

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

FINANCIAL STATEMENTS AND
FEDERAL SINGLE AUDIT REPORT
OF

DELAWARE COUNTY REGIONAL
WASTEWATER DISTRICT
DELAWARE COUNTY, INDIANA

January 1, 2010 to December 31, 2011



FILED
09/12/2012

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SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|------------------------|-----------------|----------------------|
| Director | Max Abrell | 01-01-10 to 12-31-12 |
| Treasurer | Thomas McCarthy | 01-01-10 to 12-31-12 |
| President of the Board | Thomas Douthitt | 01-01-10 to 12-31-12 |



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE DELAWARE COUNTY REGIONAL
WASTEWATER DISTRICT, DELAWARE COUNTY, INDIANA

We have audited the accompanying financial statements of the Delaware County Regional Wastewater District (District), for the years ended December 31, 2010 and 2011. 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 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. 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 opinion.

As discussed in Note 1, the District prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the District for the years ended December 31, 2010 and 2011, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated August 22, 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.

Our audit was conducted for the purpose of forming an opinion on the District's 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 financial statements.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other reports 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 taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the District's financial statements. The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Receivables, Schedule of Debt, and Schedule of Capital Assets, as listed in the Table of Contents are presented for additional analysis and are not required parts of the financial statements. They have not been subjected to the auditing procedures applied by us in the audit of the financial statements and, accordingly, we express no opinion on them.

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

August 22, 2012



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE DELAWARE COUNTY REGIONAL
WASTEWATER DISTRICT, DELAWARE COUNTY, INDIANA

We have audited the financial statements of the Delaware County Regional Wastewater District (District), for the years ended December 31, 2010 and 2011, and have issued our report thereon dated August 22, 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

Management of the District is responsible for establishing and maintaining effective 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 opinion 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 combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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 THE 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 grant 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, District Board, 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

August 22, 2012

FINANCIAL STATEMENTS

The financial statements and accompanying notes were approved by management of the District. The financial statements and notes are presented as intended by the District.

DELAWARE COUNTY REGIONAL WASTEWATER DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2010

| Fund | Cash and Investments 01-01-10 | Receipts | Disbursements | Cash and Investments 12-31-10 |
|---|-------------------------------------|---------------------|---------------------|-------------------------------------|
| Wastewater Utility - Operating | \$ 133,761 | \$ 3,313,490 | \$ 3,337,980 | \$ 109,271 |
| Wastewater Utility - Bond and Interest | 26,817 | 10,183 | 37,000 | - |
| Wastewater Utility - Depreciation | 3 | - | 3 | - |
| Wastewater Utility - Improvement | 1,405 | - | 1,405 | - |
| Wastewater Utility - Debt Service Reserve | 124,024 | 69 | 60,772 | 63,321 |
| Wastewater Utility - Construction (BONY) | - | 1,123,043 | 1,123,043 | - |
| Wastewater Utility - DSR (BONY) | 541,689 | 400,728 | - | 942,417 |
| Wastewater Utility - B&I (BONY) | 943,457 | 700,902 | 943,457 | 700,902 |
| Totals | <u>\$ 1,771,156</u> | <u>\$ 5,548,415</u> | <u>\$ 5,503,660</u> | <u>\$ 1,815,911</u> |

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

DELAWARE COUNTY REGIONAL WASTEWATER DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2011

| Fund | Cash and Investments 01-01-11 | Receipts | Disbursements | Cash and Investments 12-31-11 |
|---|-------------------------------------|---------------------|---------------------|-------------------------------------|
| Wastewater Utility - Operating | \$ 109,271 | \$ 3,398,723 | \$ 3,363,746 | \$ 144,248 |
| Wastewater Utility - Improvement | - | 1,200,080 | 147,293 | 1,052,787 |
| Wastewater Utility - Construction (BONY) | - | 54,428 | 54,428 | - |
| Wastewater Utility - B&I (BONY) | 700,902 | 1,058,087 | 1,758,721 | 268 |
| Wastewater Utility - Debt Service Reserve | 63,321 | 62 | - | 63,383 |
| Wastewater Utility - DSR (BONY) | 942,417 | 5,734 | 2,417 | 945,734 |
| Totals | <u>\$ 1,815,911</u> | <u>\$ 5,717,114</u> | <u>\$ 5,326,605</u> | <u>\$ 2,206,420</u> |

