

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

EXAMINATION REPORT  
OF

EASTERN BARTHOLOMEW  
REGIONAL SEWER DISTRICT  
BARTHOLOMEW COUNTY, INDIANA

January 1, 2006 to December 31, 2007



**FILED**  
01/13/2009



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 Changes in Fund Net Assets .....	5
Statement of Cash Flows .....	6
Notes to Financial Statements .....	7-12
Exit Conference.....	13

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Jon Gerhing	01-01-06 to 12-31-08
Chairman of the Board	Ted Ogle	01-01-06 to 12-31-08



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE EASTERN BARTHOLOMEW REGIONAL  
SEWER DISTRICT, BARTHOLOMEW COUNTY, INDIANA

We have examined the accompanying financial statements of the business-type activities of the Eastern Bartholomew Regional Sewer 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 examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information 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, 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 the Management 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

December 10, 2008

EASTERN BATHOLOMEW REGIONAL SEWER DISTRICT  
STATEMENT OF NET ASSETS  
December 31, 2006 And 2007

	2006	2007
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 161,259	\$ 208,964
Interest receivable	2,202	1,148
Accounts receivable (net of allowance)	85,152	84,314
Notes receivable	130,118	125,013
Prepaid items	933	1,381
Total current assets	379,664	420,820
Noncurrent assets:		
Restricted cash, cash equivalents and investments:		
Improvement cash and investments	169,590	185,742
Bond and interest cash and investments	21,383	71,181
Construction cash and investments	73,327	-
Reserve cash and investments	117,600	117,600
Total restricted assets:	381,900	374,523
Deferred charges	23,936	22,248
Capital assets:		
Land, improvements to land and construction in progress	68,833	68,833
Other capital assets (net of accumulated depreciation)	2,435,401	2,424,257
Total capital assets	2,504,234	2,493,090
Total noncurrent assets	2,910,070	2,889,861
Total assets	3,289,734	3,310,681
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	1,300	7,689
Current liabilities payable from restricted assets:		
Revenue bonds payable	16,000	47,000
Accrued interest payable	4,111	24,181
Total current liabilities	21,411	78,870
Noncurrent liabilities:		
Revenue bonds payable (net of deferred amount on refunding)	1,084,162	1,037,652
Total liabilities	1,105,573	1,116,522
Assets - liabilities	2,184,161	2,194,159
<u>Net Assets</u>		
Invested in capital assets, net of related debt	1,404,072	1,408,438
Restricted for debt service	138,983	188,781
Restricted for other purposes	242,917	185,742
Unrestricted	398,189	411,198
Total net assets	\$ 2,184,161	\$ 2,194,159

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

EASTERN BATHOLOMEW REGIONAL SEWER 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:		
Flat rate revenues		
Residential	\$ 12,892	\$ 14,719
Commercial	39,478	42,485
Measured revenue:		
Residential	252,825	270,510
Institutional	3,570	3,953
Penalties	7,877	5,984
Other	<u>3,980</u>	<u>2,606</u>
 Total operating revenues	 <u>320,622</u>	 <u>340,257</u>
 Operating expenses:		
Purchased power	12,181	9,506
Purchased wastewater treatment	100,238	156,657
Sludge removal	3,180	7,205
Materials and supplies	2,460	2,418
Contractual services	54,068	61,277
Insurance expense	2,176	1,758
Bad debt expense	4,202	1,654
Depreciation and amortization	56,580	69,661
Miscellaneous expenses	<u>1,855</u>	<u>2,352</u>
 Total operating expenses	 <u>236,940</u>	 <u>312,488</u>
 Operating income	 <u>83,682</u>	 <u>27,769</u>
 Nonoperating revenues (expenses):		
Interest and investment revenue	48,043	32,769
Interest expense	(53,685)	(48,852)
Amortization of bond issue costs	(1,688)	(1,688)
Loss on disposal of assets	<u>(150)</u>	<u>-</u>
 Total nonoperating expenses	 <u>(7,480)</u>	 <u>(17,771)</u>
 Income before contributions and transfers	 76,202	 9,998
 Capital contributions	 <u>157,950</u>	 <u>-</u>
 Change in net assets	 234,152	 9,998
 Total net assets - beginning	 <u>1,950,009</u>	 <u>2,184,161</u>
 Total net assets - ending	 <u>\$ 2,184,161</u>	 <u>\$ 2,194,159</u>

