

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

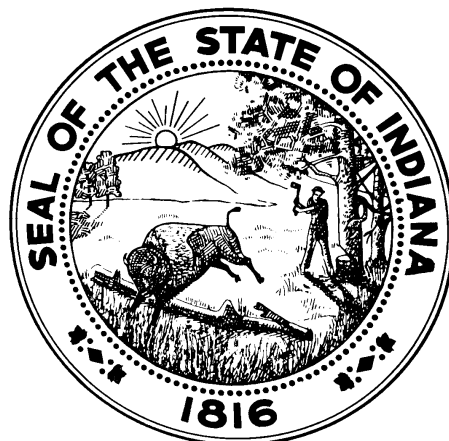
AUDIT REPORT

OF

CLAY TOWNSHIP REGIONAL WASTE DISTRICT

HAMILTON COUNTY, INDIANA

January 1, 2007 to December 31, 2008



FILED
12/30/2009

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Andrew Williams	01-01-07 to 12-31-09
Treasurer	Michael Claytor Michael McDonald	01-01-07 to 04-12-09 04-13-09 to 12-31-09
President of the Board	Ronald Houck	01-01-07 to 12-31-09



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE CLAY TOWNSHIP REGIONAL
WASTE DISTRICT, HAMILTON COUNTY, INDIANA

We have examined the accompanying financial statements of the business-type activities of the Clay Township Regional Waste District (District), as of and for the years ended December 31, 2007 and 2008. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial statement presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination 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, 2007 and 2008, 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.

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

The Schedule of Funding Progress, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the basic financial information. It has not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

November 18, 2009

CLAY TOWNSHIP REGIONAL WASTE DISTRICT
STATEMENT OF NET ASSETS
December 31, 2007 And 2008

<u>Assets</u>	<u>2007</u>	<u>2008</u>
Current assets:		
Cash and cash equivalents	\$ 585,517	\$ 614,867
Investments	12,500,000	13,700,000
Interest receivable	193,672	153,727
Accounts receivable	375,868	358,271
Invoiced receivable	419,243	188,548
Liens receivable	85,755	98,138
Notes receivable	331,297	502,415
Inventories	18,096	46,280
Prepaid items	8,199	21,786
	<u>14,517,647</u>	<u>15,684,032</u>
Total current assets		
Capital assets:		
Land, improvements to land and construction in progress	2,466,532	1,212,838
Other capital assets (net of accumulated depreciation)	89,137,093	91,804,419
	<u>91,603,625</u>	<u>93,017,257</u>
Total capital assets		
Total assets	<u>106,121,272</u>	<u>108,701,289</u>
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	621,533	272,432
Invoiced payable	126,032	146,011
Accrued payroll and withholdings payable	10,908	31,106
Compensated absences	60,743	64,516
	<u>819,216</u>	<u>514,065</u>
Total current liabilities		
Noncurrent liabilities:		
Deferred credits	140,600	218,929
	<u>140,600</u>	<u>218,929</u>
Total liabilities	<u>959,816</u>	<u>732,994</u>
<u>Net Assets</u>		
Restricted for debt service	91,603,625	93,017,257
Unrestricted	13,557,831	14,951,038
	<u>105,161,456</u>	<u>107,968,295</u>
Total net assets	<u>\$ 105,161,456</u>	<u>\$ 107,968,295</u>

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

CLAY TOWNSHIP REGIONAL WASTE DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND OTHER CHANGES IN FUND NET ASSETS
As Of And For The Years Ended December 31, 2007 And 2008

	<u>2007</u>	<u>2008</u>
Operating revenues:		
Residential Sales	\$ 2,754,765	\$ 2,845,182
Commercial Sales	1,456,977	1,371,277
Other	<u>153,549</u>	<u>124,248</u>
Total operating revenues	<u>4,365,291</u>	<u>4,340,707</u>
Operating expenses:		
Wastewater - operations and maintenance:		
Salaries and wages	1,003,578	1,077,258
Purchased power	202,391	270,607
Repairs and maintenance	295,333	360,023
Materials and supplies	45,379	102,874
Contractual services	101,320	107,306
Transportation expenses	21,868	23,080
Treatment and disposal:		
Purchased wastewater treatment	1,025,919	744,235
Customer accounts:		
Contractual services	180,386	190,160
Administration and general:		
Office expense	19,200	37,533
Other	138,447	149,621
Insurance expense	85,178	82,001
Employee pensions and benefits	442,978	449,085
Contractual services	115,417	185,529
Depreciation	1,242,062	2,741,321
Miscellaneous expenses	<u>6,766</u>	<u>8,655</u>
Total operating expenses	<u>4,926,222</u>	<u>6,529,288</u>
Operating income (loss)	<u>(560,931)</u>	<u>(2,188,581)</u>
Nonoperating revenues (expenses):		
Interest and investment revenue	673,064	579,556
Miscellaneous revenue	38,610	18,761
Gain on sale of assets	<u>7,000</u>	<u>24,000</u>
Total nonoperating revenues (expenses)	<u>718,674</u>	<u>622,317</u>
Income (loss) before contributions and transfers	157,743	(1,566,264)
Capital contributions	<u>4,879,781</u>	<u>4,373,103</u>
Change in net assets	5,037,524	2,806,839
Total net assets - beginning	<u>100,123,932</u>	<u>105,161,456</u>
Total net assets - ending	<u>\$ 105,161,456</u>	<u>\$ 107,968,295</u>

