

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

FAIRWAYS REGIONAL WATER DISTRICT

LAKE COUNTY, INDIANA

January 1, 2011 to December 31, 2016



FILED
04/25/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Financial Clerk/Treasuer	Robert VanBaren	01-01-11 to 12-31-17
President of the Board	Richard L Willard (Vacant) Helena Black	01-01-11 to 06-26-14 06-27-14 to 09-24-14 09-25-14 to 12-31-17



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 accompanying financial statements of the Fairways Regional Water District (District), for the period of January 1, 2011 to December 31, 2016. The District's management is responsible for the financial statements. 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 statements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

As discussed in Note 1 to the financial statements, the District prepares its financial statements 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 comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statements referred to above do not present, in conformity 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, 2011 to December 31, 2016.

In our opinion, the financial statements referred to above present, in all material respects, the financial position and results of operations of the District for the period of January 1, 2011 to December 31, 2016, based on the prescribed basis of accounting described in Note 1.

Our examination was conducted for the purpose of forming an opinion on the District's financial statements. The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis, Schedule of Payables and Receivables, and Schedule of Leases and Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statements. They have not been subjected to the examination procedures applied to the financial statements and, accordingly, we express no opinion on them.

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

March 28, 2017

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FINANCIAL STATEMENTS AND ACCOMPANYING NOTES

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

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FAIRWAYS REGIONAL WATER DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended December 31, 2011 and 2012

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11	Receipts	Disbursements	Cash and Investments 12-31-12
Water Cash Operating	\$ 1,399	\$ 77,157	\$ 68,071	\$ 10,485	\$ 78,157	\$ 70,445	\$ 18,197
Water Customer Deposits	1,900	100	1,000	1,000	100	400	700
Water Dsr Fund	24,347	30	-	24,377	33	591	23,819
Water Sales Tax	2,492	5,346	4,026	3,812	5,450	5,258	4,004
Water Sinking	<u>23,732</u>	<u>23,775</u>	<u>43,491</u>	<u>4,016</u>	<u>23,142</u>	<u>3,062</u>	<u>24,096</u>
Totals	<u>\$ 53,870</u>	<u>\$ 106,408</u>	<u>\$ 116,588</u>	<u>\$ 43,690</u>	<u>\$ 106,882</u>	<u>\$ 79,756</u>	<u>\$ 70,816</u>

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

FAIRWAYS REGIONAL WATER DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended December 31, 2013 and 2014

Fund	Cash and Investments 01-01-13	Receipts	Disbursements	Cash and Investments 12-31-13	Receipts	Disbursements	Cash and Investments 12-31-14
Water Cash Operating	\$ 18,197	\$ 74,677	\$ 72,917	\$ 19,957	\$ 80,586	\$ 73,422	\$ 27,121
Water Customer Deposits	700	-	400	300	100	-	400
Water DSR Fund	23,819	18	-	23,837	14	-	23,851
Water Sales Tax	4,004	5,213	4,166	5,051	4,917	5,589	4,379
Water Sinking	<u>24,096</u>	<u>23,470</u>	<u>22,792</u>	<u>24,774</u>	<u>23,769</u>	<u>23,109</u>	<u>25,434</u>
Totals	<u>\$ 70,816</u>	<u>\$ 103,378</u>	<u>\$ 100,275</u>	<u>\$ 73,919</u>	<u>\$ 109,386</u>	<u>\$ 102,120</u>	<u>\$ 81,185</u>

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

FAIRWAYS REGIONAL WATER DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended December 31, 2015 and 2016

Fund	Cash and Investments 01-01-15	Receipts	Disbursements	Cash and Investments 12-31-15	Receipts	Disbursements	Cash and Investments 12-31-16
Water Cash Operating	\$ 27,121	\$ 80,521	\$ 75,248	\$ 32,394	\$ 84,908	\$ 68,632	\$ 48,670
Water Customer Deposits	400	-	400	-	-	-	-
Water DSR Fund	23,851	19	-	23,870	86	-	23,956
Water Sales Tax	4,379	5,158	5,574	3,963	5,906	4,135	5,734
Water Sinking	25,434	23,051	23,388	25,097	23,310	22,646	25,761
Totals	<u>\$ 81,185</u>	<u>\$ 108,749</u>	<u>\$ 104,610</u>	<u>\$ 85,324</u>	<u>\$ 114,210</u>	<u>\$ 95,413</u>	<u>\$ 104,121</u>

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

FAIRWAYS REGIONAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

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 an elected governing board.

