



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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August 25, 2016

Board of Directors  
North Dearborn Water Corporation  
7484 Christina Drive, Suite 103  
West Harrison, IN 47060

We have reviewed the audit report prepared by Plattenburg & Associates, Inc., for the period January 1, 2015 to December 31, 2015. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of North Dearborn Water Corporation, as of December 31, 2015, and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner

**NORTH DEARBORN WATER CORPORATION**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

For the Years Ended  
December 31, 2015 and December 31, 2014



**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
North Dearborn Water Corporation  
West Harrison, Indiana

We have audited the accompanying financial statements of North Dearborn Water Corporation (a nonprofit organization) which comprise the statements of financial position as of December 31, 2015 and December 31, 2014, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

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

Management is responsible preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 audit to obtain reasonable assurance about whether the financial statements are free of 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.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of North Dearborn Water Corporation as of December 31, 2015 and December 31, 2014, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Plattenburg & Associates, Inc.*

Plattenburg & Associates, Inc.

Cincinnati, Ohio

March 24, 2016

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**NORTH DEARBORN WATER CORPORATION**  
**STATEMENTS OF FINANCIAL POSITION**  
December 31, 2015 and December 31, 2014

	<u>December 31,</u> 2015	<u>December 31,</u> 2014
<b>ASSETS</b>		
<b>PROPERTY AND EQUIPMENT</b>		
Land	\$ 51,305	\$ 51,305
Construction in Progress	959,032	88,819
Utility plant in service	7,241,515	7,194,203
Office equipment	40,853	40,853
	<u>8,292,705</u>	<u>7,375,180</u>
Less: accumulated depreciation	<u>(2,426,974)</u>	<u>(2,262,780)</u>
Total Property and Equipment	<u>5,865,731</u>	<u>5,112,400</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	773,071	421,803
Cash held by bond trustee	620,749	319,707
Investments	175,649	259,809
Accounts receivable	187,685	181,147
Inventory	18,287	17,859
Prepaid expenses	6,566	6,566
	<u>1,782,007</u>	<u>1,206,891</u>
Total Current Assets	<u>1,782,007</u>	<u>1,206,891</u>
<b>OTHER ASSETS</b>		
Deferred financing costs (net)	<u>87,440</u>	<u>18,080</u>
Total Other Assets	<u>87,440</u>	<u>18,080</u>
Total Assets	<u><u>\$ 7,735,178</u></u>	<u><u>\$ 6,337,371</u></u>

The accompanying notes are an integral part of this statement.

	December 31, 2015	December 31, 2014
<b>LIABILITIES AND NET ASSETS</b>		
<b>LONG TERM LIABILITIES</b>	<u>\$ 1,981,350</u>	<u>\$ 947,558</u>
<b>CURRENT LIABILITIES</b>		
Current portion of long-term debt	191,424	178,124
Accounts payable	25,203	24,610
Contracts payable	186,104	0
Accrued interest payable	29,529	17,088
Advances for construction	35,392	358
Deferred income	0	1,060
Other current liabilities	7,847	7,488
Memberships - refundable	190,172	192,232
<b>Total Current Liabilities</b>	<u>665,671</u>	<u>420,960</u>
<b>Total Liabilities</b>	<u>2,647,021</u>	<u>1,368,518</u>
<b>NET ASSETS</b>		
Unrestricted	4,924,879	4,773,226
Temporarily restricted	163,278	195,627
<b>Total Net Assets</b>	<u>5,088,157</u>	<u>4,968,853</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 7,735,178</u></u>	<u><u>\$ 6,337,371</u></u>

