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STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2765

AUDIT REPORT

OF

CLAY TOWNSHIP REGIONAL WASTE DISTRICT

HAMILTON COUNTY, INDIANA

January 1, 2004 to December 31, 2005

FILED
10/13/2006

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OFFICIALS

Office	Official	Term
Director of Administration/ Customer Service	Candy J. Feltner	01-01-04 to 12-31-06
Utility Director	Jay W. Alley	01-01-04 to 09-24-04
	Andrew J. Williams	05-23-05 to 12-31-06
Controller	Ronald H. Hansen	01-13-04 to 12-31-06
Treasurer	Charles E. Schalliol	01-01-04 to 12-31-04
	Carol S. Hartman	01-01-05 to 12-31-05
	Michael A. Claytor	01-01-06 to 12-31-06
President of the Board	Henry B. Blackwell	01-01-04 to 12-31-04
	David S. DeVilbiss	01-01-05 to 12-31-05
	Ronald F. Houck	01-01-06 to 12-31-06

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the business-type activities of the Clay Township Regional Waste District (District), as of and for the years ended December 31, 2004 and 2005. 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. 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 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the District as of December 31, 2004 and 2005, 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 Management's Discussion and Analysis as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

STATE BOARD OF ACCOUNTS

September 5, 2006

Management's Discussion and Analysis

As management of Clay Township Regional Waste District (the District), we offer readers of our financial statements this narrative, overview and analysis of the financial activities of the District for the two fiscal years ended December 31, 2004 and 2005. We encourage readers to consider the information presented here in conjunction with the financial statements, which follow this section.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. Since the District is engaged only in business-type activities, its basic financial statements are comprised of only two components: 1) enterprise fund financial statements and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

The District's financial statements present a Regional Sewer District organized under the laws of the State of Indiana (Indiana Code Title 13, Article 26) to provide sanitary sewer to specific areas of Hamilton, Boone and Marion Counties including Clay Township. The District is not a segment of any local county government nor is it a component unit thereof. The enterprise fund financial statements are presented in a manner similar to a private-sector business.

The **Statement of Net Assets** presents information on the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The **Statement of Revenues, Expenses and Changes in Fund Net Assets** presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event occurs, regardless of the timing of the related cash flows. This statement may be used to determine whether the District has successfully recovered all of its costs through user fees and other charges.

The **Statement of Cash Flows** presents the cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities.

Financial Highlights

In 2005, the assets of the District exceeded its liabilities by $90,068,086. Of this amount, $79,591,090 is invested in capital assets and $10,476,996 is depicted as unrestricted and may be used to meet the District's ongoing obligations. However, the District has placed restrictions on the use of funds collected for the expansion of sewage treatment facilities and the collection system. These funds total $3,212,241.

For 2004, the assets of the District exceeded its liabilities by $79,399,132. Of this amount, $12,210,063 is depicted as unrestricted. Funds restricted by the District for expansion total $4,151,771.

The District's total net assets in 2005 increased by $10,668,954, of which $10,064,187 was attributable to capital contributions and connection charges from developers and property owners. In 2004, this increase in net assets was $6,621,229 with $5,898,482 attributable to capital contributions and connection charges.

The District's total liabilities in 2005 increased by $395,606, which was primarily due to an increase in inspection fees billed prior to the start of developer interceptor projects and construction costs owed to a developer for the completion of an off-site interceptor. In 2004, total liabilities increased $380,394 due to payables for the expansion of the Michigan Road Treatment Plant and interceptor construction projects.

