

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, 2010 to December 31, 2011



FILED
11/19/2012

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Accountant's Report.....	3
Statement of Net Assets	4
Statement of Revenues, Expenses, and Other Changes in Fund Net Assets	5
Statement of Cash Flows	6
Notes to Financial Statements	7-18
Required Supplementary Information	
Schedule of Funding Progress	19
Exit Conference.....	20

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
District Manager	Ron W. Goff Debra K. Sillery	01-01-10 to 12-31-10 01-01-11 to 12-31-12
Financial Clerk	James Webb Charles Dorton	01-01-10 to 12-31-11 01-01-12 to 12-31-12
Chairman of the Board of Directors	Karl Buetow Paul Allen	01-01-10 to 12-31-10 01-01-11 to 12-31-12



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AN EQUAL OPPORTUNITY EMPLOYER

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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, 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.

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, 2010 and 2011, 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 the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

STATE BOARD OF ACCOUNTS

August 27, 2012

WEST CENTRAL CONSERVANCY 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	\$ 14,161,557	\$ 14,258,379
Accounts receivable (net of allowance of \$50,000)	528,736	587,587
Other receivables	15,000	12,000
Note receivable	15,142	16,076
Prepaid items	<u>80,000</u>	<u>80,000</u>
Total current assets	<u>14,800,435</u>	<u>14,954,042</u>
Noncurrent assets:		
Restricted cash, cash equivalents and investments:		
Bond and interest cash and investments	104,308	109,222
Deferred charges, net	166,870	152,079
Capital assets:		
Land, improvements to land and construction in progress	1,416,023	3,499,180
Other capital assets (net of accumulated depreciation)	<u>39,136,451</u>	<u>37,572,879</u>
Total capital assets	<u>40,552,474</u>	<u>41,072,059</u>
Other long-term assets:		
Other receivables	271,021	262,013
Note receivable	<u>17,459</u>	<u>1,383</u>
Total other long-term assets	<u>288,480</u>	<u>263,396</u>
Total noncurrent assets	<u>41,112,132</u>	<u>41,596,756</u>
Total assets	<u>55,912,567</u>	<u>56,550,798</u>
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	134,111	159,089
Accrued wages and withholdings payable	24,685	39,689
Current liabilities payable from restricted assets:		
Revenue bonds payable	<u>675,000</u>	<u>710,000</u>
Total current liabilities	<u>833,796</u>	<u>908,778</u>
Noncurrent liabilities:		
Revenue bonds payable	<u>16,355,000</u>	<u>15,645,000</u>
Total noncurrent liabilities	<u>16,355,000</u>	<u>15,645,000</u>
Total liabilities	<u>17,188,796</u>	<u>16,553,778</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	23,689,344	24,869,138
Restricted for debt service	104,308	109,222
Unrestricted	<u>14,930,119</u>	<u>15,018,660</u>
Total net assets	<u>\$ 38,723,771</u>	<u>\$ 39,997,020</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, 2010 And 2011

	<u>2010</u>	<u>2011</u>
Operating revenues:		
Residential	\$ 4,498,064	\$ 4,618,928
Commercial	532,747	577,160
Industrial	158,603	300,403
Development and availability fees	880,213	599,031
Other	<u>219,542</u>	<u>227,353</u>
 Total operating revenues	 <u>6,289,169</u>	 <u>6,322,875</u>
Operating expenses:		
Collection system - operations and maintenance:		
Salaries and wages	235,901	245,273
Employee pensions and benefits	78,378	101,235
Purchased power	85,846	93,743
Materials and supplies	4,165	5,342
Repairs	188,472	117,958
Lift Station Alarms	21,170	16,443
Treatment and disposal - operations and maintenance:		
Salaries and wages	359,461	361,363
Employee pensions and benefits	119,430	149,151
Contractual services	26,148	52,023
Sludge removal	102,512	111,375
Purchased power	350,497	346,358
Chemicals	15,984	60,726
Materials and supplies	61,955	59,381
Repairs	106,913	187,628
Transportation expenses	31,604	38,253
Lab test fees	5,987	2,988
Training and education	10,680	11,862
Uniforms	14,579	18,960
Cell phones	11,129	15,122
Other treatment and disposal expenses	51,413	48,923
Administrative and general:		
Salaries and wages	345,879	270,867
Employee pensions and benefits	130,114	101,628
Materials and supplies	38,086	21,897
Contractual services	332,433	400,740
Repairs	11,736	3,473
Insurance expense	78,705	78,946
Depreciation expense	1,394,684	1,410,434
Bank fees	37,270	33,145
Postage	29,482	29,840
Computer and website maintenance	21,656	26,289
Telephone and internet	8,695	7,567
Miscellaneous expenses	<u>120,689</u>	<u>47,783</u>
 Total operating expenses	 <u>4,431,653</u>	 <u>4,476,716</u>
 Operating income	 <u>1,857,516</u>	 <u>1,846,159</u>
Nonoperating revenues (expenses):		
Interest and investment revenue	10,441	11,237
Amortization expense	(14,792)	(14,792)
Interest expense	(934,153)	(904,542)
Other	<u>10,800</u>	<u>10,800</u>
 Total nonoperating revenues (expenses)	 <u>(927,704)</u>	 <u>(897,297)</u>
 Income before contributions and special items	 929,812	 948,862
Special items (Note III. D.)	-	324,387
Capital contributions	<u>526,775</u>	<u>-</u>
 Change in net assets	 1,456,587	 1,273,249
Total net assets - beginning	<u>37,267,184</u>	<u>38,723,771</u>
Total net assets - ending	<u>\$ 38,723,771</u>	<u>\$ 39,997,020</u>

