

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

AUDIT REPORT
OF
WEST CENTRAL CONSERVANCY DISTRICT
HENDRICKS COUNTY, INDIANA
January 1, 2006 to December 31, 2007



FILED
12/29/2008

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
District Manager	Ron W. Goff	01-01-06 to 12-31-08
Financial Clerk	Paul Allen James Webb	01-01-06 to 12-31-07 01-01-08 to 12-31-08
President of the Board of Directors	Karl Buetow	01-01-06 to 12-31-08



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT

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

We have audited 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, 2006 and 2007. 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, 2006 and 2007, 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

October 2, 2008

WEST CENTRAL CONSERVANCY DISTRICT
STATEMENT OF NET ASSETS
December 31, 2006 And 2007

<u>Assets</u>	<u>2006</u>	<u>2007</u>
Current assets:		
Cash and cash equivalents	\$ 9,412,385	\$ 11,053,659
Accounts receivable (net of allowance)	1,072,977	1,071,653
Other receivables	355,238	335,716
Note receivable	84,868	72,950
Prepaid items	<u>95,025</u>	<u>92,683</u>
Total current assets	<u>11,020,493</u>	<u>12,626,661</u>
Noncurrent assets:		
Restricted cash, cash equivalents and investments:		
Bond and interest cash and investments	<u>1,064,641</u>	<u>61,187</u>
Total restricted assets	<u>1,064,641</u>	<u>61,187</u>
Deferred charges	<u>226,034</u>	<u>211,243</u>
Capital assets:		
Land, improvements to land and construction in progress	932,306	1,256,432
Other capital assets (net of accumulated depreciation)	<u>39,503,902</u>	<u>39,901,118</u>
Total capital assets	<u>40,436,208</u>	<u>41,157,550</u>
Total noncurrent assets	<u>41,726,883</u>	<u>41,429,980</u>
Total assets	<u>52,747,376</u>	<u>54,056,641</u>
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	802,313	445,301
Wages payable	28,966	28,228
Payroll withholdings payable	11,990	14,598
Current liabilities payable from restricted assets:		
Revenue bonds payable	<u>570,000</u>	<u>595,000</u>
Total current liabilities	<u>1,413,269</u>	<u>1,083,127</u>
Noncurrent liabilities:		
Revenue bonds payable	<u>18,880,000</u>	<u>18,290,000</u>
Total noncurrent liabilities	<u>18,880,000</u>	<u>18,290,000</u>
Total liabilities	<u>20,293,269</u>	<u>19,373,127</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	20,986,208	22,272,550
Restricted for debt service	1,064,641	61,187
Unrestricted	<u>10,403,258</u>	<u>12,349,777</u>
Total net assets	<u>\$ 32,454,107</u>	<u>\$ 34,683,514</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, 2006 And 2007

	<u>2006</u>	<u>2007</u>
Operating revenues:		
Residential sales	\$ 3,658,009	3,936,801
Commercial and industrial sales	697,090	719,913
Development and availability fees	1,665,211	1,147,075
Other	<u>649,850</u>	<u>415,841</u>
Total operating revenues	<u>6,670,160</u>	<u>6,219,630</u>
Operating expenses:		
Collection system - operations and maintenance:		
Salaries and wages	211,626	200,591
Employee pensions and benefits	47,412	58,178
Purchased power	65,217	70,967
Materials and supplies	23,212	11,025
Repairs	237,221	123,478
Other	18,422	19,521
Treatment and disposal - operations and maintenance:		
Salaries and wages	152,644	247,106
Employee pensions and benefits	35,442	70,352
Contractual services	129,438	89,454
Sludge removal	51,780	122,242
Purchased power	168,818	200,024
Chemicals	14,176	31,666
Materials and supplies	28,079	65,937
Repairs	72,377	410,291
Transportation expenses	36,173	33,263
Other	51,553	83,035
Administrative and general:		
Salaries and wages	326,912	359,091
Employee pensions and benefits	68,718	56,394
Materials and supplies	31,492	34,638
Contractual services	786,407	957,300
Repairs	4,533	8,889
Insurance expense	110,172	67,763
Bad debt expense	594,782	-
Depreciation expense	1,144,199	1,255,888
Miscellaneous expense	<u>97,286</u>	<u>118,742</u>
Total operating expenses	<u>4,508,091</u>	<u>4,695,835</u>
Operating income	<u>2,162,069</u>	<u>1,523,795</u>
Nonoperating revenues (expenses):		
Interest and investment revenue	469,997	486,384
Loss on disposal of assets	(4,779,988)	-
Amortization expense	(14,779)	(14,791)
Interest expense	(1,025,023)	(1,014,946)
Other	<u>-</u>	<u>10,346</u>
Total nonoperating revenues (expenses)	<u>(5,349,793)</u>	<u>(533,007)</u>
Income (loss) before contributions and transfers	(3,187,724)	990,788
Capital contributions	<u>2,700,055</u>	<u>1,238,619</u>
Change in net assets	<u>(487,669)</u>	<u>2,229,407</u>
Total net assets - beginning as previously reported	33,211,483	32,454,107
Prior period adjustment	<u>(269,707)</u>	<u>-</u>
Total net assets - beginning as restated	<u>32,941,776</u>	<u>32,454,107</u>
Total net assets - ending	<u>\$ 32,454,107</u>	<u>\$ 34,683,514</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, 2006 And 2007