**NORTH DEARBORN WATER CORPORATION**  
**STATEMENTS OF ACTIVITIES**  
For the Year Ended December 31, 2015

	Unrestricted December 31, 2015	Temporarily Restricted December 31, 2015	Total December 31, 2015
<b>REVENUES</b>			
Metered sales	\$ 775,876	\$ 0	\$ 775,876
Tap on fees	23,127	0	23,127
System development charge revenue	0	17,651	17,651
Net Assets Released from Restrictions	<u>50,000</u>	<u>(50,000)</u>	<u>0</u>
 Total Revenues	 849,003	 (32,349)	 816,654
 <b>COST OF SALES</b>	 <u>556,674</u>	 <u>0</u>	 <u>556,674</u>
 <b>GROSS PROFIT</b>	 292,329	 (32,349)	 259,980
 <b>GENERAL AND ADMINISTRATIVE EXPENSES</b>	 <u>136,354</u>	 <u>0</u>	 <u>136,354</u>
 <b>EXCESS REVENUES OVER EXPENSES FROM OPERATIONS</b>	 155,975	 (32,349)	 123,626
 <b>OTHER REVENUES (EXPENSES)</b>			
Penalty income	6,425	0	6,425
Interest income	29,280	0	29,280
Interest expense	(53,682)	0	(53,682)
Contributed capital	6,816	0	6,816
Miscellaneous income	5,600	0	5,600
County reimbursement grant income	<u>1,239</u>	<u>0</u>	<u>1,239</u>
 Total Other Revenues (Expenses)	 <u>(4,322)</u>	 <u>0</u>	 <u>(4,322)</u>
 <b>INCREASE (DECREASE) IN NET ASSETS</b>	 151,653	 (32,349)	 119,304
 <b>NET ASSETS, BEGINNING OF YEAR</b>	 <u>4,773,226</u>	 <u>195,627</u>	 <u>4,968,853</u>
 <b>NET ASSETS, END OF YEAR</b>	 <u>\$ 4,924,879</u>	 <u>\$ 163,278</u>	 <u>\$ 5,088,157</u>

The accompanying notes are an integral part of this statement.

**NORTH DEARBORN WATER CORPORATION**

**STATEMENTS OF ACTIVITIES**

For the Year Ended December 31, 2014

	Unrestricted December 31, 2014	Temporarily Restricted December 31, 2014	Total December 31, 2014
<b>REVENUES</b>			
Metered sales	\$ 760,225	\$ 0	\$ 760,225
Tap on fees	13,780	0	13,780
System development charge revenue	0	11,148	11,148
Net Assets Released from Restrictions	0	0	0
	<hr/>	<hr/>	<hr/>
Total Revenues	774,005	11,148	785,153
<b>COST OF SALES</b>	<hr/>	<hr/>	<hr/>
	555,312	0	555,312
<b>GROSS PROFIT</b>	218,693	11,148	229,841
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>	<hr/>	<hr/>	<hr/>
	133,967	0	133,967
<b>EXCESS REVENUES OVER EXPENSES FROM OPERATIONS</b>	84,726	11,148	95,874
<b>OTHER REVENUES (EXPENSES)</b>			
Penalty income	6,007	0	6,007
Interest income	2,337	0	2,337
Interest expense	(47,814)	0	(47,814)
Contributed capital	0	0	0
Miscellaneous income	6,682	0	6,682
County reimbursement grant income	0	0	0
	<hr/>	<hr/>	<hr/>
Total Other Revenues (Expenses)	(32,788)	0	(32,788)
<b>INCREASE (DECREASE) IN NET ASSETS</b>	51,938	11,148	63,086
<b>NET ASSETS, BEGINNING OF YEAR</b>	<hr/>	<hr/>	<hr/>
	4,721,288	184,479	4,905,767
<b>NET ASSETS, END OF YEAR</b>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	\$4,773,226	\$ 195,627	\$ 4,968,853

The accompanying notes are an integral part of this statement.

