liabilities	<u>38,509,684</u>	<u>41,748,088</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	13,563,576	13,280,370
Restricted for debt service	2,106,915	2,364,750
Restricted for other purposes	313,536	587,890
Unrestricted	<u>(2,448,617)</u>	<u>(2,282,990)</u>
Total net assets	<u>\$ 13,535,410</u>	<u>\$ 13,950,020</u>

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

STEBEN LAKES REGIONAL WASTE DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND OTHER CHANGES IN FUND NET ASSETS
As Of And For The Years Ended December 31, 2008 And 2009

	<u>2008</u>	<u>2009</u>
Operating revenues:		
Flat rate revenues	\$ 3,642,396	\$ 4,089,647
Penalties	63,003	59,863
Other	<u>263,613</u>	<u>315,758</u>
 Total operating revenues	 <u>3,969,012</u>	 <u>4,465,268</u>
 Operating expenses:		
Collection system - operations and maintenance	332,344	308,922
Pumping - operations and maintenance	250,141	221,476
Treatment and disposal - operations and maintenance	250,969	245,948
Customer accounts	121,695	136,793
Administration and general	528,480	521,667
Reclaimed water treatment - operations and maintenance	55,218	172,101
Depreciation	<u>1,110,418</u>	<u>1,081,429</u>
 Total operating expenses	 <u>2,649,265</u>	 <u>2,688,336</u>
 Operating income	 <u>1,319,747</u>	 <u>1,776,932</u>
 Nonoperating revenues (expenses):		
Interest and investment revenue	83,097	49,556
Interest expense	(1,621,418)	(1,652,874)
Amortization of bond issue costs	<u>(6,755)</u>	<u>(6,755)</u>
 Total nonoperating revenues (expenses)	 <u>(1,545,076)</u>	 <u>(1,610,073)</u>
 Income (loss) before contributions and transfers	 (225,329)	 166,859
 Capital contributions	 <u>1,256,817</u>	 <u>247,751</u>
 Change in net assets	 1,031,488	 414,610
 Total net assets - beginning	 <u>12,503,922</u>	 <u>13,535,410</u>
 Total net assets - ending	 <u>\$ 13,535,410</u>	 <u>\$ 13,950,020</u>

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

STEUBEN LAKES REGIONAL WASTE DISTRICT
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
As Of And For The Years Ended December 31, 2008 And 2009

	<u>2008</u>	<u>2009</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 3,908,457	\$ 4,417,557
Payments to suppliers and contractors	(749,740)	(888,803)
Payments to employees	(738,615)	(743,988)
	<u>2,420,102</u>	<u>2,784,766</u>
Net cash provided by operating activities		
Cash flows from capital and related financing activities:		
Proceeds from capital debt	-	3,010,170
Acquisition and construction of capital assets	(303,957)	(2,776,552)
Principal paid on capital debt	(414,244)	(395,179)
Interest paid on capital debt	(1,636,908)	(1,607,129)
Proceeds from sales of capital assets	55,758	253,117
	<u>(2,299,351)</u>	<u>(1,515,573)</u>
Net cash used by capital and related financing activities		
Cash flows from investing activities:		
Interest received	83,097	49,556
	<u>83,097</u>	<u>49,556</u>
Net increase in cash and cash equivalents	203,848	1,318,749
Cash and cash equivalents, January 1	<u>3,097,713</u>	<u>3,301,561</u>
Cash and cash equivalents, December 31	<u>\$ 3,301,561</u>	<u>\$ 4,620,310</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 1,319,747	\$ 1,776,932
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	1,110,418	1,081,429
(Increase) decrease in assets:		
Accounts receivable	(134,289)	95,545
Other accounts receivable	64,547	(104,780)
Prepaid items	20,373	-
Increase (decrease) in liabilities:		
Accounts payable	25,407	(25,224)
Accrued wages and withholdings payable	3,896	(586)
Deferred revenue	(40,970)	34,917
Compensated absence payable	816	(74)
Customer hook-up deposits	50,157	(73,393)
	<u>1,100,355</u>	<u>1,007,834</u>
Total adjustments		
Net cash provided by operating activities	<u>\$ 2,420,102</u>	<u>\$ 2,784,766</u>
Noncash investing, capital and financing activities:		
Contributions of capital assets from government	\$ 1,256,817	\$ 247,751
Acquisition of capital assets through accounts and contracts/retainage payable	-	642,028

