

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, 2010 to December 31, 2011



FILED
09/05/2012

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OFFICIALS

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



INDEPENDENT AUDITOR'S REPORT

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, 2010, and 2011, 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 financial reporting. Accordingly, we express no such opinion. 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities for the District, as of December 31, 2010 and 2011, and the respective changes in financial position and cash flows thereof 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 July 31, 2012, 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.

Accounting principles generally accepted in the United States of America require that the Schedule of Funding Progress, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management

INDEPENDENT AUDITOR'S REPORT
(Continued)

about the methods of preparing the information and comparing the information for consistency with the management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedure do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

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.

This report is intended solely for the information and use of the District's management, Board of Trustees, others within the entity, 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

July 31, 2012



STATE OF INDIANA
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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, 2010, and 2011, and have issued our report thereon dated July 31, 2012. 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 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

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

July 31, 2012

STEUBEN LAKES REGIONAL WASTE DISTRICT
STATEMENT OF NET ASSETS
December 31, 2010 And 2011

<u>Assets</u>	<u>2010</u>	<u>2011</u>
Current assets:		
Cash and cash equivalents	\$ 1,311,362	\$ 2,421,451
Accounts receivable - customer	336,816	300,659
Accounts receivable - customer (liens)	795,482	869,856
Other accounts receivable	<u>19,127</u>	<u>3,123</u>
Total current assets	<u>2,462,787</u>	<u>3,595,089</u>
Noncurrent assets:		
Restricted cash, cash equivalents and investments:		
Improvement cash and investments	575,297	596,720
Bond and interest cash and investments	3,454,661	3,583,548
Customer hook-up deposits cash and investments	<u>53,064</u>	<u>33,461</u>
Total restricted assets:	<u>4,083,022</u>	<u>4,213,729</u>
Net pension assets	41,691	68,821
Deferred charges	343,611	327,571
Capital assets:		
Land, improvements to land and construction in progress	6,986,544	7,142,020
Other capital assets (net of accumulated depreciation)	<u>44,665,954</u>	<u>43,769,323</u>
Total capital assets	<u>51,652,498</u>	<u>50,911,343</u>
Total noncurrent assets	<u>56,120,822</u>	<u>55,521,464</u>
Total assets	<u>58,583,609</u>	<u>59,116,553</u>
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	72,331	61,849
Accrued wages and withholdings payable	15,325	16,481
Compensated absences	13,754	14,781
Deferred revenue	178,063	216,165
Current liabilities payable from restricted assets:		
Customer hook-up deposits	53,064	33,461
Contracts and retainage payable	644,357	-
Revenue bonds payable	485,000	300,000
Loans payable	53,000	54,000
Accrued interest payable	<u>581,660</u>	<u>574,462</u>
Total current liabilities	<u>2,096,554</u>	<u>1,271,199</u>
Noncurrent liabilities:		
Revenue bonds payable	7,245,000	6,740,000
Loans payable	<u>32,542,000</u>	<u>32,488,000</u>
Total noncurrent liabilities	<u>39,787,000</u>	<u>39,228,000</u>
Total liabilities	<u>41,883,554</u>	<u>40,499,199</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	10,683,141	11,329,343
Restricted for debt service	3,454,661	3,583,548
Restricted for capital outlay	575,297	596,720
Unrestricted	<u>1,986,956</u>	<u>3,107,743</u>
Total net assets	<u>\$ 16,700,055</u>	<u>\$ 18,617,354</u>

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

STEUBEN LAKES REGIONAL WASTE DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND OTHER CHANGES IN FUND NET ASSETS
As Of And For The Years Ended December 31, 2010 And 2011