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

DELAWARE COUNTY REGIONAL WASTEWATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

The accompanying financial statements present the financial information for the District.

B. Basis of Accounting

The financial statements are reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

C. Cash and Investments

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

D. Receipts

Receipts are presented in the aggregate on the face of the financial statements. The aggregate receipts may include the following sources:

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, and county economic development income tax grant receipts received from the county.

Charges for services which can include, but are not limited to the following: utility fees, tap fees, and other fees.

Utility fees which are comprised mostly of charges for current services.

Penalties which include fees received for late payments.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

DELAWARE COUNTY REGIONAL WASTEWATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statements. The aggregate disbursements may include the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service principal and interest which include fixed obligations resulting from financial transactions previously entered into by the District. It includes all expenditures for the reduction of the principal and interest of the District's general obligation indebtedness.

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Utility operating expenses which include all outflows for operating the utilities.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

F. Interfund Transfers

The District may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the District. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the District. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the District in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

DELAWARE COUNTY REGIONAL WASTEWATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 2. Deposits and Investments

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be 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.

State statutes authorize 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.

Note 3. Risk Management

The District may be 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; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the District to set aside money for claim settlements. The self-insurance fund would be included in the financial statements. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

Note 4. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is 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 this 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 members' 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. That report may be obtained by contacting:

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

DELAWARE COUNTY REGIONAL WASTEWATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS.

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

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

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SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the District's 2010 Annual Report can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

For additional financial information, the District's 2011 Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statements contained in this report and the financial information presented in the Annual Reports of the District which are referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The supplementary information presented was approved by management of the District. It is presented as intended by the District.

DELAWARE COUNTY REGIONAL WASTEWATER DISTRICT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010

| | Wastewater Utility - Operating | Wastewater Utility - Bond And Interest | Wastewater Utility - Depreciation | Wastewater Utility - Improvement | Wastewater Utility - Debt Service Reserve |
|---|--------------------------------------|---|---|--|--|
| Cash and investments - beginning | \$ 133,761 | \$ 26,817 | \$ 3 | \$ 1,405 | \$ 124,024 |
| Receipts: | | | | | |
| Intergovernmental | - | - | - | - | - |
| Utility fees | 2,705,855 | - | - | - | - |
| Other receipts | 607,635 | 10,183 | - | - | 69 |
| Total receipts | <u>3,313,490</u> | <u>10,183</u> | <u>-</u> | <u>-</u> | <u>69</u> |
| Disbursements: | | | | | |
| Debt service - principal and interest | 59,550 | - | - | - | - |
| Capital outlay | - | - | - | - | - |
| Utility operating expenses | 2,088,243 | - | - | - | - |
| Other disbursements | 1,190,187 | 37,000 | 3 | 1,405 | 60,772 |
| Total disbursements | <u>3,337,980</u> | <u>37,000</u> | <u>3</u> | <u>1,405</u> | <u>60,772</u> |
| Excess (deficiency) of receipts over disbursements | <u>(24,490)</u> | <u>(26,817)</u> | <u>(3)</u> | <u>(1,405)</u> | <u>(60,703)</u> |
| Cash and investments - ending | <u>\$ 109,271</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 63,321</u> |