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

WEST CENTRAL CONSERVANCY 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	\$ 6,246,906	\$ 6,264,024
Payments to suppliers and contractors	(1,794,159)	(1,811,787)
Payments to employees	(1,283,458)	(1,214,513)
Other receipts	<u>39,163</u>	<u>27,150</u>
Net cash provided by operating activities	<u>3,208,452</u>	<u>3,264,874</u>
Cash flows from noncapital financing activities:		
Other income	<u>10,800</u>	<u>10,800</u>
Net cash provided by noncapital financing activities	<u>10,800</u>	<u>10,800</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(642,396)	(1,605,633)
Principal paid on capital debt	(645,000)	(675,000)
Interest paid on capital debt	<u>(934,153)</u>	<u>(904,542)</u>
Net cash used by capital and related financing activities	<u>(2,221,549)</u>	<u>(3,185,175)</u>
Cash flows from investing activities:		
Interest received	<u>10,441</u>	<u>11,237</u>
Net cash provided by investing activities	<u>10,441</u>	<u>11,237</u>
Net increase in cash and cash equivalents	1,008,144	101,736
Cash and cash equivalents, January 1	<u>13,257,721</u>	<u>14,265,865</u>
Cash and cash equivalents, December 31	<u>\$ 14,265,865</u>	<u>\$ 14,367,601</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	<u>\$ 1,857,516</u>	<u>\$ 1,846,159</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	1,394,684	1,410,434
(Increase) decrease in assets:		
Accounts receivable	(42,263)	(58,851)
Accounts receivable - other	24,901	12,008
Notes receivable	14,262	15,142
Prepaid items	7,796	-
Increase (decrease) in liabilities:		
Accounts payable	(34,149)	24,978
Employee wages and benefits payable	<u>(14,295)</u>	<u>15,004</u>
Total adjustments	<u>1,350,936</u>	<u>1,418,715</u>
Net cash provided by operating activities	<u>\$ 3,208,452</u>	<u>\$ 3,264,874</u>
Noncash investing, capital and financing activities:		
Lines contributed by developers	\$ 526,775	\$ -

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: 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.

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.

The financial statements report \$104,308 and \$109,222 of restricted net assets as of December 31, 2010 and December 31, 2011, respectively, none of which is restricted by enabling legislation.

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:

WEST CENTRAL CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
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

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 was \$934,153 and \$904,542 for the years ended December 31, 2010 and December 31, 2011, respectively. 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 does not accumulate from year to year.
- 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 accumulated 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.

No liability is reported for vacation, sick, or 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.

WEST CENTRAL CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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, 2010 and December 31, 2011, respectively, the District had deposit balances in the amount of \$5,562,507 and \$8,324,900.

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.

2. Investments

As of December 31, 2010 and December 31, 2011, the District had the following investments:

Investment Type	2010		2011	
	In the Government's Name	Not in the Government's Name	In the Government's Name	Not in the Government's Name
U.S. treasuries	\$ 8,766,199	\$ -	\$ 6,266,565	\$ -

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

WEST CENTRAL CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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.