The accompanying financial statements present the financial information for the District.

B. Basis of Accounting

The financial statements are 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 statements. The aggregate receipts include the following sources:

Taxes. Amounts received from one or more of the following: property tax, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeeper's tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the District.

Utility fees. Amounts received from charges for current services.

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 statements. The aggregate disbursements include the following uses:

FAIRWAYS REGIONAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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.

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. 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.

FAIRWAYS REGIONAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 3. 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 statements. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

OTHER INFORMATION - UNEXAMINED

The District's Annual Financial Report information can be found on the Gateway 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 Report referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the examination. This is a common occurrence in any financial statement examination. The financial information presented in this report is examined information, and the accuracy of such information can be determined by reading the opinion given in the Independent Accountant's Report.

The other information presented was approved by management of the District. It is presented as intended by the District.

FAIRWAYS REGIONAL WATER DISTRICT
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2011

	Water Cash Operating	Water Customer Deposits	Water Dsr Fund	Water Sales Tax	Water Sinking	Totals
Cash and investments - beginning	\$ 1,399	\$ 1,900	\$ 24,347	\$ 2,492	\$ 23,732	\$ 53,870
Receipts:						
Taxes	-	-	-	5,346	-	5,346
Utility fees	77,157	-	-	-	-	77,157
Other receipts	-	100	30	-	23,775	23,905
Total receipts	<u>77,157</u>	<u>100</u>	<u>30</u>	<u>5,346</u>	<u>23,775</u>	<u>106,408</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	43,491	43,491
Utility operating expenses	44,312	-	-	-	-	44,312
Other disbursements	<u>23,759</u>	<u>1,000</u>	<u>-</u>	<u>4,026</u>	<u>-</u>	<u>28,785</u>
Total disbursements	<u>68,071</u>	<u>1,000</u>	<u>-</u>	<u>4,026</u>	<u>43,491</u>	<u>116,588</u>
Excess (deficiency) of receipts over disbursements	<u>9,086</u>	<u>(900)</u>	<u>30</u>	<u>1,320</u>	<u>(19,716)</u>	<u>(10,180)</u>
Cash and investments - ending	<u>\$ 10,485</u>	<u>\$ 1,000</u>	<u>\$ 24,377</u>	<u>\$ 3,812</u>	<u>\$ 4,016</u>	<u>\$ 43,690</u>

FAIRWAYS REGIONAL WATER DISTRICT
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2012

	Water Cash Operating	Water Customer Deposits	Water Dsr Fund	Water Sales Tax	Water Sinking	Totals
Cash and investments - beginning	\$ 10,485	\$ 1,000	\$ 24,377	\$ 3,812	\$ 4,016	\$ 43,690
Receipts:						
Taxes	-	-	-	5,450	-	5,450
Utility fees	77,266	-	-	-	-	77,266
Other receipts	891	100	33	-	23,142	24,166
Total receipts	78,157	100	33	5,450	23,142	106,882
Disbursements:						
Personal services	2,520	-	-	-	-	2,520
Other services and charges	2,332	-	-	-	-	2,332
Debt service - principal and interest	-	-	-	-	3,062	3,062
Utility operating expenses	42,148	-	-	-	-	42,148
Other disbursements	23,445	400	591	5,258	-	29,694
Total disbursements	70,445	400	591	5,258	3,062	79,756
Excess (deficiency) of receipts over disbursements	7,712	(300)	(558)	192	20,080	27,126
Cash and investments - ending	\$ 18,197	\$ 700	\$ 23,819	\$ 4,004	\$ 24,096	\$ 70,816

FAIRWAYS REGIONAL WATER DISTRICT
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2013

	Water Cash Operating	Water Customer Deposits	Water DSR Fund	Water Sales Tax	Water Sinking	Totals
Cash and investments - beginning	\$ 18,197	\$ 700	\$ 23,819	\$ 4,004	\$ 24,096	\$ 70,816
Receipts:						
Utility fees	74,677	-	-	5,213	-	79,890
Other receipts	-	-	18	-	23,470	23,488
Total receipts	74,677	-	18	5,213	23,470	103,378
Disbursements:						
Personal services	4,045	-	-	-	-	4,045
Other services and charges	3,136	-	-	-	-	3,136
Debt service - principal and interest	-	-	-	-	22,792	22,792
Utility operating expenses	42,276	-	-	-	-	42,276
Other disbursements	23,460	400	-	4,166	-	28,026
Total disbursements	72,917	400	-	4,166	22,792	100,275
Excess (deficiency) of receipts over disbursements	1,760	(400)	18	1,047	678	3,103
Cash and investments - ending	\$ 19,957	\$ 300	\$ 23,837	\$ 5,051	\$ 24,774	\$ 73,919