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

EASTERN BATHOLOMEW REGIONAL SEWER DISTRICT  
STATEMENT OF CASH FLOWS  
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	\$ 310,488	\$ 341,095
Payments to suppliers and contractors	<u>(185,013)</u>	<u>(236,160)</u>
Net cash provided by operating activities	<u>125,475</u>	<u>104,935</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(709,712)	(59,243)
Principal paid on capital debt	(45,000)	(16,000)
Interest paid on capital debt	(53,431)	(28,292)
Other nonoperating receipts	<u>36,590</u>	<u>11,166</u>
Net cash used by capital and related financing activities	<u>(771,553)</u>	<u>(92,369)</u>
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	5,179,201	2,900,523
Purchase of investments	(4,937,955)	(2,774,481)
Interest received	<u>44,593</u>	<u>27,762</u>
Net cash provided by investing activities	<u>285,839</u>	<u>153,804</u>
Net increase (decrease) in cash and cash equivalents	(360,239)	166,370
Cash and cash equivalents, January 1	<u>777,356</u>	<u>417,117</u>
Cash and cash equivalents, December 31	<u>\$ 417,117</u>	<u>\$ 583,487</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	<u>\$ 83,682</u>	<u>\$ 27,769</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	56,580	69,661
(Increase) decrease in assets:		
Accounts receivable	(10,134)	838
Prepaid items	310	(448)
Increase (decrease) in liabilities:		
Accounts payable	<u>(4,963)</u>	<u>7,115</u>
Total adjustments	<u>41,793</u>	<u>77,166</u>
Net cash provided by operating activities	<u>\$ 125,475</u>	<u>\$ 104,935</u>
Noncash investing, capital and financing activities:		
Contributions by promissory notes	\$ 157,950	\$ -
Purchase of equipment on account	726	-

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

EASTERN BARTHOLOMEW REGIONAL SEWER 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 Utility Service Board form of government and provides wastewater treatment service.

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, demand deposits, and similar nonparticipating negotiable instruments that are not reported as cash and cash equivalents are reported as investments at cost.

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.

EASTERN BARTHOLOMEW REGIONAL SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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 their use is limited by applicable bond covenants.

4. Capital Assets

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

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

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Buildings and improvements	\$ 500	Straight-line	20 to 75 years
Equipment	500	Straight-line	20 to 75 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 \$53,685 and \$48,852, respectively. None of these amounts were included as part of the cost of capital assets under construction.

5. 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.

EASTERN BARTHOLOMEW REGIONAL SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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 years ended December 31, 2006 and 2007, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
2006:				
Capital assets, not being depreciated:				
Land	\$ 68,833	\$ -	\$ -	\$ 68,833
Construction in progress	65,260	709,712	774,972	-
				-
Total capital assets, not being depreciated	<u>134,093</u>	<u>709,712</u>	<u>774,972</u>	<u>68,833</u>
Capital assets, being depreciated:				
Buildings and structures	2,016,255	615,373	-	2,631,628
Machinery and equipment	512,906	160,325	3,000	670,231
Totals	<u>2,529,161</u>	<u>775,698</u>	<u>3,000</u>	<u>3,301,859</u>
Less accumulated depreciation for:				
Buildings and structures	454,907	37,735		492,642
Machinery and equipment	357,821	18,845	2,850	373,816
Totals	<u>812,728</u>	<u>56,580</u>	<u>2,850</u>	<u>866,458</u>
Total capital assets, being depreciated, net	<u>1,716,433</u>	<u>719,118</u>	<u>150</u>	<u>2,435,401</u>
Total capital assets, net	<u>\$ 1,850,526</u>	<u>\$ 1,428,830</u>	<u>\$ 775,122</u>	<u>\$ 2,504,234</u>
2007:				
Capital assets, not being depreciated:				
Land	\$ 68,833	\$ -	\$ -	\$ 68,833
Construction in progress	-	17,492	17,492	-
Total capital assets, not being depreciated	<u>68,833</u>	<u>17,492</u>	<u>17,492</u>	<u>68,833</u>

