

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2765

EXAMINATION REPORT
OF
FAIRWAYS REGIONAL WATER DISTRICT
LAKE COUNTY, INDIANA
January 1, 2002 to December 31, 2005



FILED
08/18/2006

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OFFICIALS

Office

Official

Term

Clerk

Patricia L. Erpelding

01-01-02 to 12-31-06

President of the Board

Robert Ghidotti
Florian Brozynski
Richard Willard

01-01-02 to 10-28-04
10-29-04 to 05-25-05
05-26-05 to 12-31-06



STATE OF INDIANA
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF FAIRWAYS REGIONAL WATER DISTRICT, LAKE COUNTY, INDIANA

We have examined the schedules of receipts, disbursements, and cash and investment balances of Fairways Regional Water District (District), for the period of January 1, 2002 to December 31, 2005. The District's management is responsible for the schedules. 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 schedule of receipts, disbursements, and cash and investment balances 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 schedules referred to above present fairly, in all material respects, the cash transactions of the District for the years ended December 31, 2002, 2003, 2004, and 2005, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

June 26, 2006

FAIRWAYS REGIONAL WATER DISTRICT
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL FUND TYPES
As Of And For The Years Ended December 31, 2002, 2003, 2004, And 2005

	<u>Cash and Investments 01-01-02</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash and Investments 12-31-02</u>
Governmental Funds: General	<u>\$ 5,575</u>	<u>\$ 62,235</u>	<u>\$ 65,874</u>	<u>\$ 1,936</u>
	<u>Cash and Investments 01-01-03</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash and Investments 12-31-03</u>
Governmental Funds: General	<u>\$ 1,936</u>	<u>\$ 69,640</u>	<u>\$ 67,720</u>	<u>\$ 3,856</u>
	<u>Cash and Investments 01-01-04</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash and Investments 12-31-04</u>
Governmental Funds: General	<u>\$ 3,856</u>	<u>\$ 68,928</u>	<u>\$ 63,501</u>	<u>\$ 9,283</u>
	<u>Cash and Investments 01-01-05</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash and Investments 12-31-05</u>
Governmental Funds: General	\$ 9,283	\$ 68,668	\$ 76,548	\$ 1,403
Debt Service Sinking	-	21,420	5,102	16,318
Debt Service Reserve	-	11,128	9	11,119
Totals	<u>\$ 9,283</u>	<u>\$ 101,216</u>	<u>\$ 81,659</u>	<u>\$ 28,840</u>

The accompanying notes are an integral part of the schedules.

FAIRWAYS REGIONAL WATER DISTRICT
NOTES TO SCHEDULES

Note 1. Introduction

The District was established under the laws of the State of Indiana. The District 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. Long-Term Debt

The District has entered into various debt such as a state revolving loan and two promissory notes for constructed assets. The outstanding principal at December 31, 2005, was \$261,000 and \$8,990, respectively.

FAIRWAYS REGIONAL WATER DISTRICT
EXAMINATION RESULTS AND COMMENTS

CONDITION OF RECORDS

Financial records presented for audit were incomplete and not reflective of the activity of the District's funds. The receipts and disbursements per the control ledger presented for audit did not agree with the Special District Annual Report (SDAR). The District posted receipts and disbursements in the control ledger for only one fund and the SDAR indicated receipts and disbursements for three funds. Also, the activity of the two money market accounts for debt service sinking and reserve were not posted to the records of the District.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

UTILITY RECEIPTS TAX

The District did not pay Utility Receipts Tax to the Indiana Department of Revenue during the audit period.

Generally, retail receipts from all utility services consumed within Indiana are subject to the utility receipts tax regardless of the point of generation or transmission across state lines. Receipts from the provision of mobile telecommunication service are subject to utility receipts tax to the extent that the receipts are sourced to Indiana pursuant to Indiana Code 6-8.1-15. However, gross receipts received by a political subdivision for sewage and sewage service are not subject to the tax. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

FAIRWAYS REGIONAL WATER DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on June 26, 2006, with Patricia L. Erpelding, Clerk. The official response has been made a part of this report and may be found on page 8.

FRWD

FAIRWAYS REGIONAL WATER DISTRICT
P.O. Box 191 Lowell, IN 46356

August 9, 2006

BRUCE HARTMAN, CPA
STATE BOARD OF ACCOUNTS
LAKE COUNTY GOVT. CENTER
2293 NORTH MAIN STREET
CROWN POINT, IN 46307

Dear Mr. Hartman:

This letter is for the purpose of responding to the examination results and comments discussed with us at our examination exit conference. There was really only one area that needed to be addressed. The recordkeeping needs to be improved and brought into compliance with the prescribed formats. Several accounts need to be broken out of our totals and tracked in separate ledger columns. We will attempt to get all of the records from January 1st of 2006 in these formats.

Please feel free to call if you have any questions at 219-660-4380, ext. 304 or e-mail erpsfam5@hotmail.com.

Very truly yours,



Pat Erpelding
FRWD Clerk