

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

EXAMINATION REPORT  
OF  
FAIRWAYS REGIONAL WATER DISTRICT  
LAKE COUNTY, INDIANA  
January 1, 2006 to December 31, 2007



**FILED**  
03/18/2009



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk	Patricia L. Erpelding Robert Van Baren	01-01-06 to 01-03-08 01-04-08 to 12-31-09
President of the Board of Trustees	Richard L. Willard	01-01-06 to 12-31-09



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial information presented herein of the Fairways Regional Water District (District), for the period of January 1, 2006 to December 31, 2007. 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, 2006 and 2007, 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

January 20, 2009

FAIRWAYS REGIONAL WATER DISTRICT  
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES  
As Of And For The Years Ended December 31, 2006 And 2007

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ (1,115)	\$ 79,258	\$ 80,334	\$ (2,191)
Customer Deposits	2,200	300	600	1,900
Debt Service Sinking	16,318	27,916	44,234	-
Debt Service Reserve	11,119	8,465	930	18,654
Fiduciary Fund:				
Sales Taxes	318	3,794	3,797	315
Totals	<u>\$ 28,840</u>	<u>\$ 119,733</u>	<u>\$ 129,895</u>	<u>\$ 18,678</u>

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ (2,191)	\$ 74,866	\$ 72,917	\$ (242)
Customer Deposits	1,900	500	-	2,400
Debt Service Sinking	-	23,388	4,563	18,825
Debt Service Reserve	18,654	5,994	447	24,201
Fiduciary Fund:				
Sales Taxes	315	4,441	4,409	347
Totals	<u>\$ 18,678</u>	<u>\$ 109,189</u>	<u>\$ 82,336</u>	<u>\$ 45,531</u>

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

FAIRWAYS REGIONAL WATER DISTRICT  
NOTES TO FINANCIAL INFORMATION

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. Subsequent Event

On September 25, 2008, the Board of Trustees voted to continue the bank promissory note and line of credit of \$20,000 for one more year.

FAIRWAYS REGIONAL WATER DISTRICT  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CAPITAL ASSETS

For The Year Ended December 31, 2007

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.

General infrastructure assets (those reported by governmental activities) are included regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are reported at historical cost.

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water District:	
Capital assets, not being depreciated:	
Land	\$ 1,550
Distribution System	822,895
Machinery and Equipment	<u>1,505</u>
 Total business-type activities capital assets	 <u>\$ 825,950</u>

FAIRWAYS REGIONAL WATER DISTRICT  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 December 31, 2007

The Water District has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Business-type activities:		
Water District		
Notes and loans payable:		
1999 purchase of district assets	\$ 1,500	\$ 750
1999 state revolving loan	234,000	22,853
2001 bank loan	<u>19,000</u>	<u>20,800</u>
Total business-type activities debt	<u>\$ 254,500</u>	<u>\$ 44,403</u>

## FAIRWAYS REGIONAL WATER DISTRICT EXAMINATION RESULTS AND COMMENTS

### BANK ACCOUNT RECONCILIATIONS

No reconciliations of the fund balances for the Debt Service Sinking Fund or the Debt Service Reserve Fund to the bank account balances were presented for review. All funds and bank accounts should be reconciled each month.

Indiana Code 5-13-6-1(e) states in part: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

### ANNUAL REPORT

The Special District Annual Reports (SDAR) presented for review did not agree with the financial records. The following problems were found:

1. The funds listed on the SDAR do not agree with the funds listed in the Simplified Cash Journal (Ledger). The Ledger has two funds: General Operating Fund and Sales Taxes Fund. The SDAR combined the two funds.
2. The Ledger had two funds: Debt Service Reserve Fund and Debt Service Sinking Fund. In the SDAR Part 5, Cash and Investments, the bank account for the Debt Service Sinking Fund was not listed.
3. The receipts, disbursements, and balances for the Debt Service Reserve Fund were not properly reported on the SDAR.
4. The receipts, disbursements, and balances for the Debt Service Sinking Fund were not reported on the SDAR.
5. In the SDAR Part 6, Indebtedness, the debt for the 1999 purchase of district assets was not reported. As of December 31, 2007, the amount owed was \$1,500 on this loan.

The SDAR should report what the District recorded in the Ledger. A similar comment appeared in the prior report.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. (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)

FAIRWAYS REGIONAL WATER DISTRICT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

OVERDRAWN CASH BALANCE

The cash balance of the General Fund was overdrawn (\$2,190.64 and \$242.13) at year end for 2006 and 2007.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

CAPITAL ASSET RECORDS

The District does not maintain sufficient detailed records of capital assets. The Capital Asset Ledger, General Form 369, was not maintained. Purchases and disposals of capital assets were not recorded. The amounts listed in the Schedule of Capital Assets were reported in the prior examination.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded in the Capital Assets Ledger. A complete inventory should be taken at least every two years 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)

OFFICIAL BOND

The Clerk did not have any official bond coverage for 2006 and 2007. For 2008, the Clerk and the Board of Trustees had an official bond; however, it was not payable to the State of Indiana and it was not filed in the Lake County Recorder's office.

Indiana Code 5-4-1-5.1(b) states in part: "Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder. . . ."

Indiana Code 5-4-1-10 states: "All official bonds shall be payable to the state of Indiana . . ."

BOARD MINUTES

The minutes of the meetings of the Board of Trustees did not indicate that (1) elections were held, except on May 25, 2006, and (2) the Board organized each year and selected a President.

Indiana Code 5-14-1.5-4(b) states:

"As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes taken, by individual members if there is a roll call.
- (5) Any additional information required under Indiana Code 5-1.5-2-2.5 or IC 20-12-63-7."

FAIRWAYS REGIONAL WATER DISTRICT  
EXIT CONFERENCE

The contents of this report were discussed on February 3, 2009, with Patricia L. Erpelding, former Clerk.

The contents of this report were discussed on February 3, 2009, with Robert Van Baren, Clerk.