Net Assets

	2003	2004	2004 vs 2003 Change	2004 vs 2003 %	2005	2005 vs 2004 Change	2005 vs 2004 %
Current and other assets	15,701,399	12,946,472	(2,754,927)	-17.5%	$ 11,609,010	(1,337,462)	-10.3%
Capital Assets	57,432,519	67,189,069	9,756,550	17.0%	79,591,091	12,402,022	18.5%
Total assets	73,133,918	80,135,541	7,001,623	9.6%	91,200,101	11,064,560	13.8%
Current liabilities	354,284	734,678	380,394	107.4%	976,165	241,487	32.9%
Long-term liabilities	1,731	1,731	0	0%	155,850	154,119	8903%
Total liabilities	356,015	736,409	380,394	106.8%	1,132,015	395,606	53.7%
Net Assets							
Invested in capital assets	57,432,519	67,189,069	9,756,550	17.0%	79,591,091	12,402,022	18.5%
Unrestricted	15,345,384	12,210,063	(3,135,321)	-20.4%	10,476,995	(1,733,068)	-14.2%
Total net assets	72,777,903	79,399,132	6,621,229	9.1%	$ 90,068,086	10,668,954	13.4%

Capital Asset and Debt Administration

The District's total investment in capital assets including construction in process in 2005 totaled $79.6 million (net of accumulated depreciation). These assets include land, buildings, sewer lines, lift stations, treatment facilities, machinery and equipment, and construction in process. Capital assets increased by $12.4 million or 18.5% over 2004. Significant 2005 capital events included:

- The start of construction for the 106th Street Force Main & Lift Station #2 Upgrade project budgeted at $5.0 million. Spending in 2005 was $4.0 million. Upon completion, the District will be able to send a portion of the daily flow from Lift Station #2 to our Michigan Road Treatment Plant instead of sending all of the flow to Carmel Utilities for treatment. It is also designed to eliminate the sewer overflows at Station #2 during rain events.
- The start of construction of the Little Eagle Creek Interceptors Phase I & II budgeted at $1.8 million. Spending in 2005 was $1.1 million.
- Start-up of the new 1.5 million gallon per day Michigan Road Treatment Plant Expansion in January 2005. The old plant was shut down for maintenance and repairs and will be re-started once the flow diversion from Lift Station #2 begins in 2006. Spending in 2005 was $0.8 million.
- Acceptance of $6.0 million of developer constructed neighborhood sewers.
- Spending on other projects:

Austin Oaks Forcemain Extension	$298,000
Lift Station #5 Forcemain Relocation	$139,000
Parkwood West Forcemain & LS# 24	$230,000

In 2004, investment in capital assets including construction in process totaled $67.2 million net of depreciation, which was an increase of $9.8 million or 17.0% over 2003. Significant capital events included:

- The start of construction of the 1.5 million gallon per day Michigan Road Treatment Plant Expansion budgeted at $10.0 million. This will increase the capacity of the Michigan Road Plant to 2.5 MGD. Spending in 2004 was $6.4 million.
- Acceptance of $3.8 million of developer constructed neighborhood sewers.
- Spending on other projects:

Austin Oaks Forcemain Extension	$127,000
Austin Oaks Forcemain Relocation	$143,000
106th St Forcemain & LS#2 Upgrade	$316,000
Springmill Streams/Nottingham Court	$163,000

More detailed information on the District's capital assets is presented in Sections I-D-3, II-B and II-C in the Notes to Financial Statements.

At the end of 2005, the District had long-term liabilities of $155,850 in deferred credits. Most of this was a reimbursement owed to a developer for the construction of an off-site interceptor. Payment to the developer will not occur until interceptor funds become available. This fund has been running a deficit and has borrowed $1,100,000 from the operating fund, so reimbursement is not anticipated for several years. The Interceptor Fee will be reviewed in 2006. All of the capital projects are being paid from funds on hand and the District has not had any bonds outstanding since 2002.

