

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

FINANCIAL STATEMENTS EXAMINATION REPORT
OF
SPRINGS VALLEY REGIONAL WATER DISTRICT
ORANGE COUNTY, INDIANA
January 1, 2012 to December 31, 2016



FILED
12/08/2017

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Accountant's Report.....	3-4
Financial Statements and Accompanying Notes:	
Statements of Receipts, Disbursements, and Cash and Investment	
Balances - Regulatory Basis	7-9
Notes to Financial Statements.....	10-12
Other Information - Unexamined:	
Combining Schedules of Receipts, Disbursements, and Cash and	
Investment Balances - Regulatory Basis	14-18
Schedule of Leases and Debt	19
Schedule of Capital Assets.....	21
Other Reports.....	22

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	William H. Harris	01-01-12 to 12-31-12
	Carl Seals (deceased)	01-01-13 to 12-31-13
	William H. Harris	01-01-14 to 12-31-14
	Carl Seals (deceased)	01-01-15 to 12-31-16
	John R. Harrison	01-01-17 to 12-31-17
Office Manager	Susan J. Farris	01-01-12 to 07-07-17
	Lauren Emmons	07-08-17 to 12-31-17
Superintendent	Stephen M. Brown	01-01-12 to 12-31-17
President of the Board	Garry J. Haworth	01-01-12 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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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 accompanying financial statements of the Springs Valley Regional Water District (District), for the period of January 1, 2012 to December 31, 2016. The District's management is responsible for the fair presentation of these financial statements in accordance with the prescribed basis of accounting described in Note 1. Our responsibility is to express an opinion on the financial statements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the financial statements are in accordance with the criteria, in all material respects. An examination involves performing procedures to obtain evidence about the financial statements. The nature, timing, and extent of the procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.


As discussed in Note 1 to the financial statements, the District prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the matter described in the preceding paragraph, the financial statements for the period of January 1, 2012 to December 31, 2016, referred to above, do not present, in conformity with accounting principles generally accepted in the United States of America, the financial position and results of operations of the District.

INDEPENDENT ACCOUNTANT'S REPORT
(Continued)

In our opinion, the financial statements for the period of January 1, 2012 to December 31, 2016, referred to above, present the financial position and results of operations of the District based on the prescribed basis of accounting described in Note 1 to the financial statements, in all material respects.

Our examination was conducted for the purpose of forming an opinion on the District's financial statements. The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statements. They have not been subjected to the examination procedures applied to the financial statements and, accordingly, we express no opinion on them.


Paul D. Joyce, CPA
State Examiner

December 7, 2017

FINANCIAL STATEMENTS AND ACCOMPANYING NOTES

The financial statements and accompanying notes were approved by management of the District. The financial statements and notes are presented as intended by the District.

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SPRINGS VALLEY REGIONAL WATER DISTRICT
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Years Ended December 31, 2012 and 2013

Fund	Cash and Investments 01-01-12	Receipts	Disbursements	Cash and Investments 12-31-12	Receipts	Disbursements	Cash and Investments 12-31-13
Operating and Maintenance	\$ 191,395	\$ 2,041,978	\$ 1,750,107	\$ 483,266	\$ 1,789,450	\$ 1,399,295	\$ 873,421
Improvement	158,538	64,430	-	222,968	154,488	-	377,456
Customer Deposits	42,416	14,980	13,203	44,193	15,850	12,270	47,773
Sinking	542,271	358,172	535,000	365,443	171	307,300	58,314
Debt Service Reserve	453,093	361	-	453,454	271	-	453,725
Totals	<u>\$ 1,387,713</u>	<u>\$ 2,479,921</u>	<u>\$ 2,298,310</u>	<u>\$ 1,569,324</u>	<u>\$ 1,960,230</u>	<u>\$ 1,718,865</u>	<u>\$ 1,810,689</u>

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

SPRINGS VALLEY REGIONAL WATER DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Years Ended December 31, 2014 and 2015