	<u>2010</u>	<u>2011</u>
Operating revenues:		
Flat rate revenues	\$ 4,827,393	\$ 5,073,955
Penalties	68,394	52,721
Other	<u>150,282</u>	<u>649,338</u>
 Total operating revenues	 <u>5,046,069</u>	 <u>5,776,014</u>
Operating expenses:		
Collection system - operations and maintenance	357,058	362,676
Pumping - operations and maintenance	250,151	279,415
Treatment and disposal - operations and maintenance	263,188	246,169
Customer accounts	149,929	156,641
Administration and general	792,861	477,271
Reclaimed water treatment - operations and maintenance	66,251	74,509
Depreciation	<u>1,087,721</u>	<u>1,061,465</u>
 Total operating expenses	 <u>2,967,159</u>	 <u>2,658,146</u>
 Operating income	 <u>2,078,910</u>	 <u>3,117,868</u>
Nonoperating revenues (expenses):		
Interest and investment revenue	44,273	29,566
Gain on sale of assets	-	1,516
Interest expense	(1,770,326)	(1,576,393)
Amortization of bond issue costs	<u>(16,040)</u>	<u>(16,040)</u>
 Total nonoperating revenues (expenses)	 <u>(1,742,093)</u>	 <u>(1,561,351)</u>
 Income before contributions and transfers	 336,817	 1,556,517
Capital contributions	<u>2,413,218</u>	<u>360,782</u>
 Change in net assets	 2,750,035	 1,917,299
Total net assets - beginning	<u>13,950,020</u>	<u>16,700,055</u>
Total net assets - ending	<u>\$ 16,700,055</u>	<u>\$ 18,617,354</u>

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

STEUBEN LAKES REGIONAL WASTE DISTRICT
STATEMENT OF CASH FLOWS
As Of And For The Years Ended December 31, 2010 And 2011

	<u>2010</u>	<u>2011</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 4,851,106	\$ 5,761,818
Payments to suppliers and contractors	(1,227,542)	(894,009)
Payments to employees	(691,176)	(727,619)
	<u>2,932,388</u>	<u>4,140,190</u>
Net cash provided by operating activities		
Cash flows from capital and related financing activities:		
Proceeds from capital debt	4,054,830	-
Acquisition and construction of capital assets	(2,797,886)	(964,667)
Principal paid on capital debt	(3,951,464)	(743,000)
Interest paid on capital debt	(1,848,302)	(1,583,591)
Bond issue costs paid	(72,983)	-
Capital contributions	2,413,218	360,782
Proceeds from sales of capital assets	-	1,516
	<u>(2,202,587)</u>	<u>(2,928,960)</u>
Net cash used by capital and related financing activities		
Cash flows from investing activities:		
Interest received	44,273	29,566
	<u>44,273</u>	<u>29,566</u>
Net increase in cash and cash equivalents	774,074	1,240,796
Cash and cash equivalents, January 1	<u>4,620,310</u>	<u>5,394,384</u>
Cash and cash equivalents, December 31	<u>\$ 5,394,384</u>	<u>\$ 6,635,180</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	<u>\$ 2,078,910</u>	<u>\$ 3,117,868</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	1,087,721	1,061,465
(Increase) decrease in assets:		
Net pension assets	(41,691)	(27,130)
Accounts receivable	(365,165)	(38,217)
Other accounts receivable	121,866	16,004
Increase (decrease) in liabilities:		
Accounts payable	7,800	(10,482)
Accrued wages and withholdings payable	4,050	1,156
Deferred revenue	45,974	38,102
Compensated absence payable	(1,639)	1,027
Customer hook-up deposits	(5,438)	(19,603)
	<u>853,478</u>	<u>1,022,322</u>
Total adjustments		
Net cash provided by operating activities	<u>\$ 2,932,388</u>	<u>\$ 4,140,190</u>
Noncash investing, capital and financing activities:		
Bond issue costs paid from bond proceeds	\$ 57,000	\$ -
Acquisition of capital assets through accounts and contracts/retainage payable	644,357	642,028
Disposal of capital assets	-	24,437

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 Other 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 receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating receipts of the enterprise funds are charges to customers for sales and services. Operating disbursements 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 because their use is limited by applicable bond indentures or governing body action.

The financial statements report as of December 31, 2010 and 2011, \$4,029,958 and \$4,180,268 of restricted net assets, of which \$4,029,958 and \$4,180,268 are 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:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
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. Unused sick leave may be accumulated to a maximum of 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, 2011, the District had deposit balances in the amount of \$6,634,980. 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.

B. Capital Assets

Capital asset activity for the year ended December 31, 2010 and 2011, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
2010:				
Capital assets, not being depreciated:				
Land	\$ 609,688	\$ -	\$ -	\$ 609,688
Construction in progress	<u>3,772,300</u>	<u>2,604,556</u>	-	<u>6,376,856</u>
Total capital assets, not being depreciated	<u>4,381,988</u>	<u>2,604,556</u>	-	<u>6,986,544</u>
Capital assets, being depreciated:				
Buildings	2,137,782	-	-	2,137,782
Improvements other than buildings	47,416,542	138,575	-	47,555,117
Machinery and equipment	2,206,651	19,061	-	2,225,712
Transportation equipment	<u>264,873</u>	<u>38,023</u>	-	<u>302,896</u>
Totals	<u>52,025,848</u>	<u>195,659</u>	-	<u>52,221,507</u>