Revenues, Expenses and Changes in Fund Net Assets

			2004 vs 2003			2005 vs 2004	
	2003	2004	Change	%	2005	Change	%
Revenues							
Operating revenue	3,442,806	3,715,284	272,478	7.9%	$ 3,961,351	246,067	6.6%
Interest and investment revenue	232,469	271,471	39,002	16.8%	379,579	108,108	39.8%
Other revenue	6,575	9,487	2,912	44.3%	33,917	24,430	257.5%
Total revenue	3,681,850	3,996,242	314,392	8.5%	4,374,847	378,605	9.5%
Expenses							
Operating expenses:							
Operations and maintenance	693,770	654,803	(38,967)	-5.6%	886,097	231,294	35.3%
Treatment and disposal	736,761	709,574	(27,187)	-3.7%	786,017	76,443	10.8%
Customer accounts	83,746	124,660	40,914	48.9%	154,726	30,066	24.1%
Administration and general	426,598	466,988	40,390	9.5%	527,648	60,660	13.0%
Other	416,393	514,976	98,583	23.7%	561,880	46,904	9.1%
Depreciation	769,224	800,471	31,247	4.1%	853,712	53,241	6.7%
Other	426	2,023	1,597	374.9%	0	(2,023)	
Total expenses	3,126,918	3,273,495	146,577	4.7%	3,770,080	496,585	15.2%
Income before contributions	554,932	722,747	167,815	30.2%	604,767	(117,980)	-16.3%
Capital contributions	4,338,927	5,898,482	1,559,555	35.9%	10,064,187	4,165,705	70.6%
Change in net assets	4,893,859	6,621,229	1,727,370	35.3%	10,668,954	4,047,725	61.1%
Total net assets - beginning	67,884,044	72,777,903	4,893,859	7.2%	79,399,132	6,621,229	9.1%
Total net assets - ending	72,777,903	79,399,132	6,621,229	9.1%	$ 90,068,086	10,668,954	13.4%

Revenue increased in 2005 and 2004 by $378,605 or 9.5% and $314,392 or 8.5% respectively. The 2005 increase was due in part to higher interest and investment revenue resulting from investment interest rates that rose 2.0% during the year. Customer growth continued at a strong pace with customers billed increasing from 9,073 in 2003 to 9,871 in 2004, or an increase of 798 or 8.8%, and 10,468 in 2005, or an increase of 597 or 6.0%. Revenue in 2005 would have been higher if not for a 4% customer rate reduction that went into effect in January 2005. The monthly bill for a residential customer at 7,000 gallons consumption declined from $24.99 to $23.94. This was the fourth consecutive biannual rate decrease by the District.

Expenses increased in 2005 by $496,585 or 15.2% after a moderate increase in 2004 of 4.7%. The District added several employees in 2005 to fill vacant positions and maintain service levels for the customer base that grew by 18% from 2002 to 2004. Increases in Salaries and Wages accounted for 36% of the increase in 2005 expenses. Most of the other customer related expenses showed significant increases as well.

As a result of the 4% rate decrease, addition of new employees in 2005 and increased operating expenses due to infrastructure additions and a growing customer base, Income before Contributions declined from $722,747 in 2004 to $604,767 in 2005.

Economic Outlook and Next Year's Budget

The District will continue to add new customers over the next several years. As the undeveloped areas within our current service territory continue to shrink, there will be a reduction in the rate of growth that saw a doubling in the number of customers during the last nine years. The most promising areas for future growth will be along the US 421 corridor. Additional service territory may be added since the District is well positioned to serve these areas and has several advantages over other sewer utilities as a Regional Sewer District.

The District's financial position remains strong. Revenue is budgeted to increase by 14% in 2006. The District had no outstanding bonds and Noncurrent Liabilities of only $0.2M. Cash and Investments totaled $11M at the end of 2005. The three-year capital budget of $11M will be paid from cash on hand and development fees. Outside financing will not be required.

Total Operating Expenses in 2006 are budgeted to rise by 16% over the 2005 budget. Although no staff additions are planned in 2006, staff levels rose from 15 to 22 employees by the end of 2005. This change will result in a 21% increase in Salaries and Wages along with similar increases in Employee Benefits in 2006. Purchased Wastewater Treatment is budgeted to rise by 14% following an increase in the wholesale treatment rate by the City of Carmel of 23% in November 2005.

Growth in the District will lead to further additions to capital assets due to neighborhood collection system dedications, new interceptors and additions to the treatment system. Capital assets have increased rapidly with $22M or 39% in additions in 2004 and 2005. This increase has also produced a corresponding increase in depreciation. The 2006 depreciation budget is $1,063,000 compared to an actual expense of $853,712 in 2005, an increase of 25%.