	<u>2006</u>	<u>2007</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 5,819,592	\$ 5,805,113
Payments to suppliers and contractors	(2,080,357)	(2,802,905)
Payments to employees	(835,522)	(989,842)
Other receipts	<u>686,544</u>	<u>447,281</u>
Net cash provided by operating activities	<u>3,590,257</u>	<u>2,459,647</u>
Cash flows from noncapital financing activities:		
Other income	<u>-</u>	<u>10,346</u>
Net cash provided by noncapital financing activities	<u>-</u>	<u>10,346</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(1,840,845)	(738,611)
Principal paid on capital debt	(555,000)	(570,000)
Interest paid on capital debt	<u>(1,025,023)</u>	<u>(1,009,946)</u>
Net cash used by capital and related financing activities	<u>(3,420,868)</u>	<u>(2,318,557)</u>
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	3,016,452	-
Interest received	<u>469,997</u>	<u>486,384</u>
Net cash provided by investing activities	<u>3,486,449</u>	<u>486,384</u>
Net increase in cash and cash equivalents	3,655,838	637,820
Cash and cash equivalents, January 1	<u>6,821,188</u>	<u>10,477,026</u>
Cash and cash equivalents, December 31	<u>\$ 10,477,026</u>	<u>\$ 11,114,846</u>
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income	<u>\$ 2,162,069</u>	<u>\$ 1,523,795</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	1,144,199	1,255,888
(Increase) decrease in assets:		
Accounts receivable	(175,250)	20,846
Notes receivable	11,226	11,918
Allowance for uncollectible accounts	594,782	-
Prepaid items	(6,525)	2,342
Increase (decrease) in liabilities:		
Accounts payable	(147,476)	(357,012)
Accrued wages payable	4,191	(738)
Employee benefits payable	<u>3,041</u>	<u>2,608</u>
Total adjustments	<u>1,428,188</u>	<u>935,852</u>
Net cash provided by operating activities	<u>\$ 3,590,257</u>	<u>\$ 2,459,647</u>
Noncash investing, capital and financing activities:		
Purchase of equipment on account	\$ 623,836	\$ -

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.

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

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. The District had deposit balances in the amount of \$9,456,741 and \$11,114,846 at December 31, 2006 and 2007, respectively.

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, 2006 and 2007, the District had the following investments:

<u>Investment Type</u>	<u>December 31, 2006 Market Value</u>	<u>December 31, 2007 Market Value</u>
U.S. treasuries	\$ 1,020,285	\$ -

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.

WEST CENTRAL CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

The following investments held by the District were exposed to custodial credit risks because they are held by the counterparty, or the counterparty's trust department or agent, not in the government's name:

	December 31, 2006	December 31, 2007
<u>Investment Type</u>	<u>Market Value</u>	<u>Market Value</u>
U.S. treasuries	\$ 1,020,285	\$ -

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 must follow state statute and limit the stated final maturities of the investments to no more than two years. The District does not have a formal investment policy for interest rate risk for investments.

<u>Investment Type</u>	<u>Investment Maturities (in Years)</u>		
	<u>Less Than 1</u>	<u>1-2</u>	<u>More Than 2</u>
U.S. treasuries	\$ 1,020,285	\$ -	\$ -

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.

