

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

EXAMINATION REPORT
OF
WEST CENTRAL CONSERVANCY DISTRICT
HENDRICKS COUNTY, INDIANA
January 1, 2008 to December 31, 2009



FILED
11/30/2010

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OFFICIALS

Office

Official

Term

District Manager

Ron W. Goff

01-01-08 to 12-31-10

Financial Clerk

James Webb

01-01-08 to 12-31-10

President of the Board
of Directors

Karl Buetow

01-01-08 to 12-31-10



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 ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE WEST CENTRAL CONSERVANCY
DISTRICT, HENDRICKS COUNTY, INDIANA

We have examined the accompanying financial statements of the business-type activities of the West Central Conservancy District (District), as of and for the years ended December 31, 2008 and 2009. The District's management is responsible for the financial statements presented herein. Our responsibility is to express an opinion 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 presents fairly, in all material respects, the financial position of the business-type activities of the District as of December 31, 2008 and 2009, and the respective changes in financial position and cash flows, where applicable, thereof and for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

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 part of, the basic financial statements.

STATE BOARD OF ACCOUNTS

July 26, 2010

WEST CENTRAL CONSERVANCY DISTRICT
STATEMENT OF NET ASSETS
December 31, 2008 And 2009

<u>Assets</u>	<u>2008</u>	<u>2009</u>
Current assets:		
Cash and cash equivalents	\$ 12,700,363	\$ 13,158,696
Accounts receivable (net of allowance of \$50,000)	401,277	486,473
Other receivables	12,000	20,286
Note receivable	13,434	14,262
Prepaid items	<u>80,510</u>	<u>80,510</u>
Total current assets	<u>13,207,584</u>	<u>13,760,227</u>
Noncurrent assets:		
Restricted cash, cash equivalents and investments:		
Bond and interest cash and investments	91,140	99,025
Deferred charges, net	196,451	181,661
Capital assets:		
Land, improvements to land and construction in progress	1,131,429	1,855,440
Other capital assets (net of accumulated depreciation)	<u>39,977,995</u>	<u>38,922,548</u>
Total capital assets	<u>41,109,424</u>	<u>40,777,988</u>
Other long-term assets:		
Other receivables	307,872	297,922
Note receivable	<u>46,863</u>	<u>32,601</u>
Total other long-term assets	<u>354,735</u>	<u>330,523</u>
Total noncurrent assets	<u>41,751,750</u>	<u>41,389,197</u>
Total assets	<u>54,959,334</u>	<u>55,149,424</u>
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	214,544	168,260
Accrued wages and withholdings payable	47,403	38,980
Current liabilities payable from restricted assets:		
Revenue bonds payable	<u>615,000</u>	<u>645,000</u>
Total current liabilities	<u>876,947</u>	<u>852,240</u>
Noncurrent liabilities:		
Revenue bonds payable	<u>17,675,000</u>	<u>17,030,000</u>
Total noncurrent liabilities	<u>17,675,000</u>	<u>17,030,000</u>
Total liabilities	<u>18,551,947</u>	<u>17,882,240</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	22,819,424	23,102,988
Restricted for debt service	91,140	99,025
Unrestricted	<u>13,496,824</u>	<u>14,065,171</u>
Total net assets	<u>\$ 36,407,388</u>	<u>\$ 37,267,184</u>

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

WEST CENTRAL CONSERVANCY DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND OTHER CHANGES IN FUND NET ASSETS
As Of And For The Years Ended December 31, 2008 And 2009

