

**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, 2008 to January 31, 2009



**FILED**  
12/31/2009



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Jon Gerhing	01-01-08 to 01-31-09
President of the Utility Service Board	Ted Ogle	01-01-08 to 01-31-09



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'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 year ended December 31, 2008, and period ended January 31, 2009. 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.

We conducted our examination 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 present fairly, in all material respects, the financial position of the business-type activities of the District as of December 31, 2008, and January 31, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and for the periods then ended, in conformity with accounting principles generally accepted in the United States of America.

The District has not presented the 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

December 9, 2009

EASTERN BARTHOLOMEW REGIONAL SEWAGE DISTRICT  
STATEMENT OF NET ASSETS  
December 31, 2008 And January 31, 2009

	2008	2009
<u>Assets</u>		
Current assets:		
Accounts receivable (net of allowance of \$7,500)	\$ 42,007	\$ -
Notes receivable	114,313	-
Total current assets	156,320	-
Noncurrent assets:		
Deferred charges	10,043	-
Capital assets:		
Land, improvements to land and construction in progress	68,833	-
Other capital assets (net of accumulated depreciation)	2,407,187	-
Total capital assets	2,476,020	-
Total noncurrent assets	2,486,063	-
Total assets	2,642,383	-
<u>Liabilities</u>		
Noncurrent liabilities:		
Revenue bonds payable	785,000	-
<u>Net Assets</u>		
Invested in capital assets, net of related debt	1,691,020	-
Unrestricted	166,363	-
Total net assets	\$ 1,857,383	\$ -

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

EASTERN BARTHOLOMEW REGIONAL SEWAGE DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND OTHER CHANGES IN FUND NET ASSETS  
As Of And For The Year Ended December 31, 2008 And Period Ended January 31, 2009

	<u>2008</u>	<u>2009</u>
Operating revenues:		
Measured revenue:		
Residential	255,929	-
Commercial	32,284	-
Institutional	3,803	-
Penalties	4,898	-
New customer tap fees	3,745	-
Other	<u>9,078</u>	<u>-</u>
Total operating revenues	<u>309,737</u>	<u>-</u>
Operating expenses:		
Collection system - operations and maintenance	5,477	-
Pumping - operations and maintenance	1,777	-
Customer accounts	2,686	-
Purchased power	10,530	-
Purchased wastewater treatment	154,059	-
Sludge removal	6,200	-
Contractual services	53,730	-
Insurance expense	3,318	-
Bad debt expense	964	-
Depreciation and amortization	56,549	-
Miscellaneous expenses	<u>677</u>	<u>-</u>
Total operating expenses	<u>295,967</u>	<u>-</u>
Operating income	<u>13,770</u>	<u>-</u>
Nonoperating revenues (expenses):		
Interest and investment revenue	18,777	-
Interest expense	(92,325)	-
Miscellaneous expense	<u>(276,998)</u>	<u>-</u>
Total nonoperating expenses	<u>(350,546)</u>	<u>-</u>
Loss before special and extraordinary items	(336,776)	-
Special and extraordinary item:		
Transfer to Columbus Utilities (Note III.C.)	<u>-</u>	<u>(1,857,383)</u>
Change in net assets	(336,776)	(1,857,383)
Total net assets - beginning	<u>2,194,159</u>	<u>1,857,383</u>
Total net assets - ending	<u>\$ 1,857,383</u>	<u>\$ -</u>

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

EASTERN BARTHOLOMEW REGIONAL SEWAGE DISTRICT  
STATEMENT OF CASH FLOWS  
ENTERPRISE FUNDS  
As Of And For The Year Ended December 31, 2008

	2008
Cash flows from operating activities:	
Receipts from customers and users	\$ 362,744
Payments to suppliers and contractors	(245,726)
Net cash provided by operating activities	117,018
Cash flows from noncapital financing activities:	
Transfer to City of Columbus	(482,140)
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(39,479)
Principal paid on capital debt	(94,510)
Interest paid on capital debt	(104,301)
Net cash used by capital and related financing activities	(238,290)
Cash flows from investing activities:	
Interest received	19,925
Net decrease in cash and cash equivalents	(583,487)
Cash and cash equivalents, January 1, 2008	583,487
Cash and cash equivalents, December 31, 2008	\$ -
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 13,770
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	56,549
Decrease in assets:	
Accounts receivable	53,007
Prepaid items	1,381
Decrease in liability:	
Accounts payable	(7,689)
Total adjustments	103,248
Net cash provided by operating activities	\$ 117,018

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 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 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. 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 current year was \$92,325. None of these amounts were included as part of the cost of capital assets under construction.

