

**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, 2020 to December 31, 2021



**FILED**  
09/22/2022



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Bill Harris Tommy Arthur	01-01-20 to 12-31-20 01-01-21 to 12-31-22
Office Manager	Lauren Emmons	01-01-20 to 12-31-22
Superintendent	Charles Eric Harrell Tony Galloway Tom Dalton	01-01-20 to 05-16-21 05-17-21 to 05-18-22 05-19-22 to 12-31-22
President of the District Board	Garry J. Haworth	01-01-20 to 12-31-22



## INDEPENDENT AUDITOR'S REPORT

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

### ***Adverse and Unmodified Opinions***

We have audited the accompanying financial statement of the Springs Valley Regional Water District (District), which comprises the financial position and results of operations as of and for the period of January 1, 2020 to December 31, 2021, and the related notes to the financial statement as listed in the Table of Contents.

#### ***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 and Unmodified Opinions* section of our report, the financial statement referred to above does not present fairly, the financial position and results of operations of the District as of December 31, 2021, in accordance with accounting principles generally accepted in the United States of America.

#### ***Opinion on Regulatory Basis of Accounting***

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the respective financial position and results of operations of the District, as of December 31, 2021, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

### ***Basis for Adverse and Unmodified Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statement* section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Matter Giving Rise to 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.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

***Management's Responsibilities for the Financial Statement***

Management is responsible for the preparation and fair presentation of the 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 Responsibilities for the Audit of the Financial Statement***

Our objectives is to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment of a reasonable user based on the financial statement.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

**Required Supplementary Information**

Financial reporting requirements established by the Indiana State Board of Accounts, as described in Note 1, require that the Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by reporting requirements established by the Indiana State Board of Accounts who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Information**

Management is responsible for the other information included in the Annual Financial Report. The other information comprises the Schedule of Payables and Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, but does not include the basic financial statement and our auditor's report thereon. Our opinions on the basic financial statement do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statement, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statement, or the other information otherwise appears to be materially misstated. If, based on the work performed, we concluded that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.



Beth Kelley, CPA, CFE  
Deputy State Examiner

September 1, 2022

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES; REQUIRED SUPPLEMENTARY  
INFORMATION; AND OTHER INFORMATION

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

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 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 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.

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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, 2020 and 2021

Fund	Cash and Investments 01-01-20	Receipts	Disbursements	Cash and Investments 12-31-20	Receipts	Disbursements	Cash and Investments 12-31-21
Springs Valley Regional Water District Operating and Maintenance	\$ 772,978	\$ 1,937,423	\$ 2,432,683	\$ 277,718	\$ 2,530,959	\$ 2,147,970	\$ 660,707
Springs Valley Regional Water District Improvement	267,061	1,644	-	268,705	462	40,000	229,167
Springs Valley Regional Water District Sinking	121,370	346,425	342,900	124,895	347,110	344,000	128,005
Springs Valley Regional Water District Debt Service Reserve	440,718	2,713	-	443,431	1,111	-	444,542
Springs Valley Regional Water District Customer Deposits	41,132	14,712	11,138	44,706	18,053	13,834	48,925
Springs Valley Regional Water District Limited Edition Savings	-	400,415	-	400,415	1,305	401,720	-
Totals	\$ 1,643,259	\$ 2,703,332	\$ 2,786,721	\$ 1,559,870	\$ 2,899,000	\$ 2,947,524	\$ 1,511,346

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.