	<u>2008</u>	<u>2009</u>
Operating revenues:		
Residential	\$ 4,089,266	\$ 4,263,586
Commercial	655,668	617,894
Industrial	136,254	136,254
Development and availability fees	1,226,343	1,147,980
Other	<u>324,958</u>	<u>208,463</u>
Total operating revenues	<u>6,432,489</u>	<u>6,374,177</u>
Operating expenses:		
Collection system - operations and maintenance:		
Salaries and wages	186,505	193,469
Employee pensions and benefits	68,124	69,093
Purchased power	83,624	83,857
Materials and supplies	28,151	9,866
Repairs	268,877	316,275
Lift Station Alarms	17,730	18,848
Treatment and disposal - operations and maintenance:		
Salaries and wages	341,709	414,635
Employee pensions and benefits	126,459	150,172
Contractual services	376,052	274,032
Sludge removal	120,233	121,997
Purchased power	298,187	356,727
Chemicals	54,540	15,794
Materials and supplies	123,985	60,946
Repairs	213,833	182,282
Transportation expenses	31,369	35,920
Lab test fees	20,003	8,025
Training and education	17,729	3,480
Uniforms	13,523	15,022
Cell phones	10,239	10,161
Other treatment and disposal expenses	26,123	25,773
Administrative and general:		
Salaries and wages	322,249	337,051
Employee pensions and benefits	98,021	123,972
Materials and supplies	29,555	23,800
Contractual services	294,224	358,024
Repairs	5,777	2,177
Insurance expense	69,418	77,230
Depreciation expense	1,337,162	1,364,779
Bank fees	28,147	32,850
Postage	26,289	23,312
Computer and website maintenance	16,854	18,019
Telephone and internet	10,877	11,300
Miscellaneous expenses	<u>25,451</u>	<u>56,658</u>
Total operating expenses	<u>4,691,019</u>	<u>4,795,546</u>
Operating income	<u>1,741,470</u>	<u>1,578,631</u>
Nonoperating revenues (expenses):		
Interest and investment revenue	247,456	28,144
Amortization expense	(14,792)	(14,792)
Interest expense	(986,722)	(961,502)
Other	<u>6,430</u>	<u>16,900</u>
Total nonoperating revenues (expenses)	<u>(747,628)</u>	<u>(931,250)</u>
Income before contributions and transfers	993,842	647,381
Capital contributions	<u>730,032</u>	<u>212,415</u>
Change in net assets	1,723,874	859,796
Total net assets - beginning	<u>34,683,514</u>	<u>36,407,388</u>
Total net assets - ending	<u>\$ 36,407,388</u>	<u>\$ 37,267,184</u>

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

WEST CENTRAL CONSERVANCY DISTRICT
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
As Of And For The Years Ended December 31, 2008 And 2009

	<u>2008</u>	<u>2009</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 6,777,907	\$ 6,080,518
Payments to suppliers and contractors	(2,429,375)	(2,165,944)
Payments to employees	(1,138,490)	(1,296,815)
Other receipts	<u>353,456</u>	<u>230,846</u>
Net cash provided by operating activities	<u>3,563,498</u>	<u>2,848,605</u>
Cash flows from noncapital financing activities:		
Other income	<u>6,430</u>	<u>16,900</u>
Net cash provided by noncapital financing activities	<u>6,430</u>	<u>16,900</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(559,005)	(850,929)
Principal paid on capital debt	(595,000)	(615,000)
Interest paid on capital debt	<u>(986,722)</u>	<u>(961,502)</u>
Net cash used by capital and related financing activities	<u>(2,140,727)</u>	<u>(2,427,431)</u>
Cash flows from investing activities:		
Interest received	<u>247,456</u>	<u>28,144</u>
Net cash provided by investing activities	<u>247,456</u>	<u>28,144</u>
Net increase in cash and cash equivalents	1,676,657	466,218
Cash and cash equivalents, January 1	<u>11,114,846</u>	<u>12,791,503</u>
Cash and cash equivalents, December 31	<u>\$ 12,791,503</u>	<u>\$ 13,257,721</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	<u>\$ 1,741,470</u>	<u>\$ 1,578,631</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	1,337,162	1,394,779
(Increase) decrease in assets:		
Accounts receivable	660,895	(85,196)
Accounts receivable - other	15,845	8,949
Notes receivable	12,653	13,434
Allowance for uncollectible accounts	9,481	-
Prepaid items	12,173	(7,286)
Increase (decrease) in liabilities:		
Accounts payable	(230,758)	(46,283)
Accrued wages payable	16,040	(28,168)
Employee benefits payable	<u>(11,463)</u>	<u>19,745</u>
Total adjustments	<u>1,822,028</u>	<u>1,269,974</u>
Net cash provided by operating activities	<u>\$ 3,563,498</u>	<u>\$ 2,848,605</u>
Noncash investing, capital and financing activities:		
Lines contributed by developers	\$ 730,032	\$ 212,415

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

WEST CENTRAL CONSERVANCY 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 elected Board of Directors form of government and provides the following services: water treatment, 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 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 receipts and disbursements.

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.

WEST CENTRAL CONSERVANCY 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.

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.

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. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

3. Restricted Assets

Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

4. Capital Assets

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

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

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Buildings and improvements	\$ 5,000	straight-line	3-40 years
Wastewater distribution and collection systems	5,000	straight-line	40 years
Machinery and equipment	5,000	straight-line	3-20 years
Transportation equipment	5,000	straight-line	5 years

WEST CENTRAL CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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. The total interest expense incurred by the District during the current year was \$961,502. Of the amount, none was included as part of the cost of capital assets.

