

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, 2008 to December 31, 2010



FILED
04/14/2011

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk/Treasurer	Patricia L. Erpelding Robert Van Baren	01-01-08 to 01-03-08 01-04-08 to 12-31-11
President of the Board of Trustees	Robert L. Willard	01-01-08 to 12-31-11



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial information presented herein the Fairways Regional Water District (District), for the period of January 1, 2008 to December 31, 2010. 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, 2008, 2009 and 2010, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Long-Term Debt, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the basic financial information. It has not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

February 17, 2011

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, 2008, 2009 And 2010

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ (242)	\$ 72,543	\$ 70,014	\$ 2,287
Customer Deposits	2,400	-	500	1,900
Debt Service Sinking	18,825	26,754	22,853	22,726
Debt Service Reserve	24,201	851	917	24,135
Fiduciary Fund:				
Sales Taxes	347	5,326	4,740	933
Totals	<u>\$ 45,531</u>	<u>\$ 105,474</u>	<u>\$ 99,024</u>	<u>\$ 51,981</u>

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ 2,287	\$ 77,939	\$ 76,392	\$ 3,834
Customer Deposits	1,900	-	-	1,900
Debt Service Sinking	22,726	23,563	23,288	23,001
Debt Service Reserve	24,135	167	-	24,302
Fiduciary Fund:				
Sales Taxes	933	5,448	4,217	2,164
Totals	<u>\$ 51,981</u>	<u>\$ 107,117</u>	<u>\$ 103,897</u>	<u>\$ 55,201</u>

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
Governmental Funds:				
General	\$ 3,834	\$ 82,042	\$ 84,383	\$ 1,493
Customer Deposits	1,900	-	-	1,900
Debt Service Sinking	23,001	23,434	22,703	23,732
Debt Service Reserve	24,302	45	-	24,347
Fiduciary Fund:				
Sales Taxes	2,164	5,730	5,402	2,492
Totals	<u>\$ 55,201</u>	<u>\$ 111,251</u>	<u>\$ 112,488</u>	<u>\$ 53,964</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.

FAIRWAYS REGIONAL WATER DISTRICT
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2010

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 State revolving loan	\$ 190,000	\$ 23,098

FAIRWAYS REGIONAL WATER DISTRICT
EXAMINATION RESULTS AND COMMENTS

PENALTIES, INTEREST, AND OTHER CHARGES

Sales tax are not being remitted timely to the Indiana Department of Revenue. As a result, the District incurred penalties and interest of \$429.49 which was subsequently paid.

The District maintains a sales tax payable fund in which all sales taxes received and payments remitted to the Indiana Department of Revenue are accounted for. At December 31, 2010, the fund had a balance of \$2,492.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

TIMELY DEPOSITS

Receipts are not deposited by the next business day, as required by Indiana statute.

IC 5-13-6-1 requires all public funds shall be deposited not later than the business day following the receipt of funds on business days of the depository.

PAYROLL

The Clerk is compensated at a rate of \$10.00 per hour and Board members are compensated \$35.00 per meeting. These amounts were not formally adopted by the governing body.

Taxes were not withheld from amounts paid and the Clerk did not issue W-2's or 1099's.

The Clerk, who also holds a position on the Board, did not always record the day and number of hours worked.

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions and concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 14)

FAIRWAYS REGIONAL WATER DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

IC 5-11-9-4 requires that records be maintained showing which hours are worked each day for employees employed by more than one political subdivision or in more than one position by the same public agency. This requirement can be met by indicating the number of hours worked on each Employee's Service Record, General Form No. 99 and/or General Form No. 99B. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PRESCRIBED FORMS

The District uses exact replicas of the Simplified Cash Journal created by the computer program excel. This form is not protected from changes, deletions, or alterations and does not provide for an audit trail.

As a result of advances in computer technology, some computer hardware, software, and application systems can now produce exact replicas of the forms prescribed by the State Board of Accounts. The State Board of Accounts prescribes the required accounting system forms, but does not specify the source from which the forms must be obtained. Therefore, the State Board of Accounts will not take exception to the use of forms which provide exact replications of the prescribed forms created by computer printer or utilizing continuous form computer paper.

These exact replications must be identical to the prescribed forms in format, titles and locations of data. The exact replicas are not required to be submitted to the State Board of Accounts for approval and each form should be identified as "Prescribed By the State Board of Accounts" in the same location as is printed on the prescribed forms.

The use of computer-generated prescribed forms should be brought to the attention of the Field Examiner during the next regularly scheduled audit. The forms and computer system generating the forms are subject to a technical computer audit based upon the results of the Field Examiner's risk assessment. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

ELECTION OF OFFICERS

The Board did not formally elect a president, treasurer, or secretary for the years 2008, 2009, or 2010.

IC 13-26-5-1 states in part: "Prerequisites to exercising rights, powers, and duties Sec. 1. Upon: . . . (3) the election of a president, a treasurer, and a secretary; the district may exercise in the district's own name, as a municipal corporation, all the rights, powers, and duties conferred upon the district by this article."

CAPITAL ASSETS

The District does not maintain sufficient detailed records of capital assets. The Capital Asset Ledger, General Form 369, was not maintained.

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)

FAIRWAYS REGIONAL WATER DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on February 17, 2011 with Robert Van Baren, Clerk/
Treasurer.