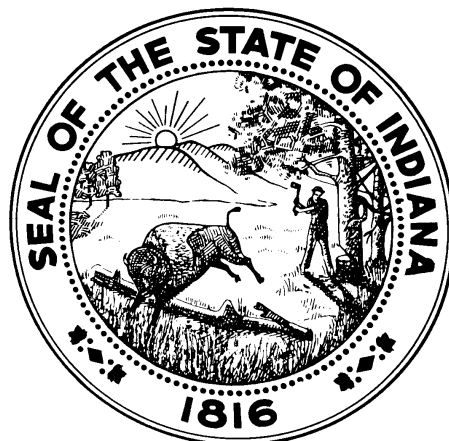


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

AUDIT REPORT
OF

WATER, WASTEWATER, STORM WATER,
AND ELECTRIC UTILITIES
TOWN OF BARGERSVILLE
JOHNSON COUNTY, INDIANA

January 1, 2005 to December 31, 2006



FILED
12/20/2007

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Gayle Allard (Vacant) Amy Carson	01-01-05 to 06-02-06 06-03-06 to 06-28-06 06-29-06 to 12-31-07
President of the Town Council	Laura Lowe	01-01-05 to 12-31-07
Superintendent of Utilities	Jeff Raufeisen	01-01-05 to 12-31-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE WATER, WASTEWATER, STORM WATER, AND ELECTRIC UTILITIES, TOWN OF BARGERSVILLE, JOHNSON COUNTY, INDIANA

We have audited the accompanying financial statements of the business-type activities of the Water, Wastewater, Storm Water, and Electric Utilities (Utilities), a departments of the Town of Bargersville, as of and for the years ended December 31, 2005 and 2006. These financial statements are the responsibility of the Utilities' management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as described below, 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.

As discussed in Note I, the financial statements of the Water, Wastewater, Storm Water, and Electric Utilities, Town of Bargersville, are intended to present the financial position, and the changes in financial position and cash flows of only that portion of the business-type activities of the Town that is attributable to the transactions of the Utilities. They do not purport to, and do not, present fairly the financial position of the Town of Bargersville, as of December 31, 2005 and 2006, and the changes in its financial position and its cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Water, Wastewater, Storm Water, and Electric Utilities did not maintain sufficient capital asset records. Due to the lack of supporting documentation, capital asset valuation cannot be verified. As the capital assets constitute the major portion of the Statement of Net Assets, any uncertainty concerning capital assets similarly affects the Statement of Net Assets.

In our opinion, except for the effects, if any, of the deficiency in capital assets records discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities for the Water, Wastewater, Storm Water, and Electric Utilities, as of December 31, 2005 and 2006, and the respective changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Town 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

September 20, 2007

WATER, WASTEWATER, STORM WATER,
AND ELECTRIC UTILITIES
TOWN OF BARGERSVILLE
STATEMENT OF NET ASSETS
December 31, 2005 And 2006

Assets	2005				2006			
	Water	Wastewater	Storm Water	Electric	Water	Wastewater	Storm Water	Electric
Current assets:								
Operating cash and cash equivalents	\$ 421,851	\$ 62,913	\$ 5,168	\$ 226,390	\$ 439,021	\$ 76,015	\$ 5,168	\$ 403,264
Utility holding fund cash	1,508	-	-	-	1,417	-	-	-
Operating investments	-	-	-	309,200	-	-	-	219,227
Availability cash	-	140,476	-	-	-	265,332	-	-
Connection fee	2,180	-	-	-	2,180	-	-	-
Accounts receivable - customer	320,660	80,361	28,112	426,931	320,604	95,269	21,506	456,987
Accounts receivable - other	598	385	-	16,086	1,008	517	22	18,228
Interest receivable	-	-	-	1,050	-	-	-	-
Inventory - materials and supplies	68,906	1,304	62	191,090	134,132	1,553	-	171,804
Prepaid expense	23,040	2,160	-	10,800	26,880	2,160	-	12,480
Due from other funds	30	-	-	1,235	30	-	-	1,235
Total current assets	838,773	287,599	33,342	1,182,782	925,272	440,846	26,696	1,283,225
Restricted assets:								
Depreciation cash and cash equivalents	626,925	180,542	173,440	98,102	781,514	348,738	289,192	218,899
Depreciation investments	162,086	113,620	-	104,600	143,336	-	-	109,614
Bond and interest cash and cash equivalents	72,425	32,393	103,488	-	71,224	33,063	63,213	-
Reserve fund cash and cash equivalents	-	1,955	10,872	-	-	101,455	21,745	-
Reserve fund investments	602,071	99,500	-	-	892,678	-	-	-
Assessment deposits cash	-	240,882	-	-	-	181,684	-	-
Assessment deposits investments	-	83,680	-	-	-	87,691	-	-
Availability cash	-	641,375	-	-	-	777,875	-	-
Inspector fees cash	-	61,156	-	-	-	-	-	-
Force main fee cash	-	189,520	-	-	-	151,608	-	-
Developer deposits cash	-	-	-	143,792	-	-	-	267,109
Developer deposits investments	-	-	-	225,000	-	-	-	-
Customer deposits cash and cash equivalents	13,030	-	-	18,151	16,856	-	-	19,286
Customer deposits investments	20,000	-	-	38,000	20,000	-	-	38,000
Construction cash and cash equivalents	4,174,722	-	1,409	-	1,056,465	6,216,509	-	-
System development charge cash and cash equivalents	461,732	-	-	-	367,852	-	-	-
System development charge investments	-	-	-	-	400,000	-	-	-
Water tank investments	253,989	-	-	-	323,167	-	-	-
Ditch tax cash and cash equivalents	-	-	7,515	-	-	-	9,519	-
Interest receivable	438	601	-	1,467	16,208	677	-	2,074
Total restricted assets	6,387,418	1,645,224	296,724	629,112	4,089,300	7,899,300	383,669	654,982
Deferred debits:								
Unamortized bond issuance costs	413,990	11,760	-	-	382,482	93,574	-	-
Capital assets:								
Land, improvements to land and construction in progress	817,271	270,846	2,344,141	69,869	3,397,324	401,700	1,545	23,452
Other capital assets (net of accumulated depreciation)	21,757,815	5,249,688	164,626	2,533,313	22,523,922	10,133,945	2,831,407	2,771,522
Total capital assets	22,575,086	5,520,534	2,508,767	2,603,182	25,921,246	10,535,645	2,832,952	2,794,974
Total noncurrent assets	29,376,494	7,177,518	2,805,491	3,232,294	30,393,028	18,528,519	3,216,621	3,449,956
Total assets	30,215,267	7,465,117	2,838,833	4,415,076	31,318,300	18,969,365	3,243,317	4,733,181