<u>Standard and Poor's Rating</u>	<u>Moody's Rating</u>	<u>Government Sponsored Enterprise</u>
Unrated	Unrated	\$ 1,020,285

3. Prepaid Items

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.

4. 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.

WEST CENTRAL CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

5. 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

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 years 2006 and 2007 was \$1,025,023 and \$1,014,946, respectively. Of those amounts, \$0 was included as part of the cost of capital assets under construction in connection with wastewater treatment plant expansion.

6. 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 days. Accumulated sick leave is not paid to employees.
- b. Vacation Leave – District employees earn vacation leave at rates from 5 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.

WEST CENTRAL CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

7. 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

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

B. Capital Assets

Capital asset activity for the year ended December 31, 2006 and 2007, was as follows:

<u>2006</u>	Beginning Balance <u>As Restated</u>	<u>Increases</u>	<u>Decreases</u>	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 524,971	\$ 407,335	\$ -	\$ 932,306
Construction in progress	6,619,282	1,548,920	8,168,202	-
	<u>7,144,253</u>	<u>1,956,255</u>	<u>8,168,202</u>	<u>932,306</u>
Total capital assets, not being depreciated				
Capital assets, being depreciated:				
Improvements other than buildings	37,747,617	11,210,158	5,811,663	43,146,112
Buildings	933,680	89,075	-	1,022,755
Machinery and equipment	160,659	7,294	70,506	97,447
Transportation equipment	443,406	70,160	-	513,566
	<u>39,285,362</u>	<u>11,376,687</u>	<u>5,882,169</u>	<u>44,779,880</u>
Totals				
Less accumulated depreciation for:				
Improvements other than buildings	4,828,579	1,041,830	1,043,493	4,826,916
Buildings	210,039	29,854	58,688	181,205
Machinery and equipment	56,949	14,225	-	71,174
Transportation equipment	138,393	58,290	-	196,683
	<u>5,233,960</u>	<u>1,144,199</u>	<u>1,102,181</u>	<u>5,275,978</u>
Totals				
Total capital assets, being depreciated, net	<u>34,051,402</u>	<u>10,232,488</u>	<u>4,779,988</u>	<u>39,503,902</u>
Total capital assets, net	<u>\$ 41,195,655</u>	<u>\$ 12,188,743</u>	<u>\$ 12,948,190</u>	<u>\$ 40,436,208</u>

WEST CENTRAL CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

<u>2007</u>	Beginning Balance			Ending Balance
	As Restated	Increases	Decreases	
Capital assets, not being depreciated:				
Land	\$ 932,306	\$ -	\$ -	\$ 932,306
Construction in progress	-	364,438	40,312	324,126
	<u>932,306</u>	<u>364,438</u>	<u>40,312</u>	<u>1,256,432</u>
Total capital assets, not being depreciated				
Capital assets, being depreciated:				
Improvements other than buildings	43,214,378	1,483,560	-	44,697,938
Buildings	954,489	9,990	-	964,479
Machinery and equipment	97,447	50,081	-	147,528
Transportation equipment	513,566	109,473	-	623,039
	<u>44,779,880</u>	<u>1,653,104</u>	<u>-</u>	<u>46,432,984</u>
Totals				
Less accumulated depreciation for:				
Improvements other than buildings	4,826,916	1,140,099	-	5,967,015
Buildings	181,205	31,561	-	212,766
Machinery and equipment	71,174	13,012	-	84,186
Transportation equipment	196,683	71,216	-	267,899
	<u>5,275,978</u>	<u>1,255,888</u>	<u>-</u>	<u>6,531,866</u>
Totals				
Total capital assets, being depreciated, net	<u>39,503,902</u>	<u>397,216</u>	<u>-</u>	<u>39,901,118</u>
Total capital assets, net	<u>\$ 40,436,208</u>	<u>\$ 761,654</u>	<u>\$ 40,312</u>	<u>\$ 41,157,550</u>

C. Construction Commitments

Construction work in progress is composed of the following:

Project	Total Project Authorized	Expended to December 31, 2007	Committed	Required Future Funding
Treatment plant expansion	\$ 10,141	\$ 10,141	\$ -	\$ -
Dan Jones Roundabout	348,872	313,985	-	34,887
	<u>\$ 359,013</u>	<u>\$ 324,126</u>	<u>\$ -</u>	<u>\$ 34,887</u>
Totals				

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:

Purpose	Interest Rates	Amount
Wastewater treatment plant expansion	2.1% to 5.6%	<u>\$ 18,885,000</u>

Revenue bonds debt service requirements to maturity are as follows:

Year Ended December 31	Principal	Interest
2008	\$ 595,000	\$ 986,722
2009	615,000	961,502
2010	645,000	934,153
2011	675,000	904,542
2012	710,000	872,837
2013-2017	4,105,000	3,798,245
2018-2022	5,330,000	2,578,110
2023-2027	<u>6,210,000</u>	<u>901,217</u>
Totals	<u>\$ 18,885,000</u>	<u>\$ 11,937,328</u>

2. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2006 and 2007, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds payable:					
2006	<u>\$ 20,005,000</u>	<u>\$ -</u>	<u>\$ 555,000</u>	<u>\$ 19,450,000</u>	<u>\$ 570,000</u>
2007	<u>\$ 19,450,000</u>	<u>\$ -</u>	<u>\$ 565,000</u>	<u>\$ 18,885,000</u>	<u>\$ 595,000</u>

WEST CENTRAL CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

E. Restatements

For the year ended December 31, 2006, certain changes have been made to the financial statements to more appropriately reflect financial activity of the District. Prior period adjustments represent an adjustment to accumulated depreciation to agree with actual detail of depreciated capital assets. Additionally, certain capital assets were reclassified to more appropriately fit the type of capital asset; however, the total remained the same.

	Balance as Reported December 31, 2005	Prior Period Adjustments	Balance as Restated January 1, 2006
Accumulated Depreciation	\$ 4,964,253	\$ 269,707	\$ 5,233,960
Net Assets	33,211,483	(269,707)	32,941,776

For the year ended December 31, 2007, reclassification was made to certain capital asset categories to more appropriately reflect the type of asset.

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 3 years. There were no significant reductions in insurance by major category of risk.

B. Subsequent Events

On May 5, 2008, the District settled a lawsuit out of court for an outstanding customer receivable balance. GPI at Danville Crossing, L.P., an apartment complex located within the boundaries of the District, owed a balance of \$10,287,037 on December 31, 2006, and \$29,439,048 on December 31, 2007, as calculated by the District. The District's policy was to charge a 10% penalty on the entire outstanding balance each month. The policy was challenged in court. The Circuit Court found for the District, but in appeal, the Circuit Court decision was reversed. Indiana Code 36-9-23-31 states: "A penalty of ten percent (10%) of the amount of the fees attaches to the delinquent fees." The District therefore settled the outstanding amount for \$602,000 in fees, \$60,000 in penalties and \$63,000 in attorney's fees. The penalties charged in 2006 and 2007 were removed from the books and, therefore, have not been reported.

WEST CENTRAL CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. 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.

D. 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 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. The District's annual pension cost and related information, as provided by the actuary, is presented in this note.

WEST CENTRAL CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 28,674
Interest on net pension obligation	(3,896)
Adjustment to annual required contribution	4,440
Annual pension cost	29,218
Contributions made	34,133
Increase (decrease) in net pension obligation	(4,915)
Net pension obligation, beginning of year	(53,738)
Net pension obligation, end of year	\$ (58,653)
Contribution rates:	
District	5.25%
Plan members	3%
Actuarial valuation date	07-01-07
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%

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-05	\$ 9,175	230%	\$ (45,485)
	06-30-06	19,838	142%	(53,738)
	06-30-07	29,218	117%	(58,653)

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)
07-01-05	\$ 72,029	\$ 103,427	\$ (31,398)	70%	\$ 344,239	(9%)
07-01-06	105,164	143,740	(38,576)	73%	462,896	(8%)
07-01-07	144,622	193,759	(49,137)	75%	601,311	(8%)

WEST CENTRAL CONSERVANCY DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on October 22, 2008, with Alan Hux, Attorney; Karl Buetow, President of the Board of Directors; and Debbie Sillery, Assistant District Manager. Our audit disclosed no material items that warrant comment at this time.