DELAWARE COUNTY REGIONAL WASTEWATER DISTRICT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

| | Wastewater Utility - Construction (BONY) | Wastewater Utility - DSR (BONY) | Wastewater Utility - B&I (BONY) | Totals |
|--|---|--|--|---------------------|
| Cash and investments - beginning | \$ - | \$ 541,689 | \$ 943,457 | \$ 1,771,156 |
| Receipts: | | | | |
| Intergovernmental | 1,123,043 | - | - | 1,123,043 |
| Utility fees | - | - | - | 2,705,855 |
| Other receipts | - | 400,728 | 700,902 | 1,719,517 |
| Total receipts | <u>1,123,043</u> | <u>400,728</u> | <u>700,902</u> | <u>5,548,415</u> |
| Disbursements: | | | | |
| Debt service - principal and interest | - | - | 543,457 | 603,007 |
| Capital outlay | 1,123,043 | - | - | 1,123,043 |
| Utility operating expenses | - | - | - | 2,088,243 |
| Other disbursements | - | - | 400,000 | 1,689,367 |
| Total disbursements | <u>1,123,043</u> | <u>-</u> | <u>943,457</u> | <u>5,503,660</u> |
| Excess (deficiency) of receipts over disbursements | <u>-</u> | <u>400,728</u> | <u>(242,555)</u> | <u>44,755</u> |
| Cash and investments - ending | <u>\$ -</u> | <u>\$ 942,417</u> | <u>\$ 700,902</u> | <u>\$ 1,815,911</u> |

DELAWARE COUNTY REGIONAL WASTEWATER DISTRICT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011

| | Wastewater Utility - Operating | Wastewater Utility - Improvement | Wastewater Utility - Construction (BONY) | Wastewater Utility B&I (BONY) | Wastewater Utility - Debt Service Reserve | Wastewater Utility - DSR (BONY) | Totals |
|---|--------------------------------------|--|---|--|--|--|---------------------|
| Cash and investments - beginning | \$ 109,271 | \$ - | \$ - | \$ 700,902 | \$ 63,321 | \$ 942,417 | \$ 1,815,911 |
| Receipts: | | | | | | | |
| Intergovernmental | 75,000 | 1,200,000 | 54,428 | - | - | - | 1,329,428 |
| Utility fees | 3,080,341 | - | - | - | - | - | 3,080,341 |
| Other receipts | <u>243,382</u> | <u>80</u> | <u>-</u> | <u>1,058,087</u> | <u>62</u> | <u>5,734</u> | <u>1,307,345</u> |
| Total receipts | <u>3,398,723</u> | <u>1,200,080</u> | <u>54,428</u> | <u>1,058,087</u> | <u>62</u> | <u>5,734</u> | <u>5,717,114</u> |
| Disbursements: | | | | | | | |
| Debt service - principal and interest | 122,150 | - | - | 1,758,721 | - | - | 1,880,871 |
| Capital outlay | 22,140 | - | 54,428 | - | - | - | 76,568 |
| Utility operating expenses | 2,161,369 | - | - | - | - | - | 2,161,369 |
| Other disbursements | <u>1,058,087</u> | <u>147,293</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,417</u> | <u>1,207,797</u> |
| Total disbursements | <u>3,363,746</u> | <u>147,293</u> | <u>54,428</u> | <u>1,758,721</u> | <u>-</u> | <u>2,417</u> | <u>5,326,605</u> |
| Excess (deficiency) of receipts over disbursements | <u>34,977</u> | <u>1,052,787</u> | <u>-</u> | <u>(700,634)</u> | <u>62</u> | <u>3,317</u> | <u>390,509</u> |
| Cash and investments - ending | <u>\$ 144,248</u> | <u>\$ 1,052,787</u> | <u>\$ -</u> | <u>\$ 268</u> | <u>\$ 63,383</u> | <u>\$ 945,734</u> | <u>\$ 2,206,420</u> |

DELAWARE COUNTY REGIONAL WASTEWATER DISTRICT
SCHEDULE OF RECEIVABLES
December 31, 2011

| <u>Government or Enterprise</u> | <u>Accounts Receivable</u> |
|---------------------------------|--------------------------------|
| Wastewater | <u>\$ 705,848</u> |