The District has performed a Rate Study in 2006 and will likely have rate changes becoming effective January 2007. At this time no significant change is anticipated in the monthly customer rates. An increase in the Interceptor Fee may be required since this fund was not able to pay for all of the interceptor projects in 2005.

Requests for Information

This financial report is designed to provide an overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Andrew Williams, Utility Director at 10701 North College Avenue, Suite A, Indianapolis, Indiana 46280.

CLAY TOWNSHIP REGIONAL WASTE DISTRICT
STATEMENT OF NET ASSETS
December 31, 2004 And 2005

Assets	2004	2005
Current assets:		
Cash and cash equivalents	$ 2,206,780	$ 1,603,731
Investments	9,000,000	8,300,000
Interest receivable	28,662	60,386
Accounts receivable	349,936	384,713
Invoiced receivable	981,010	923,580
Liens receivable	38,037	68,571
Notes receivable	300,736	226,459
Inventories	27,489	26,599
Prepaid items	13,822	14,971
Total current assets	12,946,472	11,609,010
Capital assets:		
Land, improvements to land and construction in progress	10,300,191	6,994,110
Other capital assets (net of accumulated depreciation)	56,888,878	72,596,981
Total capital assets	67,189,069	79,591,091
Total assets	80,135,541	91,200,101
Liabilities		
Current liabilities:		
Accounts payable	539,117	588,502
Invoiced payable	122,175	284,915
Accrued payroll and withholdings payable	35,598	55,134
Compensated absences	37,788	47,614
Total current liabilities	734,678	976,165
Noncurrent liabilities:		
Deferred credits	1,731	155,850
Total liabilities	736,409	1,132,015
Net Assets		
Invested in capital assets	67,189,069	79,591,090
Unrestricted	12,210,063	10,476,996
Total net assets	$ 79,399,132	$ 90,068,086

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

CLAY TOWNSHIP REGIONAL WASTE DISTRICT
STATEMENT OF REVENUES, EXPENSES AND OTHER CHANGES IN FUND NET ASSETS
As Of And For The Years Ended December 31, 2004 And 2005

	2004	2005
Operating revenues:		
Residential sales	$ 2,586,680	$ 2,678,156
Commercial and industrial sales	996,246	1,106,470
Penalties	65,458	72,675
Other	66,900	104,050
Total operating revenues	3,715,284	3,961,351
Operating expenses:		
Wastewater - operations and maintenance:		
Salaries and wages	303,837	433,910
Purchased power	132,328	178,050
Repairs and maintenance	119,530	145,490
Materials and supplies	32,597	33,791
Contractual services	50,581	58,416
Transportation expenses	15,930	36,440
Treatment and disposal:		
Purchased wastewater treatment	709,574	786,017
Customer accounts:		
Contractual services	124,660	154,726
Administration and general:		
Salaries and wages	327,880	374,516
Office expense	17,431	18,934
Other	121,677	134,198
Undistributed:		
Insurance expense	81,860	89,629
Employee pensions and benefits	331,393	326,810
Contractual services	94,069	136,551
Depreciation	800,471	853,712
Miscellaneous expenses	7,654	8,890
Total operating expenses	3,271,472	3,770,080
Operating income	443,812	191,271
Nonoperating revenues (expenses):		
Interest and investment revenue	271,471	379,579
Miscellaneous revenue	9,487	33,917
Miscellaneous expense	(2,023)	-
Total nonoperating revenues	278,935	413,496
Income before contributions	722,747	604,767
Capital contributions	5,898,482	10,064,187
Change in net assets	6,621,229	10,668,954
Total net assets - beginning	72,777,903	79,399,132
Total net assets - ending	$ 79,399,132	$ 90,068,086

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

CLAY TOWNSHIP REGIONAL WASTE DISTRICT
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
As Of And For The Years Ended December 31, 2004 And 2005