2010 Investment Type	Investment Maturities (in Years)		
	Less Than 1	1-2	More Than 2
U.S. treasuries	\$ 8,766,199	\$ -	\$ -

2011 Investment Type	Investment Maturities (in Years)		
	Less Than 1	1-2	More Than 2
U.S. treasuries	\$ 6,266,565	\$ -	\$ -

WEST CENTRAL CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

2010		
Standard and Poor's Rating	Moody's Rating	Government Sponsored Enterprise
Unrated	Unrated	\$ 8,766,199
2011		
Standard and Poor's Rating	Moody's Rating	Government Sponsored Enterprise
Unrated	Unrated	\$ 6,266,565

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.

B. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
2010:				
Capital assets, not being depreciated:				
Land	\$ 932,306	\$ -	\$ -	\$ 932,306
Construction in progress	923,134	476,097	915,515	483,716
Total capital assets, not being depreciated	1,855,440	476,097	915,515	1,416,022
Capital assets, being depreciated:				
Buildings	964,479	-	-	964,479
Wastewater distribution and collection systems	46,315,167	1,474,616	13,275	47,776,508
Machinery and equipment	211,407	112,749	-	324,156
Transportation equipment	665,300	21,223	-	686,523
Totals	48,156,353	1,608,588	13,275	49,751,666

WEST CENTRAL CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
2010 (continued):				
Less accumulated depreciation for:				
Buildings	(269,560)	(28,397)	-	(297,957)
Wastewater distribution and collection systems	(8,414,721)	(1,173,089)	(13,275)	(9,574,535)
Machinery and equipment	(109,472)	(118,620)	-	(228,092)
Transportation equipment	(440,051)	(74,578)	-	(514,629)
	<u>(9,233,804)</u>	<u>(1,394,684)</u>	<u>(13,275)</u>	<u>(10,615,213)</u>
Totals				
Total capital assets, being depreciated, net	<u>38,922,549</u>	<u>213,904</u>	<u>-</u>	<u>39,136,453</u>
Total capital assets, net	<u>\$ 40,777,989</u>	<u>\$ 690,001</u>	<u>\$ 915,515</u>	<u>\$ 40,552,475</u>
2011:				
Capital assets, not being depreciated:				
Land	\$ 932,306	\$ -	\$ -	\$ 932,306
Construction in progress	483,716	2,232,579	149,422	2,566,873
	<u>1,416,022</u>	<u>2,232,579</u>	<u>149,422</u>	<u>3,499,179</u>
Total capital assets, not being depreciated				
Capital assets, being depreciated:				
Buildings	964,479	-	-	964,479
Wastewater distribution and collection systems	47,776,508	161,422	778,907	47,159,023
Machinery and equipment	324,156	190,343	-	514,499
Transportation equipment	686,523	157,168	-	843,691
	<u>49,751,666</u>	<u>508,933</u>	<u>778,907</u>	<u>49,481,692</u>
Totals				
Less accumulated depreciation for:				
Buildings	(297,957)	(28,397)	-	(326,354)
Wastewater distribution and collection systems	(9,574,535)	(1,185,318)	(116,836)	(10,643,017)
Machinery and equipment	(228,092)	(137,432)	-	(365,524)
Transportation equipment	(514,629)	(59,287)	-	(573,916)
	<u>(10,615,213)</u>	<u>(1,410,434)</u>	<u>(116,836)</u>	<u>(11,908,811)</u>
Totals				
Total capital assets, being depreciated, net	<u>39,136,453</u>	<u>(901,501)</u>	<u>662,071</u>	<u>37,572,881</u>
Total capital assets, net	<u>\$ 40,552,475</u>	<u>\$ 1,331,078</u>	<u>\$ 811,493</u>	<u>\$ 41,072,060</u>

C. Construction Commitments

Construction work in progress is composed of the following:

Project	2010		2011	
	Expended to December 31,	Remaining Commitment	Expended to December 31,	Remaining Commitment
Cetrifuge Dewater	\$ 334,294	\$ 2,429,706	\$ 2,468,138	\$ 298,862
Claytile Project	-	-	98,736	671,656
Totals	<u>\$ 334,294</u>	<u>\$ 2,429,706</u>	<u>\$ 2,566,874</u>	<u>\$ 970,518</u>

WEST CENTRAL CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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:

2010 Purpose	Interest Rates	Balance at December 31
Wastewater treatment plant expansion	5%	<u>\$ 17,030,000</u>
2011 Purpose	Interest Rates	Balance at December 31
Wastewater treatment plant expansion	5%	<u>\$ 16,355,000</u>

Revenue bonds debt service requirements to maturity are as follows:

	2010	
	Wastewater Treatment Plant Expansion	
	Principal	Interest
2012	\$ 675,000	\$ 904,542
2013	710,000	872,837
2014	740,000	838,624
2015	780,000	802,000
2016	820,000	762,494
2017-2021	4,790,000	3,116,436
2022-2026	6,270,000	1,631,039
2029-2033	2,245,000	126,980
Totals	<u>\$ 17,030,000</u>	<u>\$ 9,054,952</u>

WEST CENTRAL CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

	2011	
	Wastewater Treatment Plant Expansion	
	Principal	Interest
2012	\$ 710,000	\$ 872,837
2013	740,000	838,624
2014	780,000	802,000
2015	820,000	762,494
2016	860,000	720,055
2017-2021	5,050,000	2,856,178
2022-2026	6,625,000	1,276,663
2029-2033	770,000	21,558
	<u>\$ 16,355,000</u>	<u>\$ 8,150,409</u>
Totals	<u>\$ 16,355,000</u>	<u>\$ 8,150,409</u>

2. Changes in Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds payable:					
2010	\$ 17,675,000	\$ -	\$ 645,000	\$ 17,030,000	\$ 675,000
2011	\$ 17,030,000	\$ -	\$ 675,000	\$ 16,355,000	\$ 710,000

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 structure was approved by the district governing board on January 11, 2002, and amended on August 4, 2002, May 17, 2004, and April 4, 2006. The District has 8,227 customers.

WEST CENTRAL CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Subsequent Events

On June 18, 2012, the District's governing board authorized the refunding of the 2002 Sewage Works Revenue Bonds. The bond closing was held July 12, 2012, and the par amount of the 2012 Sewage Works Refunding Revenue Bonds was \$16,886,000 with an interest rate of 2.90 percent.

D. Special Item – Sale of Portion of Service Area

On August 31, 2011, the District sold certain lines, lift stations, and other capital assets with a net book value of \$662,071 to the Town of Plainfield in the Clark's Creek service area in the amount of \$986,458. The net proceeds to the District in exchange for selling these assets to the Town of Plainfield and relinquishing the service area was \$324,387.

E. Pension Plan

Agent Multiple-Employer and Single-Employer Defined Benefit 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 Town 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

Funding Policy and Annual Pension Cost

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

For 2011, the District's annual pension cost of \$49,557 for PERF was equal to the District's required and actual contributions.

WEST CENTRAL CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 48,660
Interest on net pension obligation	(5,931)
Adjustment to annual required contribution	6,828
Annual pension cost	49,557
Contributions made	54,739
Increase (decrease) in net pension obligation	(5,182)
Net pension obligation, beginning of year	(84,730)
Net pension obligation, end of year	\$ (89,912)
Contribution rates:	
District	0%
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)	07-01-07
Asset valuation method	75% of expected actuarial value plus 25% of market value

Actuarial Assumptions	PERF
Investment rate of return	7.25%
Projected future salary increases:	
Total	4.00%
Cost-of-living adjustments	1.50%

WEST CENTRAL CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Three Year Trend Information						
	Year Ending	Annual Pension Cost (APC)	Employer Contribution	Percentage of APC Contributed	Net Pension Obligation	
PERF	06-30-09	\$ 40,809	\$ 51,199	125.0%	\$ (68,519.00)	
	06-30-10	39,701	55,912	141.0%	(84,730)	
	06-30-11	49,557	554,739	110.0%	(89,912)	

Funded Status and Funding Progress for the Above Plan

The funded status of the plan as of June 30, 2011, the most recent actuarial valuation date is as follows:

Retirement Plan	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL or (Funding Excess) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded AAL or (Funding Excess) as a Percentage of Covered Payroll ((b-a)/c)
PERF	<u>\$ 326,641</u>	<u>\$ 371,893</u>	<u>\$ 45,252</u>	88%	<u>\$ 831,325</u>	5%

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
 SCHEDULES 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)
06-30-09	\$ 300,206	\$ 181,969	\$ 118,237	100%	\$ 819,175	0%
06-30-10	332,482	265,003	67,479	100%	824,835	0%
06-30-11	326,641	371,893	(45,252)	88%	831,325	5%

WEST CENTRAL CONSERVANCY DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on August 27, 2012, with Debra K. Sillery, District Manager; Paul Allen, Chairman of the Board of Directors; and Phil Agresta, District Consultant. Our examination disclosed no material items that warrant comment at this time.