**NORTH DEARBORN WATER CORPORATION**  
**STATEMENTS OF CASH FLOWS**  
For the Years Ended December 31, 2015 and December 31, 2014

	December 31, 2015	December 31, 2014
Cash Flows From Operating Activities:		
Change in Net Assets	<u>\$ 119,304</u>	<u>\$ 63,086</u>
Adjustments To Reconcile Changes in Net Assets		
To Net Cash Provided (Used) By Operating Activities:		
Depreciation and amortization	171,430	170,488
(Increase) decrease in receivables	(6,538)	(4,794)
(Increase) decrease in inventory	(428)	(3,094)
(Increase) decrease in prepaids	0	627
Increase (decrease) in payables	199,138	(3,549)
Increase (decrease) in advances for construction	35,034	(537)
Increase (decrease) in deferred income	(1,060)	(1,060)
Increase (decrease) in other current liabilities	<u>359</u>	<u>209</u>
Total Adjustments	<u>397,935</u>	<u>158,290</u>
Net Cash Provided (Used) By Operating Activities	<u>517,239</u>	<u>221,376</u>
Cash Flows From Investing Activities:		
Purchase of property and equipment	(917,525)	(54,184)
Sale (purchase) of investments	84,160	0
Cash held by bond trustee	<u>(301,042)</u>	<u>5,689</u>
Net Cash Provided (Used) By Investing Activities	<u>(1,134,407)</u>	<u>(48,495)</u>
Cash Flows From Financing Activities:		
Principal payments on long term debt	(177,908)	(176,474)
Proceeds from Interim Notes	1,225,000	0
Payments for deferred financing costs	(76,596)	0
Proceeds from membership fees (net)	<u>(2,060)</u>	<u>(1,529)</u>
Net Cash Provided (Used) By Financing Activities	<u>968,436</u>	<u>(178,003)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	351,268	(5,122)
Cash and Equivalents at Beginning of Year	<u>421,803</u>	<u>426,925</u>
Cash and Equivalents at End of Year	<u>\$ 773,071</u>	<u>\$ 421,803</u>

The accompanying notes are an integral part of this statement.

**North Dearborn Water Corporation**  
**Notes to the Financial Statements**  
**December 31, 2015 and December 31, 2014**

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**Nature of Business**

North Dearborn Water Corporation operates as a water distribution facility serving residential and commercial customers throughout rural Dearborn County, Indiana. The organization operates as a not-for-profit organization, exempt from taxation under Internal Revenue Code Section 501(c)(12).

**Note 1 – Summary of Significant Accounting Policies**

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The summary of significant accounting policies of North Dearborn Water Corporation is presented to assist in understanding the organization's financial statements. The financial statements and notes are representative of the organization's management, which is responsible for their integrity and objectivity. The accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

**Financial Statement Presentation**

The Association has adopted the provisions of FASB ASC 958 Not-for-Profit Entities. FASB ASC 958 establishes standards for general purpose external financial statements of not-for-profit organizations and requires a Statement of Financial Position, a Statement of Activities, and a Statement of Cash Flows.

**Cash and Cash Equivalents**

The organization considers cash and cash equivalents to include cash on hand, cash in banks, and any other cash investments purchased with maturities of 90 days or less. The balances, at times, may exceed federally insured amounts.

**Investments**

Investments held by the organization consist of certificates of deposits with maturities of greater than 90 days.

**Accounts Receivable**

Outstanding receivables consist primarily of amounts due for water usage during the period of October 4 to December 31, 2015 and 2014. Accounts receivable are stated at the amount management expects to collect from outstanding balances. These amounts are not billed until the following year. As of December 31, 2015 and December 31, 2014, all outstanding receivables are considered collectable due to the control of water cut-offs. Historically any write offs have been immaterial.

**Inventory**

Inventory is stated at cost on a first-in/first-out basis, which approximates market. Inventory consists of materials and supplies used for repair of existing property or the addition of new construction.