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

WATER, WASTEWATER, STORM WATER,
AND ELECTRIC UTILITIES
TOWN OF BARGERSVILLE
STATEMENT OF NET ASSETS
December 31, 2005 And 2006
(Continued)

Liabilities	2005				2006			
	Water	Wastewater	Storm Water	Electric	Water	Wastewater	Storm Water	Electric
Current liabilities:								
Accounts payable	434,127	33,350	50	218,083	66,202	31,465	5,972	230,482
Accrued payroll and withholdings payable	28,330	3,016	-	14,565	35,419	3,170	-	15,631
Payroll taxes payable	2,132	227	-	1,097	2,672	237	-	1,178
Sales taxes payable	16,319	10	-	14,741	16,182	10	-	16,323
Capital lease obligations	13,892	-	-	37,194	4,280	-	-	29,140
Due to other funds	1,235	30	-	-	1,235	30	-	-
Matured unpaid bonds and coupons	137	7,000	-	-	137	7,000	-	-
Customer deposits	32,791	-	-	55,786	36,856	-	-	57,286
Connection line payable	2,180	-	-	-	2,180	-	-	-
Assessment deposits payable	-	-	-	-	-	-	-	-
Inspector fees payable	-	59,900	-	-	-	55,021	-	-
Bond reserve payable	-	1,955	-	-	-	1,955	-	-
Developer deposits payable	-	-	-	308,070	-	-	-	247,876
Unearned revenue	-	-	-	58,000	-	-	-	19,200
Interest payable	36,069	7,125	17,827	188	33,306	6,250	43,951	-
Loan payable (due within one year)	-	-	18,000	-	-	-	-	-
Notes payable	-	-	-	-	-	6,300,000	-	-
Revenue bonds payable (due within one year)	440,000	70,000	-	-	455,000	75,000	19,000	-
Total current liabilities	1,007,212	182,613	35,877	707,724	653,469	6,480,138	68,923	617,116
Noncurrent liabilities:								
Revenue bonds payable (net of unamortized discounts and deferred amount on refunding)	10,396,227	470,180	-	-	9,958,174	399,440	-	-
Capital lease obligations	13,429	-	-	98,916	9,149	-	-	69,777
Loans payable	-	-	1,651,000	-	-	-	1,946,000	-
Compensated absences payable	-	-	-	-	-	-	-	-
Total noncurrent liabilities	10,409,656	470,180	1,651,000	98,916	9,967,323	399,440	1,946,000	69,777
Total liabilities	11,416,868	652,793	1,686,877	806,640	10,620,792	6,879,578	2,014,923	686,893
Net Assets								
Invested in capital assets, net of related debt	11,738,860	4,980,354	839,767	2,603,182	15,508,162	10,061,205	867,953	2,794,975
Restricted for depreciation	789,011	294,162	173,440	202,702	924,850	348,738	289,192	328,513
Restricted for bond and interest	72,425	32,393	103,488	-	71,224	33,063	63,213	-
Restricted for debt service reserves	602,071	101,455	10,872	-	892,678	101,455	21,745	-
Restricted for assessment deposits	-	324,562	-	-	-	269,375	-	-
Restricted for availability fees	-	641,375	-	-	-	777,875	-	-
Restricted for inspector fees	-	61,156	-	-	-	-	-	-
Restricted for force main fees	-	189,520	-	-	-	151,608	-	-
Restricted for developer deposits	-	-	-	368,792	-	-	-	267,109
Restricted for customer deposits	33,030	-	-	56,151	36,856	-	-	57,286
Restricted for construction	4,174,722	-	1,409	-	1,056,465	6,216,509	-	-
Restricted for system development charges	461,732	-	-	-	767,852	-	-	-
Restricted for water tank	253,989	-	-	-	323,167	-	-	-
Restricted for ditch tax	-	-	7,515	-	-	-	9,519	-
Unrestricted	672,559	187,347	15,465	377,609	1,116,254	(5,870,041)	(23,228)	598,405
Total net assets	\$ 18,798,399	\$ 6,812,324	\$ 1,151,956	\$ 3,608,436	\$ 20,697,508	\$ 12,089,787	\$ 1,228,394	\$ 4,046,288

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

WATER, WASTEWATER, STORM WATER,
AND ELECTRIC UTILITIES
TOWN OF BARGERSVILLE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
As Of And For The Years Ended December 31, 2005 And 2006