5. Compensated Absences

- a. Sick Leave – District employees earn sick leave at the rate of 6 days per year. Sick leave may be accumulated indefinitely to a maximum of 60 day. Accumulated sick leave is not paid to employees.
- b. Vacation Leave – District employees earn vacation leave at rates from 10 days to 20 days per year based upon the number of years of service. Vacation leave does not accumulate from year to year. Unused vacation leave is paid to employees through cash payments upon termination.
- c. Personal Leave – District employees earn personal leave at the rate of 5 days per year. Personal leave does not accumulate from year to year. Unused personal leave is not paid to employees.

No liability is reported for vacation, sick and personal leave.

6. 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 and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The District does not have a deposit policy for custodial credit risk. At December 31, 2009, the District had deposit balances in the amount of \$13,257,721.

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.

WEST CENTRAL CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Investments

As of December 31, 2009, the District had the following investments:

Investment Type	December 31, 2008, Market Value	December 31, 2009, Market Value
U.S. treasuries and securities	\$ <u>8,747,370</u>	\$ <u>8,765,063</u>

Statutory Authorization for Investments

Indiana Code 5-13-9 authorizes the District to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the District to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the District and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

Additionally, the District may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the District's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The District does not have a formal investment policy for custodial credit risk for investments. An investment policy is not required by state statute because the District investments consisted of certificates of deposit and U.S. Government Obligations.

WEST CENTRAL CONSERVANCY DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have a formal investment policy for interest rate risk for investments. An investment policy is not required by state statute because the District investments consisted of certificates of deposit and U.S. Government Obligations.

Investment Type	Investment Maturities (in Years) Less Than 1
U.S. treasuries	\$ <u>8,765,063</u>

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The distribution of securities with credit ratings is summarized below. The District does not have a formal investment policy for credit risk for investments. An investment policy is not required by state statute because the District investments consisted of certificates of deposit and U.S. Government Obligations.

Standard and Poor's Rating	Moody's Rating	Government Sponsored Enterprise
Unrated	Unrated	\$ <u>8,765,063</u>

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District does not have a policy in regards to concentration of credit risk. United States of America government and United States of America governmental agency securities are exempt from this policy requirement.

WEST CENTRAL CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
2008:				
Capital assets, not being depreciated:				
Land	\$ 932,306	\$ -	\$ -	\$ 932,306
Construction in progress	324,126	454,050	579,053	199,123
Total capital assets, not being depreciated	<u>1,256,432</u>	<u>454,050</u>	<u>579,053</u>	<u>1,131,429</u>
Capital assets, being depreciated:				
Buildings	964,479	-	-	964,479
Wastewater distribution and collection systems	44,697,938	1,388,262	-	46,086,200
Machinery and equipment	147,528	-	-	147,528
Transportation equipment	623,039	25,777	-	648,816
Totals	<u>46,432,984</u>	<u>1,414,039</u>	<u>-</u>	<u>47,847,023</u>
Less accumulated depreciation for:				
Buildings	(212,766)	(28,397)	-	(241,163)
Wastewater distribution and collection systems	(5,967,015)	(1,209,215)	-	(7,176,230)
Machinery and equipment	(84,186)	(12,067)	-	(96,253)
Transportation equipment	(267,899)	(87,483)	-	(355,382)
Totals	<u>(6,531,866)</u>	<u>(1,337,162)</u>	<u>-</u>	<u>(7,869,028)</u>
Total capital assets, being depreciated, net	<u>39,901,118</u>	<u>76,877</u>	<u>-</u>	<u>39,977,995</u>
Total capital assets, net	<u>\$ 41,157,550</u>	<u>\$ 530,927</u>	<u>\$ 579,053</u>	<u>\$ 41,109,424</u>
2009:				
Capital assets, not being depreciated:				
Land	\$ 932,306	\$ -	\$ -	\$ 932,306
Construction in progress	199,123	1,108,998	384,987	923,134
Total capital assets, not being depreciated	<u>1,131,429</u>	<u>1,108,998</u>	<u>384,987</u>	<u>1,855,440</u>
Capital assets, being depreciated:				
Buildings	964,479	-	-	964,479
Wastewater distribution and collection systems	46,086,200	228,970	-	46,315,170
Machinery and equipment	147,528	63,879	-	211,407
Transportation equipment	648,816	16,483	-	665,299
Totals	<u>47,847,023</u>	<u>309,332</u>	<u>-</u>	<u>48,156,355</u>
Less accumulated depreciation for:				
Buildings	(241,163)	(28,397)	-	(269,560)
Wastewater distribution and collection systems	(7,176,230)	(1,238,495)	-	(8,414,725)
Machinery and equipment	(96,253)	(13,219)	-	(109,472)
Transportation equipment	(355,382)	(84,668)	-	(440,050)
Totals	<u>(7,869,028)</u>	<u>(1,364,779)</u>	<u>-</u>	<u>(9,233,807)</u>
Total capital assets, being depreciated, net	<u>39,977,995</u>	<u>(1,055,447)</u>	<u>-</u>	<u>38,922,548</u>
Total capital assets, net	<u>\$ 41,109,424</u>	<u>\$ 53,551</u>	<u>\$ 384,987</u>	<u>\$ 40,777,988</u>