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
2010:				
Less accumulated depreciation for:				
Buildings	194,688	42,757	-	237,445
Improvements other than buildings	4,036,925	948,326	-	4,985,251
Machinery and equipment	2,078,723	72,991	-	2,151,714
Distribution and collection systems	157,496	23,647	-	181,143
	<u>6,467,832</u>	<u>1,087,721</u>	<u>-</u>	<u>7,555,553</u>
Totals				
Total capital assets, being depreciated, net	<u>45,558,016</u>	<u>(892,062)</u>	<u>-</u>	<u>44,665,954</u>
Total capital assets, net	<u>\$49,940,004</u>	<u>\$ 1,712,494</u>	<u>\$ -</u>	<u>\$51,652,498</u>
2011:				
Capital assets, not being depreciated:				
Land	\$ 609,688	\$ -	\$ -	\$ 609,688
Construction in progress	6,376,856	155,476	-	6,532,332
	<u>6,986,544</u>	<u>155,476</u>	<u>-</u>	<u>7,142,020</u>
Total capital assets, not being depreciated				
Capital assets, being depreciated:				
Buildings	2,137,782	3,400	-	2,141,182
Improvements other than buildings	47,555,117	75,590	-	47,630,707
Machinery and equipment	2,225,712	34,460	-	2,260,172
Transportation equipment	302,896	51,384	24,437	329,843
	<u>52,221,507</u>	<u>164,834</u>	<u>24,437</u>	<u>52,361,904</u>
Totals				
Total capital assets, being depreciated, net	<u>44,665,954</u>	<u>(896,631)</u>	<u>-</u>	<u>43,769,323</u>
Total capital assets, net	<u>\$51,652,498</u>	<u>\$ (741,155)</u>	<u>\$ -</u>	<u>\$50,911,343</u>

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

	<u>2010</u>	<u>2011</u>
Wastewater	<u>\$ 1,087,721</u>	<u>\$ 1,061,465</u>

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

C. Construction Commitments

Construction work in progress is composed of the following:

Project	2010		2011	
	Expended to December 31,	Committed	Expended to December 31,	Committed
Orland, Wall and Brown Lake Sewer Expansion	\$ 6,376,858	\$ -	\$ 6,532,332	\$ -

D. 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 December 31, 2011, at are as follows:

Purpose	Interest Rates	Amount
Sewage Works Revenue Bonds of 2003	4.25% to 5.25%	\$ 3,345,000
Sewage Works Revenue Bonds of 2010	2.00% to 5.375%	<u>3,695,000</u>
Total		<u>\$ 7,040,000</u>

Revenue bonds debt service requirements to maturity are as follows:

Year Ended December 31	Principal	Interest
2012	\$ 300,000	\$ 263,637
2013	525,000	336,851
2014	485,000	313,203
2015	515,000	289,344
2016	540,000	263,263
2017-2021	3,160,000	860,763
2022-2026	<u>1,515,000</u>	<u>101,818</u>
Totals	<u>\$ 7,040,000</u>	<u>\$ 2,428,879</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
2012	\$ 54,000	\$ 1,357,959
2013	56,000	1,355,976
2014	545,000	1,348,803
2015	567,000	1,325,787
2016	591,000	1,301,805
2017-2021	3,353,000	6,112,224
2022-2026	4,121,000	5,340,421
2027-2031	5,070,000	4,391,128
2032-2036	6,239,000	3,222,392
2037-2041	7,678,000	1,783,833
2042-2046	3,964,000	296,354
2047-2051	304,000	13,422
 Totals	 \$ 32,542,000	 \$ 27,850,104

3. Changes in Long-Term Liabilities

Long-term liability activity for the years ended December 31, 2010 and 2011, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>2010</u>					
Revenue bonds payable	\$ 4,360,000	\$ 3,800,000	\$ 430,000	\$ 7,730,000	\$ 485,000
Capital leases payable	5,464	-	5,464	-	-
Loans payable	32,294,170	311,830	11,000	32,595,000	53,000
Total Long-term liabilities	\$ 36,659,634	\$ 4,111,830	\$ 446,464	\$ 40,325,000	\$ 538,000
<u>2011</u>					
Revenue bonds payable	\$ 7,730,000	-	\$ 690,000	\$ 7,040,000	\$ 300,000
Loans payable	32,595,000	-	53,000	32,542,000	54,000
Total Long-term liabilities	\$ 40,325,000	\$ -	\$ 743,000	\$ 39,582,000	\$ 354,000