	2005				2006			
	Water	Wastewater	Storm Water	Electric	Water	Wastewater	Storm Water	Electric
Operating revenues:								
Metered water revenue	\$ 2,980,458	\$ -	\$ -	\$ -	\$ 2,861,450	\$ -	\$ -	\$ -
Sewage service revenue	-	489,145	-	-	-	569,086	-	-
Residential sales	-	-	105,851	2,413,381	-	-	110,898	2,692,229
Commercial and industrial sales	-	-	56,763	1,305,170	-	-	57,453	1,395,391
Public street and highway lighting	-	-	-	55,132	-	-	-	57,250
Fire protection revenue	994,974	-	-	-	1,047,862	-	-	-
Penalties	29,416	14,514	3,768	29,490	29,614	17,475	4,143	35,240
Tap fees	286,441	45,000	-	-	254,546	32,750	-	-
System development charges	337,420	-	-	-	294,575	-	-	-
Assessment fees	-	508,515	-	-	-	472,927	-	-
Force main fees	-	102,145	-	-	-	79,883	-	-
Other	40,376	7,745	5,515	62,005	49,278	58,588	11,334	74,837
Total operating revenues	4,669,085	1,167,064	171,897	3,865,178	4,537,325	1,230,709	183,828	4,254,947
Operating expenses:								
Operations and maintenance	-	-	-	41,781	-	-	-	44,344
Customer accounts	-	-	-	22,137	-	-	-	17,168
Depreciation	469,687	251,277	3,360	171,035	542,805	265,056	3,360	188,569
Salaries and wages	1,086,596	121,118	706	508,832	1,141,306	131,585	-	560,858
Employee pensions and benefits	431,202	51,095	-	185,143	502,529	58,789	-	211,621
Purchased water	169,820	-	-	-	168,661	-	-	-
Purchased power	-	-	-	2,799,724	-	-	-	2,819,500
Purchased wastewater treatment	-	40,874	-	-	-	37,294	-	-
Sludge removal	-	34,312	-	-	-	62,436	-	-
Chemicals	355,637	12,855	-	-	314,755	11,923	-	-
Materials and supplies	196,523	29,751	1,088	28,397	221,236	44,867	1,521	31,848
Utilities	46,481	13,839	-	13,837	49,474	18,020	-	14,341
Contractual services	77,514	155,384	27,664	79,932	126,167	176,789	24,652	70,752
Rents	68,070	8,316	-	20,160	69,372	9,027	-	20,160
Transportation expenses	60,018	6,586	-	14,533	39,767	7,514	-	21,102
Insurance expense	80,918	7,454	-	40,724	81,556	5,757	-	34,958
Regulatory commission expenses	5,278	5,400	-	-	20,159	4,443	-	3,837
Bad debt expense	6,782	-	-	16,953	50	-	-	124
In lieu of taxes	7,300	-	-	3,473	7,300	-	-	8,200
Gross corporation tax	68,320	-	-	49,273	43,200	-	-	41,500
Amortization expense	20,038	1,680	-	-	31,508	1,681	-	-
Miscellaneous expenses	20,830	4,554	259	14,709	11,820	6,026	134	21,653
Total operating expenses	3,171,014	744,495	33,077	4,010,643	3,371,665	841,207	29,667	4,110,535
Operating income (loss)	1,498,071	422,569	138,820	(145,465)	1,165,660	389,502	154,161	144,412
Nonoperating revenues (expenses):								
Interest and investment revenue	64,222	34,390	4,218	29,467	253,183	68,314	7,073	50,313
Interest expense	(269,602)	(35,197)	(21,571)	(6,894)	(437,429)	(31,885)	(84,796)	(7,458)
Total nonoperating revenues (expenses)	(205,380)	(807)	(17,353)	22,573	(184,246)	36,429	(77,723)	42,855
Income (loss) before contributions and transfers	1,292,691	421,762	121,467	(122,892)	981,414	425,931	76,438	187,267
Capital contributions	1,056,640	304,119	500,000	116,987	917,695	4,851,532	-	250,585
Change in net assets	2,349,331	725,881	621,467	(5,905)	1,899,109	5,277,463	76,438	437,852
Total net assets - beginning, as previously reported	16,449,068	6,086,443	514,089	3,614,341	18,798,399	6,812,324	1,151,956	3,608,436
Prior period adjustment See Note III.C.)	-	-	16,400	-	-	-	-	-
Total net assets - beginning, as restated	16,449,068	6,086,443	530,489	3,614,341	18,798,399	6,812,324	1,151,956	3,608,436
Total net assets - ending	\$ 18,798,399	\$ 6,812,324	\$ 1,151,956	\$ 3,608,436	\$ 20,697,508	\$ 12,089,787	\$ 1,228,394	\$ 4,046,288

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

WATER, WASTEWATER, STORM WATER,
AND ELECTRIC UTILITIES
TOWN OF BARGERSVILLE
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
As Of And For The Years Ended December 31, 2005 And 2006