Fund	Cash and Investments 01-01-14	Receipts	Disbursements	Cash and Investments 12-31-14	Receipts	Disbursements	Cash and Investments 12-31-15
Operating and Maintenance	\$ 873,421	\$ 1,615,506	\$ 1,589,283	\$ 899,644	\$ 2,004,983	\$ 2,408,494	\$ 496,133
Improvement	377,456	225	-	377,681	231	-	377,912
Customer Deposits	47,773	15,380	14,420	48,733	14,400	11,307	51,826
Sinking	58,314	307,849	173,000	193,163	308,748	381,930	119,981
Debt Service Reserve	453,725	271	-	453,996	275	24,099	430,172
Totals	\$ 1,810,689	\$ 1,939,231	\$ 1,776,703	\$ 1,973,217	\$ 2,328,637	\$ 2,825,830	\$ 1,476,024

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

SPRINGS VALLEY REGIONAL WATER DISTRICT
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016

Fund	Cash and Investments 01-01-16	Receipts	Disbursements	Cash and Investments 12-31-16
Operating and Maintenance	\$ 496,133	\$ 1,851,711	\$ 1,694,218	\$ 653,626
Improvement	377,912	226	-	378,138
Customer Deposits	51,826	15,410	13,005	54,231
Sinking	119,981	298,883	331,000	87,864
Debt Service Reserve	430,172	257	-	430,429
Totals	<u>\$ 1,476,024</u>	<u>\$ 2,166,487</u>	<u>\$ 2,038,223</u>	<u>\$ 1,604,288</u>

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

SPRINGS VALLEY REGIONAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

The accompanying financial statements present the financial information for the District.

B. Basis of Accounting

The financial statements are reported on a regulatory basis of accounting prescribed by the Indiana State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America, in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

C. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

D. Receipts

Receipts are presented in the aggregate on the face of the financial statements. The aggregate receipts include the following sources:

Utility fees. Amounts received from charges for current services.

Penalties. Amounts received from late payment fees.

Other receipts. Amounts received from various sources, including, but not limited to, the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution, or court order; internal service receipts; and fiduciary receipts.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statements. The aggregate disbursements include the following uses:

Personal services. Amounts disbursed for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

SPRINGS VALLEY REGIONAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Other services and charges. Amounts disbursed for services including, but not limited to, the following: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service - principal and interest. Amounts disbursed for fixed obligations resulting from financial transactions previously entered into by the District. It includes all expenditures for the reduction of the principal and interest of the District's general obligation indebtedness.

Capital outlay. Amounts disbursed for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Utility operating expenses. Amounts disbursed for operating the utilities.

Other disbursements. Amounts disbursed for various other purposes including, but not limited to, the following: interfund loan payments; loans made to other funds; internal service disbursements; and transfers out that are authorized by statute, ordinance, resolution, or court order.

F. *Interfund Transfers*

The District may, from time to time, make transfers from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. *Fund Accounting*

Separate funds are established, maintained, and reported by the District. Each fund is used to account for amounts received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the District. The amounts accounted for in a specific fund may only be available for use for certain, legally-restricted purposes. Additionally, some funds are used to account for assets held by the District in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and, therefore, the funds cannot be used for any expenditures of the unit itself.

Note 2. *Budgets*

The operating budget is initially prepared and approved at the local level. The fiscal officer of the District submits a proposed operating budget to the governing board for the following calendar year.

Note 3. *Deposits and Investments*

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana, at year end, should be 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.

SPRINGS VALLEY REGIONAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

State statutes authorize the District to invest in securities including, but not limited to, the following: 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. Risk Management

The District may be 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; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third-party. The establishment of a self-insurance fund allows the District to set aside money for claim settlements. The self-insurance fund would be included in the financial statements. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

OTHER INFORMATION - UNEXAMINED

The District's Annual Financial Reports information can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statements contained in this report and the financial information presented in the District's Annual Financial Reports referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the examination. This is a common occurrence in any financial statement examination. The financial information presented in this report is examined information, and the accuracy of such information can be determined by reading the opinion given in the Independent Accountant's Report.

The other information presented was approved by management of the District. It is presented as intended by the District.