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

STEUBEN LAKES REGIONAL WASTE DISTRICT
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The District (primary government) was created by order of the Stream Pollution Control Board of the State of Indiana as of February 18, 1975, pursuant to Indiana Code (IC) 13-3-2. The Board acted on a petition filed by the Trustees of Jamestown, Pleasant, Milgrove, and Jackson Townships of Steuben County. The District is governed by a Board of Trustees, and provides services for the collection and treatment of sewage for the residents of the District.

The accompanying financial statements present the activities of the District. There are no significant component units which require inclusion.

B. Fund Financial Statements

Business-type activity financial statements consist of the Statement of Net Assets; Statement of Revenues, Expenses, and Changes in Fund Net Assets; and the Statement of Cash Flows. Business-type activities rely to a significant extent on fees and charges for support.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounts of the business-type activity are maintained and the financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

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 District has elected not to follow subsequent private-sector guidance.

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services and administrative costs. All receipts and disbursements not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, the District's policy is to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

STEUBEN LAKES REGIONAL WASTE DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

State statute (IC 5-13-9) authorizes the District to invest in securities, including but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Investment income, including changes in the fair value of investments, is reported as revenue in the operating statement.

2. Restricted Assets

Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the Statement of Net Assets balance sheet because their use is limited by applicable bond indentures or governing body action.

The financial statements report as of December 31, 2008, and 2009 \$3,166,237 and \$3,670,778, respectively, of restricted net assets, of which \$3,166,237 and 3,670,778, respectively, is restricted by enabling legislation.

3. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the financial statements.

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods and estimated useful lives of capital assets are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Buildings	\$ 5,000	Straight-line	50 years
Improvements other than buildings	5,000	Straight-line	50 years
Machinery and equipment	5,000	Straight-line	5 to 20 years
Transportation equipment	5,000	Straight-line	5 years

For depreciated assets, the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

4. Compensated Absences

- a. Sick Leave – District employees earn sick leave at the rate of 2 days per year. Sick leave may be accumulated up to 20 days. Accumulated sick leave is not paid to employees.

STEUBEN LAKES REGIONAL WASTE DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

- b. Vacation Leave – District employees earn vacation leave at rates from 5 days to 20 days per year based upon the number of years of service. Vacation leave may be accumulated to a maximum of 20 days. Accumulated vacation leave is paid to employees through cash payments upon termination or voluntary end of service.
- c. Personal Leave – District employees earn personal leave at the rate of 2 days per year. Personal leave does not accumulate from year to year.

Vacation leave is accrued when incurred.

5. Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

II. Detailed Notes on All Funds

A. 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. The District does not have a deposit policy for custodial credit risk. At December 31, 2009, the District had deposit balances in the amount of \$4,620,310. The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

STEUBEN LAKES REGIONAL WASTE DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Capital Assets