	2004	2005
Cash flows from operating activities:		
Receipts from customers and users	$ 3,713,567	$ 4,077,816
Payments to suppliers and contractors	(1,196,073)	(1,569,266)
Payments to employees	(891,708)	(1,105,874)
Other receipts	74,364	137,967
Net cash provided by operating activities	1,700,150	1,540,643
Cash flows from capital and related financing activities:		
Capital contributions	2,656,211	3,989,659
Acquisition and construction of capital assets	(7,314,750)	(7,181,206)
Net cash used by capital and related financing activities	(4,658,539)	(3,191,547)
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	33,500,000	29,400,000
Purchase of investments	(30,350,000)	(28,700,000)
Interest received	242,809	347,855
Net cash provided by investing activities	3,392,809	1,047,855
Net increase in cash and cash equivalents	434,420	(603,049)
Cash and cash equivalents, January 1	1,772,360	2,206,780
Cash and cash equivalents, December 31	$ 2,206,780	$ 1,603,731
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 443,812	$ 191,271
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	800,471	853,712
Nonoperating income	9,487	33,917
Nonoperating expense	(2,023)	-
(Increase) decrease in assets:		
Accounts receivable	(59,735)	(34,777)
Invoiced receivable	129,908	57,430
Liens receivable	(16,003)	(30,534)
Notes receivable	11,013	74,277
Inventories	2,260	890
Prepaid items	566	(1,149)
Increase in liabilities:		
Accounts payable	276,771	49,385
Invoiced payables	32,221	162,740
Accrued payroll and payroll withholdings payable	33,614	19,536
Compensated absence payable	37,788	9,826
Deferred credit	-	154,119
Total adjustments	1,256,338	1,349,372
Net cash provided by operating activities	$ 1,700,150	$ 1,540,643
Noncash investing, capital and financing activities:		
Contributions of capital assets from developers	$ 3,242,271	$ 6,074,528

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

I. Summary of Significant Accounting Policies

A. Reporting Entity

The District (primary government) was established under the laws of the State of Indiana. The District operates under an appointed Board of Trustees 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 Changes in Fund Net Assets; and the Statement of Cash Flows. Business-type activities rely to a significant extent on fees and charges for support.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounts of the business-type activity are maintained and the financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

Proprietary funds distinguish operating revenues from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statute (IC 5-13-9) authorizes the District to invest in securities, including but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Nonparticipating certificates of deposit that are not reported as cash and cash equivalents are reported as investments at cost.

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

2. Inventories and Prepaid Items

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

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

3. Capital Assets

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

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

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	$ 1	N/A	N/A
Buildings	2,000	Straight-line	50 Years
Lift stations	2,000	Straight-line	50 Years
Wastewater distribution and collection systems	2,000	Straight-line	100 Years
Furniture and fixtures	2,000	Straight-line	7 Years
Transportation and portable equipment	2,000	Straight-line	7 Years

N/A = Not applicable

For depreciated assets, the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. There was no interest expense incurred by the District during the current period.

4. Compensated Absences

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

Personal leave is accrued when incurred.

II. Detailed Notes on All Funds

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds; and has a principal office or branch that qualifies to receive public funds of the political subdivision. At December 31, 2005, the bank balances and certificates of deposit were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

B. Capital Assets

Capital asset activity for the two years ended December 31, 2005, was as follows:

Primary Government	Beginning Balance	Increases	Decreases	Ending Balance
2004:				
Capital assets, not being depreciated:				
Land	$ 519,590	$ -	$ -	$ 519,590
Construction in progress	4,215,259	7,243,308	1,677,966	9,780,601
				-
Total capital assets, not being depreciated	4,734,849	7,243,308	1,677,966	10,300,191
Capital assets, being depreciated:				
Buildings	7,355,305	16,325	-	7,371,630
Lift stations	4,194,423	342,310	-	4,536,733
Distribution and collection systems	47,222,502	4,586,802	-	51,809,304
Furniture and fixtures	257,424	12,335	16,915	252,844
Transportation and portable equipment	568,712	33,907	-	602,619
Totals	59,598,366	4,991,679	16,915	64,573,130
Less accumulated depreciation for:				
Buildings	1,208,346	147,241	-	1,355,587
Lift stations	670,466	78,380	-	748,846
Distribution and collection systems	4,621,967	472,334	-	5,094,301
Furniture and fixtures	84,463	33,953	16,915	101,501
Transportation and portable equipment	315,454	68,563	-	384,017
Totals	6,900,696	800,471	16,915	7,684,252
Total capital assets, being depreciated, net	52,697,670	4,191,208	-	56,888,878
Total capital assets, net	$ 57,432,519	$ 11,434,516	$ 1,677,966	$ 67,189,069