	2005				2006			
	Water	Wastewater	Storm Water	Electric	Water	Wastewater	Storm Water	Electric
Cash flows from operating activities:								
Receipts from customers and users	\$ 4,584,521	\$ 1,153,052	\$ 159,350	\$ 3,728,808	\$ 4,491,757	\$ 1,157,082	\$ 179,078	\$ 4,147,912
Payments to suppliers and contractors	(1,022,953)	(277,367)	(34,841)	(2,973,333)	(1,590,507)	(391,110)	(20,323)	(3,215,395)
Payments to employees	(1,515,772)	(171,735)	(706)	(691,747)	(1,636,343)	(190,210)	-	(771,331)
Interfund services provided (used)	99,729	64	-	208	-	-	-	-
Other receipts	40,376	7,745	5,515	62,005	49,278	58,587	11,334	74,837
Net cash provided by operating activities	2,185,901	711,759	129,318	125,941	1,314,185	634,349	170,089	236,023
Cash flows from capital and related financing activities:								
Proceeds from capital debt	6,505,000	-	1,669,000	-	-	6,216,506	314,000	-
Capital contributions	-	-	500,000	-	-	-	-	-
Acquisition and construction of capital assets	(1,952,137)	(157,907)	(2,244,942)	(132,463)	(2,971,270)	(428,635)	(327,545)	(129,776)
Principal paid on capital leases	(23,023)	-	-	(40,879)	(13,892)	-	-	(37,193)
Principal paid on capital debt	(1,595,984)	(65,000)	-	-	(440,000)	(70,000)	(18,000)	-
Interest paid on capital debt	(240,872)	(31,751)	(3,744)	(6,708)	(423,245)	(28,500)	(58,672)	(7,646)
Bond issue costs paid	(249,135)	-	-	-	-	-	-	-
Net cash provided (used) by capital and related financing activities	2,443,849	(254,658)	(79,686)	(180,050)	(3,848,407)	5,689,371	(90,217)	(174,615)
Cash flows from investing activities:								
Proceeds from sales and maturities of investments	245,990	213,150	-	363,000	38,750	213,120	-	363,000
Purchase of investments	(275,046)	(215,538)	-	(371,956)	(779,785)	(4,011)	-	(53,041)
Interest received	64,060	34,234	4,218	28,475	237,413	68,238	7,073	50,756
Net cash provided (used) by investing activities	35,004	31,846	4,218	19,519	(503,622)	277,347	7,073	360,715
Net increase in cash and cash equivalents	4,664,754	488,947	53,850	(34,590)	(3,037,844)	6,601,067	86,945	422,123
Cash and cash equivalents, January 1	1,109,619	1,062,265	248,042	521,025	5,774,373	1,551,212	301,892	486,435
Cash and cash equivalents, December 31	\$ 5,774,373	\$ 1,551,212	\$ 301,892	\$ 486,435	\$ 2,736,529	\$ 8,152,279	\$ 388,837	\$ 908,558
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:								
Operating income (loss)	\$ 1,498,071	\$ 422,569	\$ 138,820	\$ (145,465)	\$ 1,165,660	\$ 389,502	\$ 154,161	\$ 144,412
Adjustments to reconcile operating income to net cash provided (used) by operating activities:								
Depreciation and amortization expense	489,726	252,957	3,360	171,035	574,313	266,736	3,360	188,569
(Increase) decrease in assets:								
Accounts receivable	(43,708)	(6,267)	(7,032)	(74,365)	(354)	(15,040)	6,584	(32,198)
Interfund services provided or used	100,491	156	-	607	-	-	-	-
Inventories	6,310	117	(29)	(26,115)	(65,226)	(249)	62	19,286
Prepaid items	-	-	-	-	(3,840)	-	-	(1,680)
Increase (decrease) in liabilities:								
Accounts payable	134,227	22,475	(5,801)	194,562	(367,925)	(1,885)	5,922	12,399
Interfund payables	(763)	(92)	-	(399)	-	-	-	-
Accrued wages payable	(483)	446	-	2,081	7,089	154	-	1,066
Employee benefits payable	(61)	32	-	147	540	10	-	82
Taxes payable	2,570	10	-	3,169	(137)	-	-	1,582
Other payables	-	19,356	-	3,818	-	(4,879)	-	(98,995)
Customer deposits	(479)	-	-	(3,134)	4,065	-	-	1,500
Total adjustments	687,830	289,190	(9,502)	271,406	148,525	244,847	15,928	91,611
Net cash provided by operating activities	\$ 2,185,901	\$ 711,759	\$ 129,318	\$ 125,941	\$ 1,314,185	\$ 634,349	\$ 170,089	\$ 236,023
Noncash investing, capital and financing activities:								
Borrowing under capital lease	\$ 21,768	\$ -	\$ -	\$ 77,267	\$ -	\$ -	\$ -	\$ -
Contributions of capital assets from developers	1,056,640	304,119	-	116,987	917,695	4,851,532	-	250,585

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

WATER, WASTEWATER, STORM WATER,
AND ELECTRIC UTILITIES
TOWN OF BARGERSVILLE
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements reflect only the activity of the Utilities and are not intended to present fairly the position of the Town of Bargersville (Town), and the results of its operations and cash flows of its enterprise funds. The Utilities, whose operations are controlled by the Town, represents a substantial portion of the Town's enterprise funds.

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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

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 Utilities' 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 Utilities 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.

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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.

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

2. Inventories and Prepaid Items

Materials and supplies purchased throughout the year for repair and maintenance of the Utility are charged to expense accounts at the time of purchase. At year-end, physical counts of significant inventories are made and valued at cost using the first-in, first-out method. Appropriate entries are then made to adjust inventory and expense accounts of the Water, Wastewater, Storm Water, and Electric Utilities.

3. Restricted Assets

Proceeds from debt and funds set aside for payment of revenue bonds, utility plant betterments and improvements, or funds held in a trust capacity, are classified as restricted assets since their use is limited by applicable bond indentures or governing body action.

4. Capital Assets

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

Capital assets are reported at actual 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	Depreciation Rate
Water assets	\$ 1,000	Composite rate	2%
Wastewater assets	1,000	Composite rate	4%
Storm Water assets	1,000	Composite rate	2%
Electric assets	1,000	Composite rate	4%

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.

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5. Compensated Absences

- a. Sick Leave – Utilities' employees earn sick leave at the rate of 4 hours per month. Sick leave does not accumulate from year to year.
- b. Vacation Leave – Utilities' employees earn vacation leave at rates from 10 days to 20 days per year based upon the number of years of service. Vacation leave does not accumulate from year to year.

No liability is reported for vacation and sick leave.

6. Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

II. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

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

2. Investments

Authorization for investment activity is stated in Indiana Code 5-13. As of December 31, 2006, the Town had the following investments:

Investment Type	Water Market Value	Wastewater Market Value	Electric Market Value
External investment pool	\$ 1,359,181	\$ 87,691	\$ 328,842
Money market	<u>1,056,465</u>	<u>6,216,506</u>	<u>-</u>
Totals	<u>\$ 2,415,646</u>	<u>\$ 6,304,197</u>	<u>\$ 328,842</u>

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Investment Policies

Indiana Code 5-13-9 authorizes the Town 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 Town 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 Town 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 Town may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the Town'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.