Capital asset activity for the year ended December 31, 2008, and 2009, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
2008:				
Capital assets, not being depreciated:				
Land	\$ 918,563	\$ -	\$ 55,758	\$ 862,805
Construction in progress	235,691	302,622	109,612	428,701
Total capital assets, not being depreciated	<u>1,154,254</u>	<u>302,622</u>	<u>165,370</u>	<u>1,291,506</u>
Capital assets, being depreciated:				
Buildings	2,026,834	110,948	-	2,137,782
Improvements other than buildings	45,881,317	1,256,816	-	47,138,133
Machinery and equipment	2,203,036	-	-	2,203,036
Transportation equipment	224,165	-	-	224,165
Totals	<u>50,335,352</u>	<u>1,367,764</u>	<u>-</u>	<u>51,703,116</u>
Less accumulated depreciation for:				
Buildings	111,393	40,538	-	151,931
Improvements other than buildings	2,176,546	917,621	-	3,094,167
Machinery and equipment	1,881,988	124,468	-	2,006,456
Transportation equipment	106,058	27,791	-	133,849
Totals	<u>4,275,985</u>	<u>1,110,418</u>	<u>-</u>	<u>5,386,403</u>
Total capital assets, being depreciated, net	<u>46,059,367</u>	<u>257,346</u>	<u>-</u>	<u>46,316,713</u>
Total capital assets, net	<u>\$ 47,213,621</u>	<u>\$ 559,968</u>	<u>\$ 165,370</u>	<u>\$ 47,608,219</u>
2009:				
Capital assets, not being depreciated:				
Land	\$ 862,805	\$ -	\$ 253,117	\$ 609,688
Construction in progress	428,701	3,343,599	-	3,772,300
Total capital assets, not being depreciated	<u>1,291,506</u>	<u>3,343,599</u>	<u>253,117</u>	<u>4,381,988</u>
Capital assets, being depreciated:				
Buildings	2,137,782	-	-	2,137,782
Improvements other than buildings	47,138,133	278,409	-	47,416,542
Machinery and equipment	2,203,036	3,615	-	2,206,651
Distribution and collection systems	224,165	40,708	-	264,873
Totals	<u>51,703,116</u>	<u>322,732</u>	<u>-</u>	<u>52,025,848</u>
Less accumulated depreciation for:				
Buildings	151,931	42,757	-	194,688
Improvements other than buildings	3,094,167	942,758	-	4,036,925
Machinery and equipment	2,006,456	72,267	-	2,078,723
Distribution and collection systems	133,849	23,647	-	157,496
Totals	<u>5,386,403</u>	<u>1,081,429</u>	<u>-</u>	<u>6,467,832</u>
Total capital assets, being depreciated, net	<u>46,316,713</u>	<u>(758,697)</u>	<u>-</u>	<u>45,558,016</u>
Total capital assets, net	<u>\$ 47,608,219</u>	<u>\$ 2,584,902</u>	<u>\$ 253,117</u>	<u>\$ 49,940,004</u>

STEUBEN LAKES REGIONAL WASTE DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Depreciation expense was charged to functions/programs of the District as follows:

	2008	2009
Wastewater	\$ 1,110,418	\$ 1,081,429

C. Construction Commitments

Construction work in progress is composed of the following:

Project	2008		2009	
	Expended to December 31,	Committed	Expended to December 31,	Committed
Orland expansion	\$ 428,701	\$ 6,165,178	\$ 3,772,300	\$ 6,165,178

D. Leases

Capital Leases

The District has entered into a capital lease for a bobcat. Future minimum lease payments and present values of the net minimum lease payments under the capital lease as of December 31, 2009, are as follows:

	Business-Type Activities
2010 total minimum lease payments	\$ 5,587
Less amount representing interest	123
Present value of net minimum lease payments	\$ 5,464

Assets acquired through capital leases still in effect are as follows:

Machinery and equipment	\$ 27,938
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E. Short-Term Liabilities

The District may use short-term notes and loans to finance a variety of public projects, including plant expansions.