EASTERN BARTHOLOMEW REGIONAL SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
2007 (continued):				
Capital assets, being depreciated:				
Buildings and structures	2,631,628	44,293	-	2,675,921
Machinery and equipment	670,231	14,224	-	684,455
Totals	3,301,859	58,517	-	3,360,376
Less accumulated depreciation for:				
Buildings and structures	492,642	45,464	-	538,106
Machinery and equipment	373,816	24,197	-	398,013
Totals	866,458	69,661	-	936,119
Total capital assets, being depreciated, net	2,435,401	(11,144)	-	2,424,257
Total capital assets, net	\$ 2,504,234	\$ 6,348	\$ 17,492	\$ 2,493,090

C. 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
2004 Sewage refunding bond	3.15% to 4.75%	\$ 245,000
2005 Eastern bond	4.81%	577,600
2005 Hamor Heights bond	4.81%	267,400
Total		\$ 1,090,000

EASTERN BARTHOLOMEW REGIONAL SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Revenue bonds debt service requirements to maturity at December 31, 2007, are as follows:

Year Ended December 31	Principal	Interest
2008	\$ 47,000	\$ 47,373
2009	47,000	45,394
2010	53,000	44,292
2011	53,000	42,961
2012	54,000	40,501
2013-2017	322,000	160,758
2018-2022	319,000	82,919
2023-2025	195,000	14,550
Totals	<u>\$ 1,090,000</u>	<u>\$ 478,748</u>

2. Advance Refunding

In prior years, the District defeased certain revenue and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments of the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. The following outstanding bonds, at December 31, 2007, were considered defeased:

Amount
<u>\$ 245,000</u>

3. Changes in Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2006:					
Revenue bonds payable:					
Wastewater Utility	\$ 1,151,000	\$ -	\$ 45,000	\$ 1,106,000	\$ 16,000
Less deferred amount on refunding	(6,328)	-	(490)	(5,838)	-
Total revenue bonds payable	<u>\$ 1,144,672</u>	<u>\$ -</u>	<u>\$ 44,510</u>	<u>\$ 1,100,162</u>	<u>\$ 16,000</u>

EASTERN BARTHOLOMEW REGIONAL SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
2007:					
Revenue bonds payable:					
Wastewater Utility	\$ 1,106,000	\$ -	\$ 16,000	\$ 1,090,000	\$ 47,000
Less deferred amount on refunding	<u>(5,838)</u>	<u>-</u>	<u>(490)</u>	<u>(5,348)</u>	<u>-</u>
Total revenue bonds payable	<u>\$ 1,100,162</u>	<u>\$ -</u>	<u>\$ 15,510</u>	<u>\$ 1,084,652</u>	<u>\$ 47,000</u>

D. Restricted Assets

The balances of restricted asset accounts in the enterprise funds at December 31, 2007, are as follows:

Improvement account	\$ 185,742
Bond and interest account	71,181
Reserve account	<u>117,600</u>
 Total restricted assets	 <u>\$ 374,523</u>

III. Other Information

A. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; 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

B. Subsequent Events

Eastern Bartholomew Regional Sewer District (EBRSD) is in discussions with Columbus City Utilities (CCU) to merge the two utilities. CCU currently treats all the waste collected by EBRSD. Upon approval of all interested parties the merger will take effect December 31, 2008. The EBRSD Board will be dissolved and all assets transferred to CCU.

C. Rate Structure

Wastewater Utility

The current rate structure was approved by the District on November 17, 2003. The Utility had 470 customers at December 31, 2007.

EASTERN BARTHOLOMEW REGIONAL SEWER DISTRICT  
EXIT CONFERENCE

The contents of this report were discussed on December 10, 2008, with Dale Langferman, Finance and Business Manager. Our examination disclosed no material items that warrant comment at this time.