B. Capital Assets

Capital asset activity for the years ended December 31, 2005 and 2006, was as follows:

	<u>Restated Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
2005 Water Utility:				
Capital assets, not being depreciated:				
Land	\$ 14,686	\$ 6,350	\$ -	\$ 21,036
Construction in progress	<u>1,517,478</u>	<u>412,104</u>	<u>1,133,347</u>	<u>796,235</u>
Total capital assets, not being depreciated	<u>1,532,164</u>	<u>418,454</u>	<u>1,133,347</u>	<u>817,271</u>

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	<u>Restated Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
2005 Water Utility (continued):				
Capital assets, being depreciated:				
Improvements other than buildings	313,150	38,386	-	351,536
Utility plant in service	17,209,984	-	-	17,209,984
Infrastructure	5,409,525	3,507,158	10,897	8,905,786
Machinery and equipment	<u>574,383</u>	<u>99,894</u>	<u>2,551</u>	<u>671,726</u>
Totals	23,507,042	3,645,438	13,448	27,139,032
Less accumulated depreciation	<u>4,924,978</u>	<u>469,687</u>	<u>13,448</u>	<u>5,381,217</u>
Total capital assets, being depreciated, net	<u>18,582,064</u>	<u>3,175,751</u>	-	<u>21,757,815</u>
Total capital assets, net	<u>\$ 20,114,228</u>	<u>\$ 3,594,205</u>	<u>\$ 1,133,347</u>	<u>\$ 22,575,086</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
2005 Wastewater Utility:				
Capital assets, not being depreciated:				
Land	\$ 35,980	\$ 451	\$ -	\$ 36,431
Construction in progress	<u>99,001</u>	<u>135,414</u>	-	<u>234,415</u>
Total capital assets, not being depreciated	<u>134,981</u>	<u>135,865</u>	-	<u>270,846</u>
Capital assets, being depreciated:				
Improvements other than buildings	326,669	25,698	-	352,367
Utility plant in service	1,710,863	-	-	1,710,863
Infrastructure	4,153,465	290,785	-	4,444,250
Machinery and equipment	<u>90,933</u>	<u>9,678</u>	<u>4,717</u>	<u>95,894</u>
Totals	6,281,930	326,161	4,717	6,603,374
Less accumulated depreciation	<u>1,107,126</u>	<u>251,277</u>	<u>4,717</u>	<u>1,353,686</u>
Total capital assets, being depreciated, net	<u>5,174,804</u>	<u>74,884</u>	-	<u>5,249,688</u>
Total capital assets, net	<u>\$ 5,309,785</u>	<u>\$ 210,749</u>	<u>\$ -</u>	<u>\$ 5,520,534</u>

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	<u>Restated Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
2005 Storm Water Utility:				
Capital assets, not being depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Construction in progress	<u>99,199</u>	<u>2,244,942</u>	<u>-</u>	<u>2,344,141</u>
 Total capital assets, not being depreciated	 <u>99,199</u>	 <u>2,244,942</u>	 <u>-</u>	 <u>2,344,141</u>
Capital assets, being depreciated:				
Infrastructure	167,986	-	-	167,986
Less accumulated depreciation	<u>-</u>	<u>3,360</u>	<u>-</u>	<u>3,360</u>
 Total capital assets, being depreciated, net	 <u>167,986</u>	 <u>(3,360)</u>	 <u>-</u>	 <u>164,626</u>
 Total capital assets, net	 <u>\$ 267,185</u>	 <u>\$ 2,241,582</u>	 <u>\$ -</u>	 <u>\$ 2,508,767</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
2005 Electric Utility:				
Capital assets, not being depreciated:				
Land	\$ 12,018	\$ -	\$ -	\$ 12,018
Construction in progress	<u>35,580</u>	<u>57,613</u>	<u>35,342</u>	<u>57,851</u>
 Total capital assets, not being depreciated	 <u>47,598</u>	 <u>57,613</u>	 <u>35,342</u>	 <u>69,869</u>
Capital assets, being depreciated:				
Improvements other than buildings	105,317	673	-	105,990
Utility plant in service	3,341,564	-	-	3,341,564
Infrastructure	607,947	176,941	-	784,888
Machinery and equipment	<u>361,976</u>	<u>126,834</u>	<u>4,617</u>	<u>484,193</u>
 Totals	 4,416,804	 304,448	 4,617	 4,716,635
 Less accumulated depreciation	 <u>2,016,904</u>	 <u>171,035</u>	 <u>4,617</u>	 <u>2,183,322</u>
 Total capital assets, being depreciated, net	 <u>2,399,900</u>	 <u>133,413</u>	 <u>-</u>	 <u>2,533,313</u>
 Total capital assets, net	 <u>\$ 2,447,498</u>	 <u>\$ 191,026</u>	 <u>\$ 35,342</u>	 <u>\$ 2,603,182</u>

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	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
2006 Water Utility:				
Capital assets, not being depreciated:				
Land	\$ 21,036	\$ 4,643	\$ -	\$ 25,679
Construction in progress	<u>796,235</u>	<u>2,591,831</u>	<u>16,421</u>	<u>3,371,645</u>
 Total capital assets, not being depreciated	 <u>817,271</u>	 <u>2,596,474</u>	 <u>16,421</u>	 <u>3,397,324</u>
Capital assets, being depreciated:				
Improvements other than buildings	351,536	30,216	-	381,752
Utility plant in service	17,209,984	-	-	17,209,984
Infrastructure	8,925,069	1,155,207	-	10,080,276
Machinery and equipment	<u>674,238</u>	<u>123,489</u>	<u>-</u>	<u>797,727</u>
 Totals	 27,160,827	 1,308,912	 -	 28,469,739
 Less accumulated depreciation	 <u>5,403,012</u>	 <u>542,805</u>	 <u>-</u>	 <u>5,945,817</u>
 Total capital assets, being depreciated, net	 <u>21,757,815</u>	 <u>766,107</u>	 <u>-</u>	 <u>22,523,922</u>
 Total capital assets, net	 <u>\$ 22,575,086</u>	 <u>\$ 3,362,581</u>	 <u>\$ 16,421</u>	 <u>\$ 25,921,246</u>
2006 Wastewater Utility:				
Capital assets, not being depreciated:				
Land	\$ 36,431	\$ 5,324	\$ -	\$ 41,755
Construction in progress	<u>234,415</u>	<u>379,582</u>	<u>254,052</u>	<u>359,945</u>
 Total capital assets, not being depreciated	 <u>270,846</u>	 <u>384,906</u>	 <u>254,052</u>	 <u>401,700</u>
Capital assets, being depreciated:				
Improvements other than buildings	352,367	-	-	352,367
Utility plant in service	1,710,863	176,131	-	1,886,994
Infrastructure	4,444,250	4,860,438	-	9,304,688
Machinery and equipment	<u>95,894</u>	<u>112,744</u>	<u>-</u>	<u>208,638</u>
 Totals	 6,603,374	 5,149,313	 -	 11,752,687
 Less accumulated depreciation	 <u>1,353,686</u>	 <u>265,056</u>	 <u>-</u>	 <u>1,618,742</u>
 Total capital assets, being depreciated, net	 <u>5,249,688</u>	 <u>4,884,257</u>	 <u>-</u>	 <u>10,133,945</u>
 Total capital assets, net	 <u>\$ 5,520,534</u>	 <u>\$ 5,269,163</u>	 <u>\$ 254,052</u>	 <u>\$ 10,535,645</u>