DELAWARE COUNTY REGIONAL WASTEWATER DISTRICT
SCHEDULE OF DEBT
December 31, 2011

| Type | Description of Debt Purpose | Ending Principal Balance | Principal and Interest Due Within One Year |
|------------------|--|--------------------------------|---|
| Wastewater: | | | |
| Revenue bonds | Sewage Works Revenue Bonds of 1979 | \$ 405,000 | \$ 62,250 |
| Revenue bonds | Junior Sewage Works Restructured Revenue Bonds of 2009 | <u>9,764,145</u> | <u>880,962</u> |
| Total Wastewater | | <u>\$ 10,169,145</u> | <u>\$ 943,212</u> |

DELAWARE COUNTY REGIONAL WASTEWATER DISTRICT
 SCHEDULE OF CAPITAL ASSETS
 December 31, 2011

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.

| | <u>Ending Balance</u> |
|-----------------------------------|----------------------------|
| Wastewater: | |
| Infrastructure | \$ 4,582,117 |
| Buildings | 15,000 |
| Improvements other than buildings | 3,209,821 |
| Machinery, equipment and vehicles | <u>372,200</u> |
| Total Wastewater | <u>8,179,138</u> |
| Total capital assets | <u><u>\$ 8,179,138</u></u> |

DELAWARE COUNTY REGIONAL WASTEWATER DISTRICT
OTHER REPORTS

The report presented herein was prepared in addition to another official report prepared for the individual office listed below:

Delaware County Regional Wastewater District Clerk

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 ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE DELAWARE COUNTY REGIONAL
WASTEWATER DISTRICT, DELAWARE COUNTY, INDIANA

Compliance

We have audited Delaware County Regional Wastewater District's (District) compliance 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 requirements referred to above that could have a direct and material effect on its major federal program for the years ended December 31, 2010 and 2011.

Internal Control Over Compliance

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 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 ON
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 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, District Board, 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

August 22, 2012

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Schedule of Expenditures of Federal Awards and accompanying note presented were approved by management of the District. The schedule and note are presented as intended by the District.

DELAWARE COUNTY REGIONAL WASTEWATER 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. ENVIRONMENTAL PROTECTION AGENCY</u> | | | | |
| Pass-Through Indiana Department of Environmental Management ARRA-Capitalization Grants for Clean Water State Revolving Funds Cleaning, televising and inlining sewer rehab project | 66.458 | WW1010804 | \$ 1,123,043 | \$ 54,428 |
| Total federal awards expended | | | <u>\$ 1,123,043</u> | <u>\$ 54,428</u> |

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

DELAWARE COUNTY REGIONAL WASTEWATER 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 Delaware County Regional Wastewater District and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statements. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

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 Indiana Code (IC 5-11-1 et seq.), audits of wastewater districts shall be conducted biennially. Such audits shall include both years within the biennial period.

DELAWARE COUNTY REGIONAL WASTEWATER 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 deficiency identified? | none reported |
| Noncompliance material to financial statements noted? | no |

Federal Awards:

| | |
|--|---------------|
| Internal control over major program: | |
| Material weaknesses identified? | no |
| Significant deficiency identified? | none reported |
| Type of auditor's report issued on compliance for major program: | 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 Program:

| CFDA Number | Name of Federal Program or Cluster |
|----------------|--|
| 66.458 | ARRA - Capitalization Grants for Clean Water State Revolving Funds |

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.

DELAWARE COUNTY REGIONAL WASTEWATER DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on August 22, 2012, with Thomas Douthitt, President of the Board; Thomas McCarthy, Treasurer; Max Abrell, Director; Mark Abrell, Attorney for the District; and Penny Ring, Office Manager. Our audit disclosed no material items that warrant comment at this time.