E. Restricted Assets

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

	2010	2011
Improvement account	\$ 575,297	\$ 596,720
Bond and interest payment account	3,454,661	3,583,548
Customer hook-up deposits account	53,064	33,461
Total restricted assets	\$ 4,083,022	\$ 4,213,729

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

F. Revenue Pledged

The District has pledged future operating revenues, net of specified operating expenditures, to repay the State Revolving Fund loans and Revenue Bonds. Proceeds from the loans and Revenue Bonds provided financing for District improvements. The loans and revenue bonds are payable solely from net operating revenues and is payable through 2051. Annual principal and interest payments are expected to require between 40 percent and 45 percent of net revenue.

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. 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 District has 4.492 customers.

C. 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 Indiana Public Retirement System (INPRS) 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 3 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.

INPRS 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:

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

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

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 8.00 percent of annual covered payroll. The contribution requirements of plan members and the District are established and may be amended by the Board of Trustees of INPRS.

Annual Pension Cost

For 2010 and 2011, the District's annual pension cost of \$40,468 and \$49,592, respectively, for PERF was equal to the District's required and actual contributions.

Actuarial Information for the Above Plan

		PERF
Annual required contribution	\$	20,851
Interest of 7% on 06-30-10 net pension obligation		(2,918)
Adjustment to annual required contribution		3,360
Annual pension cost		21,293
2010-2011 Contributions made		48,423
Decrease in net pension obligation		(27,130)
Net pension obligation, beginning of year, 06-30-10		(41,691)
Net pension obligation, end of year	\$	(68,821)
Contribution rates:		
District		8%
Plan members		3%
Actuarial valuation date		07-01-11
Actuarial cost method		Entry age normal cost
Amortization method		Level dollar, closed amortization period
Amortization period		30 years
Amortization period (from date)		07-01-11
Asset valuation method		4 year smoothing of gains/losses on market value with 20% corridor

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

Actuarial Assumptions	PERF
Investment rate of return	7.00%
Projected future salary increases:	
Total	3.25% to 4.5%
Cost-of-living adjustments	1.00%

Three Year Trend Information					
	Year Ending	Annual Pension Cost (APC)	Employer Contribution	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-09	N/A	N/A	N/A	N/A
	06-30-10	\$ 7,730	\$ 49,421	639%	\$ (41,691)
	06-30-11	21,293	48,423	227%	(68,821)

N/A - Information not available.

Funded Status and Funding Progress for the Above Plan

The funded status of each plan as of July 1, 2011, the most recent actuarial valuation date is as follows:

	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Excess of Assets Over AAL (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Excess AAL as a Percentage of Covered Payroll ((b-a)/c)
Retirement Plan						
PERF	\$ 258,445	\$ 84,027	\$ 174,418	308%	\$ 349,801	58%

The Schedule of Funding Progress, presented as RSI for the above plan following the Notes to the Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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)
06-30-09	\$ 258,445	\$ 84,027	\$ 174,418	100%	\$ 349,801	50%
06-30-10	301,468	179,663	121,805	100%	448,692	27%
06-30-11	295,167	257,698	37,469	100%	637,549	6%

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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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND 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 could have a direct and material effect on its major federal program for the years ended December 31, 2010 and 2011. 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the years ended December 31, 2010 and 2011.

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance 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 compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the District's management, Board of Trustees, others within the entity, 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

July 31, 2012

STEUBEN LAKES REGIONAL WASTE DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For The Years Ended December 31, 2010 and 2011

Federal Grantor Agency/Pass-Through Entity Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 12-31-10	Total Federal Awards Expended 12-31-11
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Direct Grant				
Water and Waste Disposal Systems for Rural Communities	10.760			
Orland Service Area			\$ 2,725,048	\$ 360,781

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 and is presented in conformity with accounting principles generally accepted in the United States of America which is the basis of accounting used in the presentation of the financial statements. 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.

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?	none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Significant deficiencies identified?	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 OMB 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 July 31, 2012, with Timothy A. Frederick, Superintendent; James C. Kidd, Treasurer; and Bill J. Heckley, President of the Board of Trustees. Our audit disclosed no material items that warrant comment at this time.