

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

FINANCIAL STATEMENT AUDIT REPORT
OF
SPRINGS VALLEY REGIONAL WATER DISTRICT
ORANGE COUNTY, INDIANA
January 1, 2018 to December 31, 2019



FILED
11/09/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	John R. Harrison Bill Harris	01-01-18 to 12-31-19 01-01-20 to 12-31-20
Office Manager	Lauren Emmons	01-01-18 to 12-31-20
Superintendent	Stephen M. Brown Charles Eric Harrell	01-01-18 to 06-02-19 06-03-19 to 12-31-20
President of the District Board	Garry J. Haworth	01-01-18 to 12-31-20



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying financial statement of the Springs Valley Regional Water District (District), which comprises the financial position and results of operations for the period of January 1, 2018 to December 31, 2019, and the related notes to the financial statement as listed in the Table of Contents.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. 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 statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statement 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 District'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 statement.

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As discussed in Note 1 to the financial statement, the District prepares its financial statement 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 basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the District for the period of January 1, 2018 to December 31, 2019.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the District for the period of January 1, 2018 to December 31, 2019, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the District's financial statement. 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 statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

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

October 28, 2020

FINANCIAL STATEMENT AND ACCOMPANYING NOTES

The financial statement and accompanying notes were approved by management of the District. The financial statement 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, 2018 and 2019

Fund	Cash and Investments 01-01-18	Receipts	Disbursements	Cash and Investments 12-31-18	Receipts	Disbursements	Cash and Investments 12-31-19
Springs Valley Regional Water District Operating and Maintenance	\$ 843,647	\$ 1,818,628	\$ 1,828,762	\$ 833,513	\$ 2,061,081	\$ 2,121,616	\$ 772,978
Springs Valley Regional Water District Improvement	378,527	3,535	-	382,062	4,999	120,000	267,061
Springs Valley Regional Water District Sinking	87,991	320,788	289,300	119,479	349,191	347,300	121,370
Springs Valley Regional Water District Debt Service Reserve	430,875	4,024	-	434,899	5,820	-	440,719
Springs Valley Regional Water District Customer Deposits	41,368	12,400	13,616	40,152	13,475	12,495	41,132
Totals	<u>\$ 1,782,408</u>	<u>\$ 2,159,375</u>	<u>\$ 2,131,678</u>	<u>\$ 1,810,105</u>	<u>\$ 2,434,566</u>	<u>\$ 2,601,411</u>	<u>\$ 1,643,260</u>

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

SPRINGS VALLEY REGIONAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENT

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 a governing board.

The accompanying financial statement presents the financial information for the District.

B. Basis of Accounting

The financial statement is 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 statement. 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 statement. 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 STATEMENT
(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. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

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

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.

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 statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

Note 5. Restatements

For the year ended December 31, 2018, certain changes have been made to some of the beginning balances of the financial statement to more appropriately reflect financial activity of the District. The following schedule presents a summary of restated beginning balances:

Fund	Balance as of December 31, 2017	Prior Period Adjustment	Balance as of January 1, 2018
Springs Valley Regional Water District Operating and Maintenance	\$ 885,026	\$ (41,379)	\$ 843,647

OTHER INFORMATION - UNAUDITED

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

Differences may be noted between the financial information presented in the financial statement 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 audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor'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, 2018

	Springs Valley Regional Water District Operating and Maintenance	Springs Valley Regional Water District Improvement	Springs Valley Regional Water District Sinking	Springs Valley Regional Water District Debt Service Reserve	Springs Valley Regional Water District Customer Deposits	Totals
Cash and investments - beginning	\$ 843,647	\$ 378,527	\$ 87,991	\$ 430,875	\$ 41,368	\$ 1,782,408
Receipts:						
Utility fees	1,451,183	-	-	-	12,400	1,463,583
Penalties	4,891	-	-	-	-	4,891
Other receipts	362,554	3,535	320,788	4,024	-	690,901
Total receipts	1,818,628	3,535	320,788	4,024	12,400	2,159,375
Disbursements:						
Personal services	331,608	-	-	-	-	331,608
Other services and charges	20,406	-	-	-	-	20,406
Debt service - principal and interest	288,311	-	-	-	-	288,311
Capital outlay	131,330	-	-	-	-	131,330
Utility operating expenses	737,307	-	-	-	-	737,307
Other disbursements	319,800	-	289,300	-	13,616	622,716
Total disbursements	1,828,762	-	289,300	-	13,616	2,131,678
Excess (deficiency) of receipts over disbursements	(10,134)	3,535	31,488	4,024	(1,216)	27,697
Cash and investments - ending	\$ 833,513	\$ 382,062	\$ 119,479	\$ 434,899	\$ 40,152	\$ 1,810,105

SPRINGS VALLEY REGIONAL WATER DISTRICT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended December 31, 2019

	Springs Valley Regional Water District Operating and Maintenance	Springs Valley Regional Water District Improvement	Springs Valley Regional Water District Sinking	Springs Valley Regional Water District Debt Service Reserve	Springs Valley Regional Water District Customer Deposits	Totals
Cash and investments - beginning	\$ 833,513	\$ 382,062	\$ 119,479	\$ 434,899	\$ 40,152	\$ 1,810,105
Receipts:						
Utility fees	1,500,973	-	-	-	13,475	1,514,448
Penalties	5,202	-	-	-	-	5,202
Other receipts	554,906	4,999	349,191	5,820	-	914,916
Total receipts	2,061,081	4,999	349,191	5,820	13,475	2,434,566
Disbursements:						
Personal services	330,335	-	-	-	-	330,335
Other services and charges	21,258	-	-	-	-	21,258
Debt service - principal and interest	345,611	-	-	-	-	345,611
Capital outlay	196,572	-	-	-	-	196,572
Utility operating expenses	880,440	-	-	-	-	880,440
Other disbursements	347,400	120,000	347,300	-	12,495	827,195
Total disbursements	2,121,616	120,000	347,300	-	12,495	2,601,411
Excess (deficiency) of receipts over disbursements	(60,535)	(115,001)	1,891	5,820	980	(166,845)
Cash and investments - ending	\$ 772,978	\$ 267,061	\$ 121,370	\$ 440,719	\$ 41,132	\$ 1,643,260

SPRINGS VALLEY REGIONAL WATER DISTRICT
 SCHEDULE OF LEASES AND DEBT
 December 31, 2019

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	\$ 1,844,000	\$ 88,100
Revenue bonds	2015 Revenue Bond	<u>4,160,000</u>	<u>255,686</u>
Total Springs Valley Regional Water District		<u>6,004,000</u>	<u>343,786</u>
Totals		<u>\$ 6,004,000</u>	<u>\$ 343,786</u>

SPRINGS VALLEY REGIONAL WATER DISTRICT
 SCHEDULE OF CAPITAL ASSETS
 December 31, 2019

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.

	Ending Balance
Springs Valley Regional Water District:	
Land	\$ 112,239
Buildings	471,084
Improvements other than buildings	8,093,749
Machinery, equipment, and vehicles	760,908
Books and other	<u>55,990</u>
Total capital assets	<u>\$ 9,493,970</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/>.