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	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
2006 Storm Water Utility:				
Capital assets, not being depreciated:				
Construction in progress	\$ 2,344,141	\$ 327,775	\$ 2,670,371	\$ 1,545
Capital assets, being depreciated:				
Improvements other than buildings	-	10,164	-	10,164
Infrastructure	167,986	2,659,977	-	2,827,963
Totals	167,986	2,670,141	-	2,838,127
Less accumulated depreciation	3,360	3,360	-	6,720
Total capital assets, being depreciated, net	164,626	2,666,781	-	2,831,407
Total capital assets, net	<u>\$ 2,508,767</u>	<u>\$ 2,994,556</u>	<u>\$ 2,670,371</u>	<u>\$ 2,832,952</u>
2006 Electric Utility:				
Capital assets, not being depreciated:				
Land	\$ 12,018	\$ -	\$ -	\$ 12,018
Construction in progress	57,851	106,013	152,430	11,434
Total capital assets, not being depreciated	69,869	106,013	152,430	23,452
Capital assets, being depreciated:				
Improvements other than buildings	105,990	-	38,168	67,822
Utility plant in service	3,341,564	-	173	3,341,391
Infrastructure	784,888	425,405	-	1,210,293
Machinery and equipment	484,193	39,714	1,164	522,743
Totals	4,716,635	465,119	39,505	5,142,249
Less accumulated depreciation	2,183,322	188,569	1,164	2,370,727
Total capital assets, being depreciated, net	2,533,313	276,550	38,341	2,771,522
Total capital assets, net	<u>\$ 2,603,182</u>	<u>\$ 382,563</u>	<u>\$ 190,771</u>	<u>\$ 2,794,974</u>

Capital assets in the amount of \$38,341 were recorded as improvements other than buildings and utility plant in service, but were reclassified as machinery and equipment in 2006.

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Depreciation expense was charged to functions/programs of the Utilities as follows:

	2005	2006
Water	\$ 469,687	\$ 542,805
Wastewater	251,277	265,056
Storm Water	3,360	3,360
Electric	171,035	188,569
 Total depreciation expense	 \$ 895,359	 \$ 999,790

C. Construction Commitments

Construction work in progress is composed of the following:

Project	Total Project Authorized	Expended to December 31, 2006	Committed	Required Future Funding
Water Smith Valley Road administrative	\$ 92,685	\$ 60,999	\$ -	\$ 31,686
Water Olive Branch/Morgantown upgrade	1,648,202	1,636,923	-	11,279
Water Kinder tower project	971,340	950,730	-	20,610
Water main project	2,781,000	88,980	-	2,692,020
Water Smith Valley Road phase I	42,351	26,671	-	15,680
Water Smith Valley Road phase II	32,637	32,637	-	-
Water line to Wakefield	1,353	1,353	-	-
Water Morgantown/Stones Crossing upgrade	400,000	13,899	-	386,101
Water Phase II design	2,418,966	463,439	-	1,955,527
Water Transmission Line Easement	96,014	96,014	-	-
Wastewater Unsewered Areas	277,418	71,739	-	205,679
Wastewater Sewer Plant Expansion	18,000	18,000	-	-
Wastewater Treatment Plant Upgrade	4,235,000	270,206	-	3,964,794
Stormwater Nasby/Wocheferng Addition	1,545	1,545	-	-
Electric Main to North Upgrade	11,434	11,434	-	-
 Totals	 \$ 13,027,945	 \$ 3,744,569	 \$ -	 \$ 9,283,376

D. Interfund Balances and Activity

Interfund Receivables and Payables

The composition of interfund balances as of December 31, 2006, is as follows:

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Due To	Water Utility	Wastewater Utility	Totals
Water Utility	\$ -	\$ 30	\$ 30
Electric Utility	1,235	-	1,235
Totals	\$ 1,235	\$ 30	\$ 1,265

Interfund balances resulted from the time lag between the dates that (1) interfund loans are repaid, (2) interfund goods and services are provided or reimbursable expenditures occur, (3) transactions are recorded in the accounting system and (4) payments between funds are made.

E. Leases

1. Operating Leases

The Utilities have entered into an operating lease having initial or remaining noncancelable terms exceeding one year for 2005 and 2006. Rental expenditures for this lease were \$72,000 for 2005 and 2006. The following is a schedule by years of future minimum rental payments as of December 31, 2006:

2007	\$ 72,000
2008	72,000
2009	72,000
2010	72,000
2011	72,000
2012-2016	324,000
Total	\$ 684,000

2. Capital Leases

The Utilities have entered into various capital leases for a bucket truck, Navistar, backhoe, and other transportation equipment. Future minimum lease payments and present values of the net minimum lease payments under these capital leases as of December 31, 2006, are as follows:

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	Water Utility	Electric Utility
2007	\$ 4,833	\$ 34,761
2008	4,833	34,761
2009	4,833	34,761
2010	-	5,868
	14,499	110,151
Total minimum lease payments	14,499	110,151
Less amount representing interest	1,070	11,234
Present value of net minimum lease payments	\$ 13,429	\$ 98,917

Assets acquired through capital leases still in effect are as follows:

	Water Utility	Electric Utility
Machinery and equipment	\$ 21,768	\$ 149,392
Totals	21,768	149,392
Accumulated depreciation	435	8,861
Totals	\$ 21,333	\$ 140,531

F. Short-Term Liabilities

The Utilities may use short-term notes and loans to finance a variety of public projects, including the anticipation of the issuance of bonds.