SPRINGS VALLEY REGIONAL WATER DISTRICT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2012

	Operating and Maintenance	Improvement	Customer Deposits	Sinking	Debt Service Reserve	Totals
Cash and investments - beginning	\$ 191,395	\$ 158,538	\$ 42,416	\$ 542,271	\$ 453,093	\$ 1,387,713
Receipts:						
Utility fees	1,500,357	-	-	-	-	1,500,357
Penalties	5,302	-	-	-	-	5,302
Other receipts	536,319	64,430	14,980	358,172	361	974,262
Total receipts	<u>2,041,978</u>	<u>64,430</u>	<u>14,980</u>	<u>358,172</u>	<u>361</u>	<u>2,479,921</u>
Disbursements:						
Personal services	297,539	-	-	-	-	297,539
Other services and charges	21,825	-	-	-	-	21,825
Debt service - principal and interest	255,930	-	-	-	-	255,930
Capital outlay	120,319	-	-	-	-	120,319
Utility operating expenses	632,509	-	13,203	-	-	645,712
Other disbursements	421,985	-	-	535,000	-	956,985
Total disbursements	<u>1,750,107</u>	<u>-</u>	<u>13,203</u>	<u>535,000</u>	<u>-</u>	<u>2,298,310</u>
Excess (deficiency) of receipts over disbursements	<u>291,871</u>	<u>64,430</u>	<u>1,777</u>	<u>(176,828)</u>	<u>361</u>	<u>181,611</u>
Cash and investments - ending	<u>\$ 483,266</u>	<u>\$ 222,968</u>	<u>\$ 44,193</u>	<u>\$ 365,443</u>	<u>\$ 453,454</u>	<u>\$ 1,569,324</u>

SPRINGS VALLEY REGIONAL WATER DISTRICT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013

	Operating and Maintenance	Improvement	Customer Deposits	Sinking	Debt Service Reserve	Totals
Cash and investments - beginning	\$ 483,266	\$ 222,968	\$ 44,193	\$ 365,443	\$ 453,454	\$ 1,569,324
Receipts:						
Utility fees	1,357,020	-	-	-	-	1,357,020
Penalties	5,430	-	-	-	-	5,430
Other receipts	427,000	154,488	15,850	171	271	597,780
Total receipts	1,789,450	154,488	15,850	171	271	1,960,230
Disbursements:						
Personal services	312,504	-	-	-	-	312,504
Other services and charges	22,905	-	-	-	-	22,905
Debt service - principal and interest	307,605	-	-	-	-	307,605
Capital outlay	20,183	-	-	-	-	20,183
Utility operating expenses	581,790	-	-	-	-	581,790
Other disbursements	154,308	-	12,270	307,300	-	473,878
Total disbursements	1,399,295	-	12,270	307,300	-	1,718,865
Excess (deficiency) of receipts over disbursements	390,155	154,488	3,580	(307,129)	271	241,365
Cash and investments - ending	\$ 873,421	\$ 377,456	\$ 47,773	\$ 58,314	\$ 453,725	\$ 1,810,689

SPRINGS VALLEY REGIONAL WATER DISTRICT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014

	Operating and Maintenance	Improvement	Customer Deposits	Sinking	Debt Service Reserve	Totals
Cash and investments - beginning	\$ 873,421	\$ 377,456	\$ 47,773	\$ 58,314	\$ 453,725	\$ 1,810,689
Receipts:						
Utility fees	1,343,301	-	-	-	-	1,343,301
Penalties	5,512	-	-	-	-	5,512
Other receipts	266,693	225	15,380	307,849	271	590,418
Total receipts	<u>1,615,506</u>	<u>225</u>	<u>15,380</u>	<u>307,849</u>	<u>271</u>	<u>1,939,231</u>
Disbursements:						
Personal services	325,169	-	-	-	-	325,169
Other services and charges	22,914	-	-	-	-	22,914
Debt service - principal and interest	307,595	-	-	-	-	307,595
Capital outlay	18,048	-	-	-	-	18,048
Utility operating expenses	607,787	-	-	-	-	607,787
Other disbursements	307,770	-	14,420	173,000	-	495,190
Total disbursements	<u>1,589,283</u>	<u>-</u>	<u>14,420</u>	<u>173,000</u>	<u>-</u>	<u>1,776,703</u>
Excess (deficiency) of receipts over disbursements	<u>26,223</u>	<u>225</u>	<u>960</u>	<u>134,849</u>	<u>271</u>	<u>162,528</u>
Cash and investments - ending	<u>\$ 899,644</u>	<u>\$ 377,681</u>	<u>\$ 48,733</u>	<u>\$ 193,163</u>	<u>\$ 453,996</u>	<u>\$ 1,973,217</u>

SPRINGS VALLEY REGIONAL WATER DISTRICT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2015