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

CLAY TOWNSHIP REGIONAL WASTE DISTRICT
STATEMENT OF CASH FLOWS
As Of And For The Years Ended December 31, 2007 And 2008

	<u>2007</u>	<u>2008</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 4,630,095	\$ 4,483,829
Payments to suppliers and contractors	(1,921,127)	(2,655,914)
Payments to employees	(1,431,647)	(1,478,976)
Other receipts	45,610	42,761
	<u>1,322,931</u>	<u>391,700</u>
Net cash provided by operating activities		
Cash flows from capital and related financing activities:		
Capital contributions	2,529,580	2,434,403
Acquisition and construction of capital assets	(2,417,063)	(2,216,253)
	<u>112,517</u>	<u>218,150</u>
Net cash provided by capital and related financing activities		
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	(27,011,300)	(27,101,400)
Purchase of investments	24,811,300	25,901,400
Interest received	639,147	619,500
	<u>(1,560,853)</u>	<u>(580,500)</u>
Net cash used by investing activities		
Net increase in cash and cash equivalents	(125,405)	29,350
Cash and cash equivalents, January 1	<u>710,922</u>	<u>585,517</u>
Cash and cash equivalents, December 31	<u>\$ 585,517</u>	<u>\$ 614,867</u>
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income	\$ (560,931)	\$ (2,188,581)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	1,242,062	2,741,321
Nonoperating Income	45,610	42,761
(Increase) decrease in assets:		
Accounts receivable	(17,594)	17,599
Invoiced receivable	473,482	230,695
Notes receivable	(174,875)	(171,117)
Liens receivable	(959)	(12,383)
Inventories	6,250	(28,184)
Increase (decrease) in liabilities:		
Accounts payable	314,717	(349,100)
Invoiced payable	7,636	19,979
Wages payable	(28,266)	20,198
Prepays	20,450	(13,590)
Compensated absence payable	10,599	3,773
Deferred credits	(15,250)	78,329
	<u>1,883,862</u>	<u>2,580,281</u>
Total adjustments		
Net cash provided by operating activities	<u>\$ 1,322,931</u>	<u>\$ 391,700</u>
Noncash investing, capital and financing activities:		
Contributions of capital assets from developers	<u>\$ 2,350,000</u>	<u>\$ 1,938,700</u>

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

CLAY TOWNSHIP REGIONAL WASTE DISTRICT
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The District (primary government) was established under the laws of the State of Indiana. The District operates under an appointed form of government and provides the following services: wastewater treatment and general administrative services.

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.

Proprietary funds distinguish operating revenues from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary 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, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.

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.

Nonparticipating certificates of deposit, demand deposits, and similar nonparticipating negotiable instruments that are not reported as cash and cash equivalents are reported as investments at cost.

Debt securities are reported at fair value. Debt securities are defined as securities backed by the full faith and credit of the United States Treasury or fully insured or guaranteed by the United States or any United States government agency.

CLAY TOWNSHIP REGIONAL WASTE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

Open-end mutual funds are reported at fair value.

Money market investments that mature within one year or less at the date of their acquisition are reported at amortized cost. Other money market investments are reported at fair value.

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

2. Inventories and Prepaid Items

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

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>
Land	\$ 1	N/A	N/A
Buildings	2,000	Straight-line	50 Years
Lift stations	2,000	Straight-line	50 Years
Wastewater distribution and collection systems	2,000	Straight-line	50 Years
Furniture and fixtures	2,000	Straight-line	7 Years
Transportation and portable equipment	2,000	Straight-line	7 Years

N/A = Not applicable

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. There was no interest incurred by the District during the examination period.

CLAY TOWNSHIP REGIONAL WASTE DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

4. Compensated Absences

Personal Leave – District employees earn personal leave at the rate of 24 days to 29 days per year based upon the number of years of service. Unused personal leave may be accumulated to a maximum of 30 days. Accumulated personal leave is paid to employees through cash payments upon voluntary termination.