WEST CENTRAL CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Construction Commitments

Construction work in progress is composed of the following:

<u>Project</u>	<u>2008</u>		<u>2009</u>	
	<u>Expended to December 31,</u>	<u>Remaining Commitment</u>	<u>Expended to December 31,</u>	<u>Remaining Commitment</u>
Dan Jones Roundabout	\$ -	\$ -	\$ 11,710	\$ -
Treatment Plant Expansion	10,141	-	10,141	-
Whitelick Interceptor	103,107	875,076	802,698	129,435
Rudgate	85,875	-	98,585	-
Totals	<u>\$ 199,123</u>	<u>\$ 875,076</u>	<u>\$ 923,134</u>	<u>\$ 129,435</u>

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 at year end are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Balance at December 31</u>
Wastewater treatment plant expansion	5%	<u>\$ 17,675,000</u>

Revenue bonds debt service requirements to maturity are as follows:

	<u>Wastewater treatment plant expansion</u>	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 645,000	\$ 934,153
2011	675,000	904,542
2012	710,000	872,837
2013	740,000	838,624
2014	780,000	802,000
2015-2019	4,545,000	3,359,656
2020-2024	5,940,000	1,965,793
2027-2031	<u>3,640,000</u>	<u>311,500</u>
Totals	<u>\$ 17,675,000</u>	<u>\$ 9,989,105</u>

WEST CENTRAL CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Changes in Long-Term Liabilities

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue bonds payable:					
2008	<u>\$ 18,885,000</u>	<u>\$ -</u>	<u>\$ 595,000</u>	<u>\$ 18,290,000</u>	<u>\$ 615,000</u>
2009	<u>\$ 18,290,000</u>	<u>\$ -</u>	<u>\$ 615,000</u>	<u>\$ 17,675,000</u>	<u>\$ 645,000</u>

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

The current rate structure was approved by the District on January 11, 2002, and amended on August 4, 2002, May 17, 2004, and April 4, 2006.

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.

WEST CENTRAL CONSERVANCY DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

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

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

Funding Policy

PERF members are required to contribute 3 percent of their annual covered salary. The District is required to contribute at an actuarially determined rate; the current rate is 5.25 percent of annual covered payroll. The contribution requirements of plan members and the District are established and may be amended by the PERF Board of Trustees.

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 40,220
Interest on net pension obligation	(4,214)
Adjustment to annual required contribution	4,803
Annual pension cost	40,809
Contributions made	51,199
Increase (decrease) in net pension obligation	(10,390)
Net pension obligation, beginning of year	(58,129)
Net pension obligation, end of year	\$ (68,519)

	PERF
Contribution rates:	
District	5.25%
Plan members	3%
Actuarial valuation date	07-01-09
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	40 years
Amortization period (from date)	07-01-97
Asset valuation method	4 year smoothed market

WEST CENTRAL CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Assumptions	PERF
Investment rate of return	7.25%
Projected future salary increases:	
Total	5%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	2%

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-07	\$ 29,218	117%	\$ (58,653)
	06-30-08	39,712	99%	(58,129)
	06-30-09	40,809	125%	(68,519)

Funded Status and Funding Progress for the Above Plan

The Schedule of Funding Progress, presented as RSI for the above plans 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.

WEST CENTRAL CONSERVANCY 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 (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-07	\$ 144,622	\$ 193,759	\$ (49,137)	75%	\$ 601,311	(8%)
07-01-08	199,252	130,925	68,327	152%	595,851	11%
07-01-09	300,206	181,969	118,237	165%	819,175	14%

WEST CENTRAL CONSERVANCY DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on July 26, 2010, with Karl Buetow, President of the Board of Directors; Ron W. Goff, District Manager; and Debbie Sillery, Assistant District Manager. Our examination disclosed no material items that warrant comment at this time.