	Operating and Maintenance	Improvement	Customer Deposits	Sinking	Debt Service Reserve	Totals
Cash and investments - beginning	\$ 899,644	\$ 377,681	\$ 48,733	\$ 193,163	\$ 453,996	\$ 1,973,217
Receipts:						
Utility fees	1,379,759	-	-	-	-	1,379,759
Penalties	5,522	-	-	-	-	5,522
Other receipts	619,702	231	14,400	308,748	275	943,356
Total receipts	2,004,983	231	14,400	308,748	275	2,328,637
Disbursements:						
Personal services	302,541	-	-	-	-	302,541
Other services and charges	26,671	-	-	-	-	26,671
Debt service - principal and interest	429,490	-	-	-	-	429,490
Capital outlay	28,835	-	-	-	-	28,835
Utility operating expenses	1,178,975	-	-	-	-	1,178,975
Other disbursements	441,982	-	11,307	381,930	24,099	859,318
Total disbursements	2,408,494	-	11,307	381,930	24,099	2,825,830
Excess (deficiency) of receipts over disbursements	(403,511)	231	3,093	(73,182)	(23,824)	(497,193)
Cash and investments - ending	\$ 496,133	\$ 377,912	\$ 51,826	\$ 119,981	\$ 430,172	\$ 1,476,024

SPRINGS VALLEY REGIONAL WATER DISTRICT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016

	Operating and Maintenance	Improvement	Customer Deposits	Sinking	Debt Service Reserve	Totals
Cash and investments - beginning	\$ 496,133	\$ 377,912	\$ 51,826	\$ 119,981	\$ 430,172	\$ 1,476,024
Receipts:						
Utility fees	1,442,887	-	15,410	-	-	1,458,297
Penalties	5,221	-	-	-	-	5,221
Other receipts	403,603	226	-	298,883	257	702,969
Total receipts	<u>1,851,711</u>	<u>226</u>	<u>15,410</u>	<u>298,883</u>	<u>257</u>	<u>2,166,487</u>
Disbursements:						
Personal services	335,196	-	-	-	-	335,196
Other services and charges	26,805	-	-	-	-	26,805
Debt service - principal and interest	281,436	-	-	-	-	281,436
Capital outlay	74,249	-	-	-	-	74,249
Utility operating expenses	677,732	-	-	-	-	677,732
Other disbursements	298,800	-	13,005	331,000	-	642,805
Total disbursements	<u>1,694,218</u>	<u>-</u>	<u>13,005</u>	<u>331,000</u>	<u>-</u>	<u>2,038,223</u>
Excess (deficiency) of receipts over disbursements	<u>157,493</u>	<u>226</u>	<u>2,405</u>	<u>(32,117)</u>	<u>257</u>	<u>128,264</u>
Cash and investments - ending	<u>\$ 653,626</u>	<u>\$ 378,138</u>	<u>\$ 54,231</u>	<u>\$ 87,864</u>	<u>\$ 430,429</u>	<u>\$ 1,604,288</u>

SPRINGS VALLEY REGIONAL WATER DISTRICT
 SCHEDULE OF LEASES AND DEBT
 December 31, 2016

Description of Debt		Ending	Principal and
Type	Purpose	Principal	Interest Due
		Balance	Within One
			Year
Springs Valley Regional Water District:			
Revenue bonds	2009 Revenue Bond	\$ 1,964,000	\$ 88,100
Revenue bonds	2015 Revenue Bond	<u>4,400,000</u>	<u>202,886</u>
Total Springs Valley Regional Water District		<u>6,364,000</u>	<u>290,986</u>
Totals		<u>\$ 6,364,000</u>	<u>\$ 290,986</u>

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SPRINGS VALLEY REGIONAL WATER DISTRICT
 SCHEDULE OF CAPITAL ASSETS
 December 31, 2016

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>Ending Balance</u>
Springs Valley Regional Water District:	
Land	\$ 21,730
Buildings	283,954
Improvements other than buildings	8,085,249
Machinery, equipment, and vehicles	710,646
Books and other	<u>55,990</u>
 Total Springs Valley Regional Water District	 <u>9,157,569</u>
 Total capital assets	 <u>\$ 9,157,569</u>

OTHER REPORTS

In addition to this report, other reports may have been issued for the District. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.