	Beginning Balance	Issued/ Draws	Redeemed Repayments	Ending Balance
Wastewater bond anticipation note	\$ -	\$ 6,300,000	\$ -	\$ 6,300,000

Short-term debt activity for the year ended December 31, 2006, was as follows:

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G. Long-Term Liabilities

1. Revenue Bonds

The Utilities issue 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
1998 Wastewater	5%	\$ 500,000
2001 Waterworks refunding	2.4% to 4.7%	1,535,000
2003 Waterworks refunding	2% to 3.5%	2,510,000
2005 Waterworks revenue	3.7% to 4.05%	<u>6,505,000</u>
Total		<u>\$ 11,050,000</u>

Revenue bonds debt service requirements to maturity are as follows:

Year Ended December 31	Water Utility		Wastewater Utility	
	Principal	Interest	Principal	Interest
2007	\$ 455,000	\$ 399,668	\$ 75,000	\$ 25,000
2008	465,000	385,543	75,000	21,250
2009	480,000	370,768	80,000	17,500
2010	490,000	354,708	85,000	13,500
2011	510,000	336,063	90,000	9,250
2012-2016	2,875,000	1,370,711	95,000	4,750
2017-2021	3,585,000	743,815	-	-
2022-2026	<u>1,690,000</u>	<u>85,956</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 10,550,000</u>	<u>\$ 4,047,232</u>	<u>\$ 500,000</u>	<u>\$ 91,250</u>

2. Notes and Loans Payable

The Storm Water Utility has entered into a loan. Annual debt service requirements to maturity for the loan, including interest of \$2,194,313, are as follows:

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2007	\$	106,998
2008		107,120
2009		107,198
2010		108,208
2011		107,173
2012-2016		536,852
2017-2021		641,785
2022-2026		425,740
2027-2031		533,695
2032-2036		531,570
2037-2041		530,222
2042-2046		<u>422,752</u>
 Total		 <u>\$ 4,159,313</u>

3. Advance Refunding

In prior years, the Utilities 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, 2006, were considered defeased:

		<u>Amount</u>
1969 Waterworks revenue	\$	141,000
1977 Waterworks revenue		1,343,000
1991 Waterworks revenue		1,045,000
1992 Sewage works revenue		940,000
1995 Waterworks revenue		3,175,000

4. Changes in Long-Term Liabilities

Long-term liability activity for the years ended December 31, 2005 and 2006, were as follows:

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	Beginning Balance	Additions	Reductions	Ending Balance	Within One Year
2005:					
Water Utility:					
Revenue bonds	\$ 4,915,000	\$ 6,505,000	\$ 430,000	\$ 10,990,000	\$ 440,000
Unamortized deferral of loss	(203,443)	-	(20,247)	(183,196)	-
Unamortized premium	32,723	-	3,300	29,423	-
Net revenue bonds	<u>4,744,280</u>	<u>6,505,000</u>	<u>413,053</u>	<u>10,836,227</u>	<u>440,000</u>
Capital leases	<u>28,576</u>	<u>21,768</u>	<u>23,023</u>	<u>27,321</u>	<u>13,892</u>
Wastewater Utility:					
Revenue bonds	635,000	-	65,000	570,000	70,000
Unamortized deferral of loss	(34,080)	-	(4,260)	(29,820)	-
Net revenue bonds	<u>600,920</u>	<u>-</u>	<u>60,740</u>	<u>540,180</u>	<u>70,000</u>
Storm Water Utility:					
Construction loan	-	1,669,000	-	1,669,000	18,000
Electric Utility:					
Capital leases	<u>99,722</u>	<u>77,267</u>	<u>40,879</u>	<u>136,110</u>	<u>37,194</u>
Total long-term liabilities	<u>\$ 5,473,498</u>	<u>\$ 8,273,035</u>	<u>\$ 537,695</u>	<u>\$ 13,208,838</u>	<u>\$ 1,089,086</u>
2006:					
Water Utility:					
Revenue bonds	\$ 10,990,000	\$ -	\$ 440,000	\$ 10,550,000	\$ 455,000
Unamortized deferral of loss	(183,196)	-	(20,247)	(162,949)	-
Unamortized premium	29,423	-	3,300	26,123	-
Net revenue bonds	<u>10,836,227</u>	<u>-</u>	<u>423,053</u>	<u>10,413,174</u>	<u>455,000</u>
Capital leases	<u>27,321</u>	<u>-</u>	<u>13,892</u>	<u>13,429</u>	<u>4,280</u>
Wastewater Utility:					
Revenue bonds	570,000	-	70,000	500,000	75,000
Unamortized deferral of loss	(29,820)	-	(4,260)	(25,560)	-
Net revenue bonds	<u>540,180</u>	<u>-</u>	<u>65,740</u>	<u>474,440</u>	<u>75,000</u>
Storm Water Utility:					
Construction loan	<u>1,669,000</u>	<u>314,000</u>	<u>18,000</u>	<u>1,965,000</u>	<u>19,000</u>
Electric Utility:					
Capital leases	<u>136,110</u>	<u>-</u>	<u>37,193</u>	<u>98,917</u>	<u>29,140</u>
Total long-term liabilities	<u>\$ 13,208,838</u>	<u>\$ 314,000</u>	<u>\$ 557,878</u>	<u>\$ 12,964,960</u>	<u>\$ 582,420</u>

WATER, WASTEWATER, STORM WATER,
AND ELECTRIC UTILITIES
TOWN OF BARGERSVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

H. Restatements

For the year ended December 31, 2005, certain changes have been made to the financial statements to more appropriately reflect the financial activity of the Storm Water Utility. Prior period adjustments represent payments for additions to a construction project that were expensed in 2004 and should have been capitalized. Additionally, during 2005, the Water Utility paid the Storm Water Utility \$100,000. Originally this had been recorded as a note receivable on the Water Utility and a note payable on the Storm Water Utility. After further discussion with the Utilities, it was discovered that the money would not be repaid. Instead the money paid to the Storm Water Utility by the Water Utility was used to fund its portion of a construction project that the Storm Water Utility was in the process of completing.