**North Dearborn Water Corporation**  
**Notes to the Financial Statements**  
**December 31, 2015 and December 31, 2014**

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**Property and Equipment**

Expenditures greater than \$500 for property and equipment and items, which substantially increase the useful lives of existing assets, are capitalized at cost. Depreciation for utility plant assets is computed at 2% of total cost for assets placed in service after December 31, 2001 and 1.7% of total cost for assets placed in service prior to January 1, 2002. Depreciation on office equipment is computed at straight-line over 5-7 years. Depreciation on improvements is computed on a straight-line basis over 10-20 years. Depreciation expense for the years ending December 31, 2015 and December 31, 2014 was \$164,194 and \$163,252 respectively. Utility plant is security for long term debt is shown in Note 2.

**Bond Discount – Debt Issuance Cost**

Bond issuance costs of \$94,060 were incurred in 2004. The costs are shown net of amortization and are being amortized over the life of the bonds, which is 13 years.

Debt issuance costs of \$76,596 were incurred in 2015. The costs are shown net of amortization and will be amortized starting in 2016 over the life of the debt, which is 40 years.

Amortization expense for each of the years ended December 31, 2015 and December 31, 2014 was \$7,236 and \$7,236 respectively.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Fair Value Measurements**

The FASB issued ASC 820, "Fair Value Measurements", which is intended to increase consistency and comparability in fair value measurements by defining fair value, establishing a framework for measuring fair value and expanding disclosures about fair value measurements. The Organization has adopted FASB ASC 820 for its financial instruments. Refer to Note 7, Fair Value Measurement, for disclosure provided for fair value measurements of financial instruments.

**Fair Value Option for Financial Assets and Financial Liabilities**

FASB ASC 825 (formerly FAS No. 159), "The Fair Value Option for Financial Assets and Financial Liabilities". This statement permits entities to measure eligible assets and liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in the change in net assets. The Organization adopted FASB ASC 825 and did not elect to apply the fair value method to any eligible assets or liabilities at that time.

**North Dearborn Water Corporation**  
**Notes to the Financial Statements**  
**December 31, 2015 and December 31, 2014**

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**Note 2 – Long Term Debt**

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The following is a summary of long term debt at December 31, 2015 and December 31, 2014:

	December 31, 2015	December 31, 2014
Note Payable – Merchant Bank & Trust Co.		
Secured by utility plant, accounts receivable, and inventory. Interest at a rate of 8.0% per year, monthly payment of \$3,042, including interest. On April 14, 2010, the rate adjusted to raise the interest rate from 8.0% to 5.3%. The rate will adjust every 36 months. The rate will never exceed 12%.	\$126,774	\$150,682
Note Payable – Indiana Finance Authority- Series D		
Secured by utility plant, accounts receivable and inventory. Interest is paid semi-annually at a rate of 2.81% per year. The Corporation makes monthly payments.	626,000	660,000
Note Payable – Indiana Bond Bank		
Secured by utility plant, accounts receivable and inventory. Interest is paid semi-annually at a rate of 1.95% per year. The corporation has the intent and ability to refinance this note on a long term basis in 2016 with USDA Rural Development.	1,225,000	0
Bond Payable – Indiana Bond Bank		
Secured by utility plant, accounts receivable and inventory. Interest is paid semi-annually at rates from 1.75% to 5.00%. The corporation makes monthly payments to MainSource Wealth Management for the semi-annual payment of interest and principal.	195,000	315,000
Total Long Term Debt	2,172,774	1,125,682
Less: Current Portion	191,424	178,124
Total Long Term Liabilities	<u>\$1,981,350</u>	<u>\$947,558</u>

Current maturities of long-term debt for each of the next five years are as follows:

December 31, 2016	\$191,424
December 31, 2017	127,795
December 31, 2018	66,239
December 31, 2019	67,760
December 31, 2020	55,476

**North Dearborn Water Corporation**  
**Notes to the Financial Statements**  
**December 31, 2015 and December 31, 2014**

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**Note 3 – Supplemental Disclosure of Cash Flow Information**

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	December 31, 2015	December 31, 2014
Cash paid during the year for:		
Interest	\$41,240	\$51,126
Income Taxes	0	0

**Note 4 – Commitments**

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The organization has entered into contracts for the ongoing cleaning and maintenance of two water tanks. The monthly payment required under the contracts is \$982. The contracts can be cancelled by the organization if a notice to cancel is made prior to October 30<sup>th</sup> in the year preceding the calendar year for which cancellation is desired.