STEUBEN LAKES REGIONAL WASTE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

Short-term debt activity for the year ended December 31, 2008, and 2009, was as follows:

	<u>Beginning Balance</u>	<u>Issued/ Draws</u>	<u>Redeemed Repayments</u>	<u>Ending Balance</u>
2008:				
Bond Anticipation Note	\$ 3,505,000	\$ -	\$ -	\$ 3,505,000
2009:				
Bond Anticipation Note	\$ 3,505,000	\$ -	\$ -	\$ 3,505,000

F. Long-Term Liabilities

1. Revenue Bonds

The District issues bonds to be paid by income derived from the acquired or constructed assets. Revenue bonds outstanding at year end are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Sewage Works Revenue Bonds of 2003	4.25% to 5.25%	\$ 4,360,000

Revenue bonds debt service requirements to maturity are as follows:

Year Ended		
<u>December 31</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 395,000	\$ 206,811
2011	415,000	189,658
2012	435,000	171,070
2013	455,000	151,101
2014	475,000	129,535
2015 to 2018	<u>2,185,000</u>	<u>262,928</u>
Totals	<u>\$ 4,360,000</u>	<u>\$ 1,111,103</u>

2. Loans Payable

The District has entered into various loans. Annual debt service requirements to maturity for the loans are as follows:

STEUBEN LAKES REGIONAL WASTE DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

	Principal	Interest
2010	\$ 10,000	\$ 1,372,684
2011	54,000	1,359,907
2012	54,000	1,357,959
2013	56,000	1,355,976
2014	545,000	1,348,803
2015-2019	3,085,000	6,378,756
2020-2024	3,796,000	5,668,441
2025-2029	4,666,000	4,794,632
2030-2034	5,742,000	3,719,236
2035-2039	7,067,000	2,395,229
2040-2044	6,944,000	783,575
2045-2048	587,000	47,198
 Totals	 32,606,000	 30,582,396
 Less loan principal not drawn down	 311,830	 -
 Totals	 \$ 32,294,170	 \$ 30,582,396

3. Changes in Long-Term Liabilities

Long-term liability activity, for the years ended December 31, 2008 and 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2008:					
Revenue bonds	\$ 5,105,000	\$ -	\$ 365,000	\$ 4,740,000	\$ 380,000
Capital leases	49,887	-	39,244	10,643	5,179
Loan payable	29,304,000	-	10,000	29,294,000	10,000
Total Long-term liabilities	\$ 34,458,887	\$ -	\$ 414,244	\$ 34,044,643	\$ 395,179
2009:					
Revenue bonds	\$ 4,740,000	\$ -	\$ 380,000	\$ 4,360,000	\$ 395,000
Capital leases	10,643	-	5,179	5,464	5,464
Loan payable	29,294,000	3,010,170	10,000	32,294,170	10,000
Total Long-term liabilities	\$ 34,044,643	\$ 3,010,170	\$ 395,179	\$ 36,659,634	\$ 410,464

STEUBEN LAKES REGIONAL WASTE DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

G. Restricted Assets

The balances of restricted asset accounts in the enterprise funds are as follows:

	2008	2009
Improvements account	\$ 313,536	\$ 587,890
Bond and interest payment account	2,720,806	3,024,386
Customer hook-up deposits account	131,895	58,502
 Total restricted assets	 \$ 3,166,237	 \$ 3,670,778

III. Other Information

A. 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; job related illnesses or injuries to employees; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

B. Subsequent Events

On February 10, 2010, the District issued \$3,800,000 Steuben Lakes Regional Waste District Sewage Works Revenue Bonds of 2010. The proceeds were used to repay the principal and interest due on the \$3,505,000 Bond Anticipation Note ("BAN") Dated February 11, 2009.

C. Rate Structure

The current rate structures were approved by the District on April 10, 2008, for Class III customers, November 13, 2008, for Class I and Class II customers, and May 14, 2009, for Class IV customers. The Utility has 4,492 customers.

STEUBEN LAKES REGIONAL WASTE DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

D. Pension Plan

Agent Multiple-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

The District contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the District authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at three percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy

PERF members are required to contribute 3 percent of their annual covered salary. The District is required to contribute at an actuarially determined rate; the current rate is 8 percent of annual covered payroll. The contribution requirements of plan members and the District are established and may be amended by the PERF Board of Trustees.