	Balance as Reported December 31, 2004	Prior Period Adjustments	Balance as Restated January 1, 2005
Storm Water construction in progress	\$ 182,799	\$ (83,600)	\$ 99,199
Storm Water net assets	514,089	16,400	530,489
Water note receivable	100,000	(100,000)	-
Water fixed assets	20,014,228	100,000	20,114,228
Storm Water note payable	100,000	(100,000)	-

III. Other Information

A. Risk Management

The Utilities are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

B. Subsequent Events

The Water Utility loaned the Town operating fund \$75,000 on August 21, 2007, for operating expenses.

WATER, WASTEWATER, STORM WATER,
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TOWN OF BARGERSVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Rate Structure

1. Water Utility

The current rate structure was approved by the Utility on June 30, 2004. The Utility has 9,103 customers.

2. Wastewater Utility

The current rate structure was approved by the Utility on July 11, 2006. The Utility has 1,427 customers.

3. Storm Water Utility

The current rate structure was approved by the Utility on December 14, 2004. The Utility has 1,076 customers.

4. Electric Utility

The current rate structure was approved by the Utility on February 22, 2006. The Utility has 3,034 customers.

D. Pension Plan

Defined Contribution Pension Plans

Plan Description

The Town has a defined contribution pension plan administered by Principal Financial Group as authorized by Indiana Code 8-1.5-3-7. The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by written agreement between the Town and the Plan Administrator. The Plan Administrator issues a publicly available financial report that includes financial statements and required supplementary information of the plan. That report may be obtained by contacting:

Principal Financial Group
111 West State Street, P.O. 2004
Mason City, Iowa 50932-0001
Ph. (641)421-6268

Funding Policy and Annual Pension Cost

The contribution requirements of plan members are established by the written agreement between the Town and the Plan Administrator. Plan members are required to contribute 5% of the annual covered salary. The Town is required to contribute at an actuarially determined rate. The current rate is 5% of annual covered payroll. Employer and employee contributions to the plan during 2006 were \$86,090 and \$86,898, respectively.

WATER, WASTEWATER, STORM WATER,
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TOWN OF BARGERSVILLE
AUDIT RESULTS AND COMMENTS

APPROVAL OF FORMS

The Town of Bargersville (Utilities) was using the following forms which had not been approved for use in lieu of prescribed forms:

The Utility bill was not approved for use in lieu of Utility Form 311 and 312.

If the stub attached to the Utility bill is not returned with payment, an unapproved receipt is sometimes issued in lieu of General Form 352. This receipt is not always issued in numerical order.

We noted instances where a scrap of paper was used to document the name, amount, account number, and check number.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CAPITAL ASSET RECORDS

The Utilities do not maintain detailed records of capital assets. Upon purchase, the costs of the capital assets are added to subsidiary accounts for land, buildings, etc., in the General Ledger. However, records providing historical costs and records classifying and summarizing the Utilities' capital assets are not available. Deletions or disposals of capital assets are not recorded.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded in the Capital Assets Ledger form. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OLD OUTSTANDING CHECKS (WARRANTS)

Our review of the bank reconcilements as of December 31, 2005, revealed checks, warrants outstanding in excess of two years.

Indiana Code 5-11-10.5-2 states in part: "All warrants or checks drawn upon public funds of a political subdivision that are outstanding and unpaid for a period of two (2) or more years as of the last day of December of each year are void."

Indiana Code 5-11-10.5-3 states in part: "Not later than March 1 of each year, the treasurer of each political subdivision shall prepare or cause to be prepared a list in triplicate of all warrants or checks that have been outstanding for a period of two (2) or more years as of December 31 of the preceding year. The original copy of each list shall be filed with the board of finance of the political subdivision or the fiscal body of a city or town. The duplicate copy shall be transmitted to the disbursing officer of the political subdivision. The triplicate copy of each list shall be filed in the office of the treasurer of the political subdivision. If the treasurer serves also as the disbursing officer of the political subdivision, only two (2) copies of each list need be prepared or caused to be prepared by the treasurer."

WATER, WASTEWATER, STORM WATER,
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TOWN OF BARGERSVILLE
AUDIT RESULTS AND COMMENTS
(Continued)

Indiana Code 5-11-10.5-5 states:

"(a) Upon the preparation and transmission of the copies of the list of the outstanding warrants or checks, the treasurer of the political subdivision shall enter the amounts so listed as a receipt into the fund or funds from which they were originally drawn and shall also remove the warrants or checks from the record of outstanding warrants or checks.

(b) If the disbursing officer does not serve also as treasurer of the political subdivision, the disbursing officer shall also enter the amounts so listed as a receipt into the fund or funds from which the warrants or checks were originally drawn. If the fund from which the warrant or check was originally drawn is not in existence, or cannot be ascertained, the amount of the outstanding warrant or check shall be receipted into the general fund of the political subdivision."

DELINQUENT WASTEWATER ACCOUNTS

As stated in prior Report B28831, delinquent wastewater fees and penalties had not been recorded with the County Recorder nor were they certified to the County Auditor which would result in a lien against the property.

Indiana Code 36-9-23-33 states in part:

"(b) Except as provided in subsection (l), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:

- (1) A list of the delinquent fees and penalties that are enforceable under this section, which must include the following:
 - (A) The name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent.
 - (B) A description of the premises, as shown by the records of the county auditor.
 - (C) the amount of the delinquent fees, together with the penalty.
- (2) An individual instrument for each lot or parcel of real property on which the fees are delinquent."

(c) The officer shall record a copy of each list or each individual instrument with the county recorder . . ."

"(e) Using the lists and instruments prepared under subsection (b) and recorded under subsection (c), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (c), certify to the county auditor a list of the liens that remain unpaid for collection in the next May. . . ."

WATER, WASTEWATER, STORM WATER,
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TOWN OF BARGERSVILLE
EXIT CONFERENCE

The contents of this report were discussed on October 30, 2007, with Amy Carson, Clerk-Treasurer; and David Eger, Town Council member. The officials concurred with our audit findings.