FAIRWAYS REGIONAL WATER DISTRICT
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2014

	Water Cash Operating	Water Customer Deposits	Water DSR Fund	Water Sales Tax	Water Sinking	Totals
Cash and investments - beginning	\$ 19,957	\$ 300	\$ 23,837	\$ 5,051	\$ 24,774	\$ 73,919
Receipts:						
Utility fees	80,586	100	-	4,917	-	85,603
Other receipts	-	-	14	-	23,769	23,783
Total receipts	80,586	100	14	4,917	23,769	109,386
Disbursements:						
Personal services	3,965	-	-	-	-	3,965
Other services and charges	2,796	-	-	-	-	2,796
Debt service - principal and interest	-	-	-	-	23,109	23,109
Utility operating expenses	19,317	-	-	-	-	19,317
Other disbursements	47,344	-	-	5,589	-	52,933
Total disbursements	73,422	-	-	5,589	23,109	102,120
Excess (deficiency) of receipts over disbursements	7,164	100	14	(672)	660	7,266
Cash and investments - ending	\$ 27,121	\$ 400	\$ 23,851	\$ 4,379	\$ 25,434	\$ 81,185

FAIRWAYS REGIONAL WATER DISTRICT
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2015

	Water Cash Operating	Water Customer Deposits	Water DSR Fund	Water Sales Tax	Water Sinking	Totals
Cash and investments - beginning	\$ 27,121	\$ 400	\$ 23,851	\$ 4,379	\$ 25,434	\$ 81,185
Receipts:						
Utility fees	80,296	-	-	5,158	-	85,454
Other receipts	225	-	19	-	23,051	23,295
Total receipts	80,521	-	19	5,158	23,051	108,749
Disbursements:						
Personal services	3,655	-	-	-	-	3,655
Other services and charges	2,837	-	-	-	-	2,837
Debt service - principal and interest	-	-	-	-	23,388	23,388
Utility operating expenses	45,716	-	-	5,574	-	51,290
Other disbursements	23,040	400	-	-	-	23,440
Total disbursements	75,248	400	-	5,574	23,388	104,610
Excess (deficiency) of receipts over disbursements	5,273	(400)	19	(416)	(337)	4,139
Cash and investments - ending	\$ 32,394	\$ -	\$ 23,870	\$ 3,963	\$ 25,097	\$ 85,324

FAIRWAYS REGIONAL WATER DISTRICT
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2016

	Water Cash Operating	Water DSR Fund	Water Sales Tax	Water Sinking	Totals
Cash and investments - beginning	\$ 32,394	\$ 23,870	\$ 3,963	\$ 25,097	\$ 85,324
Receipts:					
Taxes	-	-	5,906	-	5,906
Utility fees	84,908	-	-	-	84,908
Other receipts	-	86	-	23,310	23,396
Total receipts	<u>84,908</u>	<u>86</u>	<u>5,906</u>	<u>23,310</u>	<u>114,210</u>
Disbursements:					
Personal services	4,725	-	-	-	4,725
Other services and charges	3,587	-	-	-	3,587
Debt service - principal and interest	-	-	-	22,646	22,646
Utility operating expenses	37,060	-	-	-	37,060
Other disbursements	<u>23,260</u>	<u>-</u>	<u>4,135</u>	<u>-</u>	<u>27,395</u>
Total disbursements	<u>68,632</u>	<u>-</u>	<u>4,135</u>	<u>22,646</u>	<u>95,413</u>
Excess (deficiency) of receipts over disbursements	<u>16,276</u>	<u>86</u>	<u>1,771</u>	<u>664</u>	<u>18,797</u>
Cash and investments - ending	<u>\$ 48,670</u>	<u>\$ 23,956</u>	<u>\$ 5,734</u>	<u>\$ 25,761</u>	<u>\$ 104,121</u>

FAIRWAYS REGIONAL WATER DISTRICT
SCHEDULE OF PAYABLES AND RECEIVABLES
December 31, 2016

	<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Water		\$ -	\$ 3,692

FAIRWAYS REGIONAL WATER DISTRICT
SCHEDULE OF LEASES AND DEBT
December 31, 2016

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Water:			
Notes and loans payable	State Revolving Fund	\$ 84,000	\$ 22,886
Totals		\$ 84,000	\$ 22,886

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/>.