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

REQUIRED SUPPLEMENTARY INFORMATION

SPRINGS VALLEY REGIONAL WATER DISTRICT  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended December 31, 2020

	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	Springs Valley Regional Water District Limited Edition Savings	Totals
Cash and investments - beginning	\$ 772,978	\$ 267,061	\$ 121,370	\$ 440,718	\$ 41,132	\$ -	\$ 1,643,259
Receipts:							
Utility fees	1,515,193	-	-	-	14,712	-	1,529,905
Penalties	2,616	-	-	-	-	-	2,616
Other receipts	419,614	1,644	346,425	2,713	-	400,415	1,170,811
Total receipts	1,937,423	1,644	346,425	2,713	14,712	400,415	2,703,332
Disbursements:							
Personal services	332,235	-	-	-	-	-	332,235
Other services and charges	21,217	-	-	-	-	-	21,217
Debt service - principal and interest	341,986	-	-	-	-	-	341,986
Capital outlay	95,914	-	-	-	-	-	95,914
Utility operating expenses	891,066	-	-	-	-	-	891,066
Other disbursements	750,265	-	342,900	-	11,138	-	1,104,303
Total disbursements	2,432,683	-	342,900	-	11,138	-	2,786,721
Excess (deficiency) of receipts over disbursements	(495,260)	1,644	3,525	2,713	3,574	400,415	(83,389)
Cash and investments - ending	\$ 277,718	\$ 268,705	\$ 124,895	\$ 443,431	\$ 44,706	\$ 400,415	\$ 1,559,870

SPRINGS VALLEY REGIONAL WATER DISTRICT  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended December 31, 2021

	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	Springs Valley Regional Water District Limited Edition Savings	Totals
Cash and investments - beginning	\$ 277,718	\$ 268,705	\$ 124,895	\$ 443,431	\$ 44,706	\$ 400,415	\$ 1,559,870
Receipts:							
Taxes	89,550	-	-	-	-	-	89,550
Utility fees	1,639,313	-	-	-	-	-	1,639,313
Penalties	4,503	-	-	-	-	-	4,503
Other receipts	797,593	462	347,110	1,111	18,053	1,305	1,165,634
Total receipts	2,530,959	462	347,110	1,111	18,053	1,305	2,899,000
Disbursements:							
Personal services	357,271	-	-	-	-	-	357,271
Other services and charges	23,797	-	-	-	-	-	23,797
Debt service - principal and interest	367,199	-	-	-	-	-	367,199
Capital outlay	101,953	-	-	-	-	-	101,953
Utility operating expenses	840,671	-	-	-	-	-	840,671
Other disbursements	457,079	40,000	344,000	-	13,834	401,720	1,256,633
Total disbursements	2,147,970	40,000	344,000	-	13,834	401,720	2,947,524
Excess (deficiency) of receipts over disbursements	382,989	(39,538)	3,110	1,111	4,219	(400,415)	(48,524)
Cash and investments - ending	\$ 660,707	\$ 229,167	\$ 128,005	\$ 444,542	\$ 48,925	\$ -	\$ 1,511,346

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OTHER INFORMATION

SPRINGS VALLEY REGIONAL WATER DISTRICT  
 SCHEDULE OF PAYABLES AND RECEIVABLES  
 December 31, 2021

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Springs Valley Regional Water District	<u>\$ -</u>	<u>\$ 132,823</u>

SPRINGS VALLEY REGIONAL WATER DISTRICT  
 SCHEDULE OF LEASES AND DEBT  
 December 31, 2021

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Springs Valley Regional Water District:			
Revenue bonds	2009 Revenue Bond	\$ 1,759,000	\$ 87,976
Revenue bonds	2015 Revenue Bond	<u>3,915,000</u>	<u>258,336</u>
Total Springs Valley Regional Water District		<u>5,674,000</u>	<u>346,312</u>
Totals		<u>\$ 5,674,000</u>	<u>\$ 346,312</u>

SPRINGS VALLEY REGIONAL WATER DISTRICT  
 SCHEDULE OF CAPITAL ASSETS  
 December 31, 2021

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	92,239
Buildings	558,050
Improvements other than buildings	8,183,065
Machinery, equipment, and vehicles	762,224
Books and other	<u>55,990</u>
Total Springs Valley Regional Water District	<u>9,651,568</u>
Total capital assets	<u>\$ 9,651,568</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/>.