**Note 5 – Restriction on Net Assets**

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The organization had \$163,278 and \$195,627 in temporarily restricted net assets at December 31, 2015 and December 31, 2014, respectively. This balance represents a one time system development charge (SDC) that is paid on all new taps. The Indiana Utility Regulatory Commission requires that the SDC funds are to be used exclusively to fund growth-related capital projects such as, but not limited to, water treatment plants, storage facilities, pumps, distribution mains, transmission, storage and treatment.

**Note 6 – FASB ASC 740**

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The Organization has implemented FASB ASC 740 (formerly FIN 48). Management believes the Organization has no uncertain tax positions based on an evaluation of tax positions. Accordingly, no adjustments for uncertain tax positions have been made.

**Note 7 – Fair Value Measurements**

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The Organization's financial instruments consist primarily of cash and cash equivalents, investments, accounts receivable, and accounts payable. The carrying amount of cash and cash equivalents, investments (cash equivalents with maturities greater than 90 days) accounts receivable, and accounts payable approximate their fair value due to the short-term nature of such instruments.

The Organization uses the following hierarchical disclosure framework:

Level 1: Measurement based upon quoted prices for identical assets in an active market as of the reporting date.

Level 2: Measurement based upon marketplace inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

**North Dearborn Water Corporation**  
**Notes to the Financial Statements**  
**December 31, 2015 and December 31, 2014**

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Level 3: Measurement based on the Organization's assumptions about a hypothetical marketplace because observable market inputs are not available as of the reporting date.

The Organization uses appropriate valuation techniques based on the available inputs to measure the fair values of its assets and liabilities. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs have the lowest priority.

**Note 8 – Subsequent Events**

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Management has evaluated subsequent events through March 24, 2016, the date on which the consolidated financial statements were issued. Management does not believe there are any material subsequent events that would require disclosure.

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# **SUPPLEMENTARY INFORMATION**

**NORTH DEARBORN WATER CORPORATION**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULES OF COST OF SALES**  
For the Years Ended December 31, 2015 and December 31, 2014

	December 31, 2015	December 31, 2014
Inventory, Beginning of Period	\$ 17,859	\$ 14,765
Purchased water	94,382	93,266
Electricity	57,147	63,879
Meter reading and reporting	17,892	14,404
Well field lease	9,978	11,186
Laboratory testing	3,248	2,642
Contracted maintenance service	151,790	141,544
Maintenance materials and supplies	58,472	68,233
Depreciation	164,194	163,252
	<u>574,961</u>	<u>573,171</u>
Less: Inventory, End of Period	<u>18,287</u>	<u>17,859</u>
Total Cost of Sales	<u><u>\$ 556,674</u></u>	<u><u>\$ 555,312</u></u>

See Auditors' Report.

**NORTH DEARBORN WATER CORPORATION**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENSES**  
For the Years Ended December 31, 2015 and December 31, 2014

	December 31, 2015	December 31, 2014
Office wages	\$ 63,819	\$ 59,942
Payroll taxes	5,782	5,433
Amortization	7,236	7,236
Maintenance - office equipment	5,565	7,212
Office supplies	3,373	3,391
Dues and subscriptions	2,872	2,809
Postage	7,420	7,530
Insurance	6,652	6,524
Office rent	15,210	15,185
Telephone	2,466	2,363
Utilities	243	319
Professional fees	8,894	7,460
Regulatory fees	819	903
Bank charges and fees	146	121
Misc Expense	1,457	3,289
Director fees	4,400	4,250
	<u>4,400</u>	<u>4,250</u>
<b>Total General and Administrative</b>	<b><u>\$ 136,354</u></b>	<b><u>\$ 133,967</u></b>

See Auditors' Report.