



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

B52641

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)


May 3, 2019

Board of Directors  
Burnt Pines Water Association, Inc.  
1810 S. Private Rd. 310 W.  
North Vernon, IN 47265

We have reviewed the audit report of Burnt Pines Water Association, Inc. which was opined upon by Sherman, Barber & Mullikin, Independent Public Accountants, for the period January 1, 2017 to December 31, 2017. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of Burnt Pines Water Association, Inc. as of December 31, 2017 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Sherman, Barber & Mullikin prepared the audit report in accordance with guidelines established by the State Board of Accounts.

The report is filed with this letter in our office as a matter of public record.

  
Paul D. Joyce, CPA  
State Examiner

**BURNT PINES WATER ASSOCIATION, INC.**

**AUDITED FINANCIAL STATEMENTS - TAX BASIS**

December 31, 2017

**SHERMAN, BARBER & MULLIKIN**  
— A PROFESSIONAL CORPORATION —  
CERTIFIED PUBLIC ACCOUNTANTS

**Burnt Pines Water Association, Inc.**

December 31, 2017

INDEX

---

	Page
INDEPENDENT AUDITOR'S REPORT	2 - 3
FINANCIAL STATEMENTS	
BALANCE SHEET - TAX BASIS	4
STATEMENTS OF REVENUES, EXPENSES & NET ASSETS - TAX BASIS	5
NOTES TO FINANCIAL STATEMENTS	6 - 8



**SHERMAN, BARBER & MULLIKIN**  
A PROFESSIONAL CORPORATION  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Burnt Pines Water Association, Inc.  
Vernon, Indiana

We have audited the accompanying financial statements of Burnt Pines Water Association, Inc. (a nonprofit organization), which comprise the Balance Sheet - Tax Basis as of December 31, 2017 and the related Statements of Revenues, Expenses and Net Assets - Tax Basis for the year then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting the nonprofit uses for tax purposes as described in Note A(2); this includes determining that the tax basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Board of Directors of  
Burnt Pines Water Association, Inc.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets of Burnt Pines Water Association, Inc. as of December 31, 2017 and the revenue, expenses and change in net assets for the year then ended in accordance with the basis of accounting the nonprofit uses for tax purposes as described in Note A(2).

### **Basis of Accounting**

We draw attention to Note A(2) to the financial statements, which describes the basis of accounting. These financial statements are prepared on the basis of accounting the nonprofit uses for tax purposes, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

*Sherman, Barber & Mullikin*

Sherman, Barber & Mullikin  
Madison, Indiana

September 26, 2018

**BURNT PINES WATER ASSOCIATION, INC.**

**Balance Sheet - Tax Basis  
December 31, 2017**

**Assets**

**Utility Plant**

Utility Plant in Service	\$	656,222
Less: Accumulated Depreciation		<u>(151,662)</u>
Net Utility Plant in Service		504,560

**Current Assets**

Cash and Cash Equivalents		<u>46,283</u>
---------------------------	--	---------------

**Total Assets**

\$ 550,843

**Net Assets and Liabilities**

**Net Assets**

Net Assets	\$	150,843
Contributions-in-Aid of Construction		<u>400,000</u>
Total Net Assets		<u>550,843</u>

**Total Net Assets and Liabilities**

\$ 550,843

**BURNT PINES WATER ASSOCIATION, INC.**

**Statements of Revenue, Expenses, and Net Assets - Tax Basis  
For the Year Ended December 31, 2017**

**Revenues**

Water Sales	\$	156,552
Interest Earned		<u>83</u>
Total Revenues		<u>156,635</u>

**Expenses**

Purchased Water		56,432
Directors Fees		1,905
Insurance		1,605
Supplies and Repairs		20,748
Contractual Services		76,469
Depreciation		10,818
Other Operating Expenses		<u>8,571</u>
Total Expenses		<u>176,548</u>

**Net Income (Loss)** (19,913)

**Net Assets- Beginning of Year** 170,756

Contributed Utility Plant 400,000

**Net Assets-End of Year** \$ 550,843

## BURNT PINES WATER ASSOCIATION INC.

### Notes to Financial Statements

December 31, 2017

#### NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Nature of Operations

Burnt Pines Water Association, Inc. was incorporated in 1969 and provides potable water to the surrounding rural communities. The Company currently services approximately 284 customers in Jennings County, Indiana. The Company operates one office located in Jennings County near Vernon Township. The water utility is subject to regulation by the Indiana Department of Environmental Management.

(2) Income Taxes - Basis of Accounting

The Company has been granted an exemption from federal income taxes under Section 501(c)(12) of the Internal Revenue Code. The Company has also been granted exemptions from Indiana Gross Receipts Tax under Indiana Code. Accordingly, no provision has been made for income taxes in the financial statements.

The accounting records and the accompanying financial statements have been maintained and prepared on the cash method of accounting in accordance with practices permitted for federal income tax purposes, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). This basis differs from GAAP in that water sales are recognized when received instead of when service is provided, and expenses are recognized when paid instead of when goods or services are received. This basis also allows for capitalization of utility plant assets as they are paid for.

(3) Utility Plant

Utility Plant assets are recorded at cost. Expenditures which do not materially extend the useful life of or expand the "system" are charged to supplies expense when paid. Components of Utility Plant are described in detail in Note B.

(4) Depreciation Expense

The provision for depreciation is computed on the straight-line method for Utility Plant and all office furniture and other equipment. Utility Plant is being depreciated over ten to forty years, depending on the estimated life of the asset. Depreciation is taken using the half-year convention for the year of acquisition.

(5) Contributions of Utility Plant

Grant funds received for the cost of extending and improving water mains are added to Contributions-in-Aid of Construction. The total cost of extending water lines is added to Utility Plant in Service.

**BURNT PINES WATER ASSOCIATION INC.**

**Notes to Financial Statements  
December 31, 2017**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(6) Sales Tax

The Company collects sales tax on all of their sales to nonexempt customers and remits the entire amount to the state. The net method of recording the collection and remittance of sales tax is used in the financial statements.

(7) Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

NOTE B. UTILITY PLANT IN SERVICE

Utility Plant in Service consisted of the following at December 31,

	<u>2017</u>
Utility Plant	\$ 608,122
Hydrants	32,100
Meters & Installations	<u>16,000</u>
Total Utility Plant in Service	<u>\$ 656,222</u>

NOTE C. CONCENTRATION OF CREDIT RISK

Due to the nature of the Company's business, its customers are all in a concentrated geographic area. The Company is, therefore, subjected to a concentration of credit risk with respect to its revenues that are solely from those customers.

NOTE D. GOVERNMENT FUNDS RECEIVED

During 2017 the Company received and expended government funds as follows:

<u>Federal Funds</u>	
Community Development Block Grant	\$ 400,000

This grant was awarded to Jennings County by the Indiana Office of Community and Rural Affairs using Community Development Block Grant Funds allocated by the United States Department of Housing and Urban Development. Burnt Pines Water Association, Inc. was a subrecipient of these funds.

**BURNT PINES WATER ASSOCIATION INC.**

**Notes to Financial Statements  
December 31, 2017**

NOTE E. SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 26, 2018, the date on which financial statements were available to be issued.