3. 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 IC 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.

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

B. Capital Assets

Capital asset activity for the year ended December 31, 2008, and the period ended January 31, 2009, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
2008:				
Capital assets, not being depreciated:				
Land	\$ 68,833	\$ -	\$ -	\$ 68,833
Capital assets, being depreciated:				
Buildings and structures	2,675,921	33,602	-	2,709,523
Machinery and equipment	684,455	5,877	-	690,332
Totals	<u>3,360,376</u>	<u>39,479</u>	<u>-</u>	<u>3,399,855</u>
Less accumulated depreciation for:				
Buildings and structures	538,106	37,700	-	575,806
Machinery and equipment	398,013	18,849	-	416,862
Totals	<u>936,119</u>	<u>56,549</u>	<u>-</u>	<u>992,668</u>
Total capital assets, being depreciated, net	<u>2,424,257</u>	<u>(17,070)</u>	<u>-</u>	<u>2,407,187</u>
Total capital assets, net	<u>\$ 2,493,090</u>	<u>\$ (17,070)</u>	<u>\$ -</u>	<u>\$ 2,476,020</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Transferred to Columbus Utilities</u>	<u>Ending Balance</u>
2009:				
Capital assets, not being depreciated:				
Land	\$ 68,833	\$ -	\$ 68,833	\$ -
Capital assets, being depreciated:				
Buildings and structures	2,709,523	-	2,709,523	-
Machinery and equipment	690,332	-	690,332	-
Totals	<u>3,399,855</u>	<u>-</u>	<u>3,399,855</u>	<u>-</u>
Less accumulated depreciation for:				
Buildings and structures	575,806	-	575,806	-
Machinery and equipment	416,862	-	416,862	-
Totals	<u>992,668</u>	<u>-</u>	<u>992,668</u>	<u>-</u>
Total capital assets, being depreciated, net	<u>2,407,187</u>	<u>-</u>	<u>2,407,187</u>	<u>-</u>
Total capital assets, net	<u>\$ 2,476,020</u>	<u>\$ -</u>	<u>\$ 2,476,020</u>	<u>\$ -</u>

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

C. Long-Term Liabilities

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2008, and the period ended January 31, 2009, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Transferred to Columbus Utilities</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
2008:						
Revenue bonds payable:						
Wastewater Utility	\$ 1,090,000	\$ -	\$ 95,000	\$ 210,000	\$ 785,000	\$ -
Less deferred amount	(5,348)	-	(490)	(4,858)	-	-
Total long-term liabilities	<u>\$ 1,084,652</u>	<u>\$ -</u>	<u>\$ 94,510</u>	<u>\$ 205,142</u>	<u>\$ 785,000</u>	<u>\$ -</u>

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Transferred to Columbus Utilities</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
2009:						
Revenue bonds payable:						
Wastewater Utility	\$ 785,000	\$ -	\$ -	\$ 785,000	\$ -	\$ -
Less deferred amount	-	-	-	-	-	-
Total long-term liabilities	<u>\$ 785,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 785,000</u>	<u>\$ -</u>	<u>\$ -</u>

III. Other Information

A. Risk Management

The District was 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; and natural disasters were 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. Rate Structure

Wastewater Utility

The examination period rate structure was approved by the District Board on November 17, 2003.

C. Special or Extraordinary Items

The District transferred \$270,803 in cash balances to the City of Columbus Wastewater Utility on December 31, 2008. The District also disbursed \$239,723 to pay off the 2004 Refunding Bond. The District transferred \$1,857,383 in net assets on January 30, 2009, to close out all of the general ledger accounts.

EASTERN BARTHOLOMEW REGIONAL SEWER DISTRICT  
EXIT CONFERENCE

The contents of this report were discussed on December 9, 2009, with Dale Langferman, Contracted Manager. Our examination disclosed no material items that warrant comment at this time.