Annual Pension Cost

For 2009, the District's annual pension cost of \$38,296 for PERF was equal to the District's required and actual contributions.

Actuarial Information

In 2008, the Board approved the District joining the Indiana Public Employees' Retirement Fund (PERF). On December 12, 2008, the District paid \$103,558 for 5 years cost of participation for accumulated past service. On January 1, 2009, the District began contributing to the Indiana Public Employees' Retirement Fund. As of December 31, 2009, there was not any actuarial information for the District.

STEUBEN LAKES REGIONAL WASTE DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

PERF						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)

Information not available.
 The District joined PERF as of January 1, 2009.

STEUBEN LAKES REGIONAL WASTE DISTRICT
AUDIT RESULT AND COMMENT

DEPOSITS

In numerous instances, receipts were deposited later than the next business day.

IC 5-13-6-1 requires all public funds shall be deposited not later than the business day following the receipt of funds on business days of the depository. (Accounting and Uniform Compliance Guidelines Manual for Special Districts State of Indiana, Chapter 15)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

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

TO: THE OFFICIALS OF THE STEUBEN LAKES REGIONAL
WASTE DISTRICT, STEUBEN COUNTY, INDIANA

Compliance

We have audited the compliance of the Steuben Lakes Regional Waste District (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 its major federal program for the year ended December 31, 2009. The District's major federal program is 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 its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 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 District's compliance with those requirements.

In our opinion, the District complied in all material respects with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2009.

Internal Control Over Compliance

The management of the 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 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

A control deficiency in a District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

This report is intended solely for the information and use of the District's management, Board of Trustees, and federal awarding agencies and pass-through entities 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 18, 2010

STEUBEN LAKES REGIONAL WASTE DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For The Years Ended December 31, 2008 and 2009

Federal Grantor Agency/Pass-Through Entity Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 12-31-08	Total Federal Awards Expended 12-31-09
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Direct Grant				
Water and Waste Disposal Systems for Rural Communities	10.760			
Orland Service Area			\$ -	\$ 3,010,170

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

STEUBEN LAKES REGIONAL WASTE DISTRICT
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Steuben Lakes Regional Waste District (District) and is presented in accordance with the accrual basis of accounting.

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 Districts shall be conducted biennially. Such audits shall include both years within the biennial period.

STEUBEN LAKES REGIONAL WASTE 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
Significant deficiencies 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
Significant deficiencies 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
10.760	Water and Waste Disposal Systems for Rural Communities

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.

STEUBEN LAKES REGIONAL WASTE DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters were reportable.

STEUBEN LAKES REGIONAL WASTE DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on August 18, 2010, with Timothy A. Frederick, Superintendent; and James C. Kidd, Treasurer. The official response has been made a part of this report and may be found on page 29.

Steuben Lakes Regional
Waste District
8119 W 150 N
Angola IN 46703
Tel: 260-665-9865 Fax: 260-665-9846
Website: www.slrwd.org

August 26, 2010

State Board of Accounts
302 West Washington Street, Room E418
Indianapolis IN 46204-2765

RE: OFFICIAL RESPONSE

To Whom It May Concern:

This is the Steuben Lakes Regional Waste District's (District) response to "Deposits not made on a daily basis".

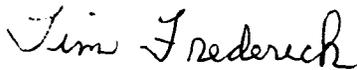
The District does credit the customers account on the day the payment is received. However, since our office is located some distance away from the financial institution and it is not cost efficient to make the small deposits daily, it was not done on a daily basis. These funds are securely stored in a locking fire rated cabinet until deposited on the second day.

The District does make regular deposits after the 15th of each month when the bulk of the payments are received by the District.

Last the District did not realize that it is considered a "Political Subdivision" since it is a non-taxing district.

Thank you, for your consideration in this matter. Should you have any additional guidance, please do not hesitate to contact me.

Sincerely,



Tim Frederick
Superintendent