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

EXAMINATION REPORT
OF
SPRINGS VALLEY REGIONAL WATER DISTRICT
ORANGE COUNTY, INDIANA
January 1, 2008 to December 31, 2009



FILED
12/09/2010

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	G. Alan Barnett William H. Harris	01-01-08 to 12-31-09 01-01-10 to 12-31-10
Office Manager	Susan J. Farris	01-01-08 to 12-31-10
Superintendent	Stephen M. Brown	01-01-08 to 12-31-10
President of the Board	Wayne Carnes Garry Haworth	01-01-08 to 12-31-09 01-01-10 to 12-31-10



STATE OF INDIANA
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE SPRINGS VALLEY REGIONAL
WATER DISTRICT, ORANGE COUNTY, INDIANA

We have examined the financial information presented herein of the Springs Valley Regional Water District (District), for the period of January 1, 2008 to December 31, 2009. The District's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the District for the years ended December 31, 2008 and 2009, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

October 6, 2010

SPRINGS VALLEY REGIONAL WATER DISTRICT
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
PROPRIETARY FUND TYPES
As Of And For The Years Ended December 31, 2008 And 2009

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Proprietary Funds:				
Operating	\$ 632,226	\$ 1,725,289	\$ 1,446,254	\$ 911,261
Customer Deposits	33,869	12,300	9,988	36,181
Water Works Improvements	251,078	5,490	-	256,568
Construction	2,889	133,800	136,689	-
Debt Service Reserve	265,901	5,814	-	271,715
Bond and Interest	239,276	455,682	443,500	251,458
Totals	<u>\$ 1,425,239</u>	<u>\$ 2,338,375</u>	<u>\$ 2,036,431</u>	<u>\$ 1,727,183</u>

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Proprietary Funds:				
Operating	\$ 911,261	\$ 1,758,422	\$ 2,403,557	\$ 266,126
Customer Deposits	36,181	11,558	9,725	38,014
Water Works Improvements	256,568	1,434	100,000	158,002
Construction	-	1,050,001	542,291	507,710
Debt Service Reserve	271,715	179,845	-	451,560
Bond and Interest	251,458	450,643	625,181	76,920
Totals	<u>\$ 1,727,183</u>	<u>\$ 3,451,903</u>	<u>\$ 3,680,754</u>	<u>\$ 1,498,332</u>

The accompanying notes are an integral part of the financial information.

SPRINGS VALLEY REGIONAL WATER DISTRICT
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The District was established under the laws of the State of Indiana. The District operates under an appointed governing board and provides water services.

Note 2. Fund Accounting

The District uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

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.

Note 4. Subsequent Event

The District issued bonds in the amount of \$2,144,000 on October 28, 2009. Bonds will be funded on a draw down basis and Rural Development will retain the proceeds for future disbursement. In accordance with Internal Revenue Service regulations, \$50,000 of bond proceeds was transferred to the District's construction account prior to the closing date of the bond issue. Net proceeds remaining to be drawn down are \$2,094,000 at December 31, 2009.

SPRINGS VALLEY REGIONAL WATER DISTRICT
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 For The Year Ended December 31, 2009

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.

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 21,730
Buildings	265,906
Improvements other than buildings	7,595,532
Machinery and equipment	<u>705,874</u>
 Total business-type activities capital assets	 <u><u>\$ 8,589,042</u></u>

SPRINGS VALLEY REGIONAL WATER DISTRICT
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2009

The District has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Revenue bonds:		
1999 Waterworks revenue bonds	\$ 1,390,000	\$ 143,268
2003 Waterworks refunding revenue bonds	220,000	78,668
2004 Waterworks revenue bonds	4,843,487	116,615
2009 Waterworks revenue bonds	<u>50,000</u>	<u>36,180</u>
Total revenue bonds	<u>\$ 6,503,487</u>	<u>\$ 374,731</u>

SPRINGS VALLEY REGIONAL WATER DISTRICT
EXAMINATION RESULTS AND COMMENTS

CAPITAL ASSET RECORDS

The District does not maintain sufficient detailed records of its capital assets. Upon purchase, the costs of the capital assets are added to aggregate subsidiary accounts for land, buildings, etc., in the General Ledger. However, records providing historical costs for some of the District's capital assets are not available, and records classifying and summarizing the District's capital assets are incomplete. Deletions or disposals of capital assets are not recorded. The District has not taken a detailed inventory of its capital assets in several years.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded on the applicable Capital Asset Ledger. 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 Special Districts, Chapter 10)

ANNUAL FINANCIAL REPORTS

The Annual Financial Reports for 2008 and 2009 were not presented for examination. The Office Manager advised that annual financial reports were not prepared.

IC 5-11-1-4 states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be filed electronically, in a manner prescribed by the state examiner that is compatible with the technology employed by the political subdivision."

ORDINANCES AND RESOLUTIONS

The District has an ordinance concerning water service rates. However, the District did not charge the approved rates for some meter sizes larger than 5/8" inch. Variances found during testing were immaterial and accounts tested were charged less than approved rates.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

SPRINGS VALLEY REGIONAL WATER DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on October 6, 2010, with Susan J. Farris, Office Manager; Stephen M. Brown, Superintendent; and Garry Haworth, President of the Board. The officials concurred with our findings.