Primary Government	Beginning Balance	Increases	Decreases	Ending Balance
2005:				
Capital assets, not being depreciated:				
Land	$ 519,590	$ -	$ -	$ 519,590
Construction in progress	9,780,601	6,723,768	10,029,849	6,474,520
				-
Total capital assets, not being depreciated	10,300,191	6,723,768	10,029,849	6,994,110
Capital assets, being depreciated:				
Buildings	7,371,630	7,781,775	-	15,153,405
Lift stations	4,536,733	291,524	-	4,828,257
Distribution and collection systems	51,809,304	8,328,206	-	60,137,510
Furniture and fixtures	252,844	74,426	-	327,270
Transportation and portable equipment	602,619	85,884	14,037	674,466
Totals	64,573,130	16,561,815	14,037	81,120,908
Less accumulated depreciation for:				
Buildings	1,355,587	147,567	-	1,503,154
Lift Stations	748,846	85,199	-	834,045
Distribution and collection systems	5,094,301	518,543	-	5,612,844
Furniture and fixtures	101,501	28,995	-	130,496
Transportation and portable equipment	384,017	73,408	14,037	443,388
Totals	7,684,252	853,712	14,037	8,523,927
Total capital assets, being depreciated, net	56,888,878	15,708,103	-	72,596,981
Total capital assets, net	$ 67,189,069	$ 22,431,871	$ 10,029,849	$ 79,591,091

C. Construction Commitments

Construction work in progress is composed of the following:

Project	Total Project Authorized	Expended to December 31, 2005	Committed	Required Future Funding
Lift Station 2	$ 5,450,000	$ 4,790,072	$ 659,928	$ -
106th St. and College Ave. Intersection	11,404	11,404	-	-
Parkwood West - Lift Station 24	675,000	271,327	403,673	-
106th St. and Springmill Rd. Intersection	719	719	-	-
Little Eagle Creek Phase I and II	1,860,000	1,097,941	762,059	-
Lift Station 5 Forcemain Relocation	139,070	139,070	-	-
Deerfield Subdivison	90,000	70,460	19,540	-
116th St. and Shelbourne Extension	1,560	1,560	-	-
St. Andrews Lane/Circle	46,912	46,912	-	-
Biosolids	15,000	13,450	1,550	-

Project	Total Project Authorized	Expended to December 31, 2005	Committed	Required Future Funding
Little Eagle Creek Eaglewood Ext.	20,000	975	19,025	-
Lift Station 16 Upgrade	4,200	4,200	-	-
Larkspur Interceptor	1,790	1,790	-	-
Oaktree Interceptor	1,840	1,840	-	-
Crooked Creek Subdivision	27,800	22,800	5,000	-
Totals	$ 8,345,295	$ 6,474,520	$ 1,870,775	$ -

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 August 12, 2002. The District has 10,468 customers.

C. 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 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

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

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. Information to segregate the assets/liabilities and the actuarial study figures between the Township and the District is not available. Therefore, the liability for Net Pension Obligation (NPO) is not considered an obligation of the District, and the separate annual pension cost and related information is not presented in this note. The District's annual pension cost and related information, as provided by the actuary, is presented in this note.

	PERF
Contribution rates:	
District	5%
Plan members	3%
Actuarial valuation date	07-01-05
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

Actuarial Assumptions	
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%

CLAY TOWNSHIP REGIONAL WASTE DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on September 7, 2006, with Candy J. Feltner, Director of Administration/Customer Service; Andrew J. Williams, Utility Director; Ronald H. Hansen, Controller; and Ronald F. Houck, President of the Board. Our audit disclosed no material items that warrant comment at this time.