II. Detailed Notes on All Funds

A. Deposits and Investments

Deposits, made in accordance with IC 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

B. Capital Assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 524,590	\$ -	\$ -	\$ 524,590
Construction in progress	<u>1,941,942</u>	<u>1,165,011</u>	<u>2,418,705</u>	<u>688,248</u>
 Total capital assets, not being depreciated	 <u>2,466,532</u>	 <u>1,165,011</u>	 <u>2,418,705</u>	 <u>1,212,838</u>
 Capital assets, being depreciated:				
Buildings	15,430,999	1,805,217	67,887	17,168,329
Lift Stations	6,777,031	76,170	-	6,853,201
Distribution and collection systems	76,660,934	3,430,503	-	80,091,437
Furnitures and Fixtures	298,098	49,487	-	347,585
Transportation Equipment	<u>679,507</u>	<u>47,270</u>	<u>-</u>	<u>726,777</u>
 Totals	 <u>99,846,569</u>	 <u>5,408,647</u>	 <u>67,887</u>	 <u>105,187,329</u>

CLAY TOWNSHIP REGIONAL WASTE DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated (continued):				
Less accumulated depreciation for:				
Buildings	2,113,408	401,404	-	2,514,812
Lift Stations	1,052,065	497,379	-	1,549,444
Distribution and collection system:	6,945,155	1,711,551	-	8,656,706
Furnitures and Fixtures	111,268	61,835	-	173,103
Transportation Equipment	487,580	69,152	67,887	488,845
 Totals	 <u>10,709,476</u>	 <u>2,741,321</u>	 <u>67,887</u>	 <u>13,382,910</u>
 Total capital assets, being depreciated, net	 <u>89,137,093</u>	 <u>2,667,326</u>	 <u>-</u>	 <u>91,804,419</u>
 Total capital assets, net	 <u>\$ 91,603,625</u>	 <u>\$ 3,832,337</u>	 <u>\$ 2,418,705</u>	 <u>\$ 93,017,257</u>

Capital asset activity for the year ended December 31, 2007, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 524,590	\$ -	\$ -	\$ 524,590
Construction in progress	971,268	2,100,640	1,129,966	1,941,942
 Total capital assets, not being depreciated	 <u>1,495,858</u>	 <u>2,100,640</u>	 <u>1,129,966</u>	 <u>2,466,532</u>
 Capital assets, being depreciated:				
Buildings	15,345,833	85,166	-	15,430,999
Lift Stations	6,623,573	153,458	-	6,777,031
Distribution and collection systems	73,228,788	3,432,146	-	76,660,934
Furnitures and Fixtures	254,145	43,953	-	298,098
Transportation Equipment	654,424	81,865	56,782	679,507
 Totals	 <u>96,106,763</u>	 <u>3,796,588</u>	 <u>56,782</u>	 <u>99,846,569</u>

CLAY TOWNSHIP REGIONAL WASTE DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated (continued):				
Less accumulated depreciation for:				
Buildings	1,806,357	307,051	-	2,113,408
Lift Stations	925,102	126,963	-	1,052,065
Distribution and collection systems	6,214,739	730,416	-	6,945,155
Furnitures and Fixtures	79,994	31,274	-	111,268
Transportation Equipment	498,004	46,358	56,782	487,580
Totals	<u>9,524,196</u>	<u>1,242,062</u>	<u>56,782</u>	<u>10,709,476</u>
 Total capital assets, being depreciated, net	<u>86,582,567</u>	<u>2,554,526</u>	-	<u>89,137,093</u>
 Total capital assets, net	<u>\$ 88,078,425</u>	<u>\$ 4,655,166</u>	<u>\$ 1,129,966</u>	<u>\$ 91,603,625</u>

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

	2007	2008
Wastewater	<u>\$ 1,242,062</u>	<u>\$ 2,741,321</u>

C. Construction Commitments

Construction work in progress is composed of the following:

Project	Total Project Authorized	Expended to December 31, 2008	Committed	Required Future Funding
Plant Preliminary Design	\$ 78,290	\$ 74,597	\$ 3,693	\$ -
116th Street and Shelbourne	145,400	39,316	106,084	-
Shelbourne to 116th St. Interceptor	18,000	17,943	57	-
121st & Shelbourne Force	408,600	407,743	857	-
Little Eagle Creek	45,000	44,161	839	-
Hussey Lane	15,000	11,597	3,403	-
Holaday Lane	300,800	92,891	207,909	-
Totals	<u>\$ 1,011,090</u>	<u>\$ 688,248</u>	<u>\$ 322,842</u>	<u>\$ -</u>

CLAY TOWNSHIP REGIONAL WASTE DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); 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; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); 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

Wastewater Utility

The current rate structure was approved by the District on October 13, 2008. The Utility has 12,087 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 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

CLAY TOWNSHIP REGIONAL WASTE DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The District's annual pension cost and related information, as provided by the actuary, is presented in this note.

Actuarial Information for the Above Plan

Prior to January 1, 2008, District employees were considered employees of Clay Township, Hamilton County, for PERF reporting purposes. Effective January 1, 2008, the District elected to participate in PERF under a separate account. Actuarial information for the District employees for the year 2008 is not yet available.

CLAY TOWNSHIP REGIONAL WASTE DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-08	\$ 21,000	\$ 17,807	\$ 3,193	118%	\$ 135,864	2%
07-01-07	*	*	*	*	*	*
07-01-06	*	*	*	*	*	*

*Information not available

CLAY TOWNSHIP REGIONAL WASTE DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on December 3, 2009, with Ronald Houck, President of the Board; Michael McDonald, Treasurer; Andrew Williams, Director; Ron Hansen, Controller; and Candy Feltner, Director of Administration and Customer Service. Our audit disclosed no material items that warrant comment at this time.