

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

FINANCIAL STATEMENT REVIEW REPORT

OF

FAIRWAYS REGIONAL WATER DISTRICT

LAKE COUNTY, INDIANA

January 1, 2017 to December 31, 2018



FILED
08/07/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Financial Clerk/Treasurer	Robert Van Baren	01-01-17 to 12-31-20
President of the District Board	Helena Black	01-01-17 to 12-31-20



INDEPENDENT ACCOUNTANT'S REVIEW REPORT

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

We have reviewed the accompanying financial statement of the Fairways Regional Water District (District), for the period of January 1, 2017 to December 31, 2018. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the District's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statement as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with a regulatory 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. This includes determining that the basis of accounting the District uses is an acceptable basis for the preparation of the financial statement in the circumstances. 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 misstatements whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with *Statements on Standards for Accounting and Review Services* promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statement for it to be in accordance with the prescribed basis of accounting described in Note 1. We believe that the results of our procedures provide a reasonable basis for our conclusion.

INDEPENDENT ACCOUNTANT'S REVIEW REPORT
(Continued)

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statement in order for it to be in accordance with the prescribed basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statement, which describes the basis of accounting. The financial statement is prepared in accordance with 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. Our conclusion is not modified with respect to this matter.


Paul D. Joyce, CPA
State Examiner

June 23, 2020

FINANCIAL STATEMENT AND ACCOMPANYING NOTES

The financial statement and accompanying notes were approved by management of the District. The financial statement 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, 2017 and 2018

Fund	Cash and Investments 01-01-17	Receipts	Disbursements	Cash and Investments 12-31-17	Receipts	Disbursements	Cash and Investments 12-31-18
Water Cash Operating	\$ 48,670	\$ 82,474	\$ 85,928	\$ 45,216	\$ 82,583	\$ 72,045	\$ 55,754
Water Dsr Fund	23,956	175	-	24,131	394	18,687	5,838
Water Sales Tax	5,734	5,753	5,371	6,116	4,999	5,725	5,390
Water Sinking	25,761	21,673	22,885	24,549	23,615	48,164	-
Totals	<u>\$ 104,121</u>	<u>\$ 110,075</u>	<u>\$ 114,184</u>	<u>\$ 100,012</u>	<u>\$ 111,591</u>	<u>\$ 144,621</u>	<u>\$ 66,982</u>

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

FAIRWAYS 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.

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.

FAIRWAYS 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.

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

FAIRWAYS REGIONAL WATER DISTRICT
REVIEW RESULTS AND COMMENTS

RECEIPT ISSUANCE

A similar comment also appeared in prior Report B48359, entitled *COLLECTIONS AND RECEIPT ISSUANCE*.

Condition and Context

Receipts were posted in batches based on deposit dates. By posting in batches, it is possible that receipts were not always posted to the accounting period in which the collections were received.

Criteria

Receipts shall be issued and recorded at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

DEPOSITS

The same comment also appeared in prior Report B48359.

Condition and Context

Collections in excess of \$500 were not deposited by the following business day. Of the four deposits over \$500 tested, collections were not deposited timely in all four instances.

Criteria

Indiana Code 5-13-6-1(c) states in part:

". . . all local officers . . . who collect public funds of their respective political subdivisions, shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance. . . ."

Indiana Code 5-13-6-1(g) states in part:

"The following are not required to deposit funds on the business day following receipt if the funds on hand do not exceed five hundred dollars (\$500): . . .

- (2) A local officer of a political subdivision required to deposit funds under subsection (c) other than a township trustee. . . ."

PAYROLL RELATED DISBURSEMENTS

The same comment also appeared in prior Report B48359.

Condition and Context

District Board members were paid \$50 per meeting attended during the review period. The Financial Clerk/Treasurer, who was also a District Board member, also received \$10 per hour for performing the bookkeeping functions for the District.

FAIRWAYS REGIONAL WATER DISTRICT
REVIEW RESULTS AND COMMENTS
(Continued)

The compensation paid did not have federal, state, or local taxes withheld, and the District did not pay Social Security and Medicare on the wages. Neither Internal Revenue Service (IRS) Form W-2 - Wage and Tax Statements or IRS Form 1099 - Miscellaneous Income were issued. The District did not follow its own salary/wage resolution, as it notes that Forms 1099 are to be distributed to the District Board.

Criteria

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1).

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

LATE SUBMISSION OF ANNUAL FINANCIAL REPORT

Condition and Context

The District's Annual Financial Reports for 2017 and 2018 were not filed electronically until May 18, 2018, and March 6, 2019, respectively, which was 78 and 5 days past the due date.

Criteria

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

OFFICIAL BOND

The same comment also appeared in prior Report B48359.

Condition and Context

The District had Surety Blanket Bond coverage in the amount of \$10,000. The coverage began January 29, 2008, and continues until cancelled. During the review period, the bond was made payable to the District; not to the State of Indiana.

Criteria

Indiana Code 5-4-1-10 states:

"All official bonds shall be payable to the state of Indiana; and every such bond shall be obligatory to such state, upon the principal and sureties, for the faithful discharge of all duties required of such officer by any law, then or subsequently in force, for the use of any person injured by any breach of the condition thereof."

OFFICIAL RESPONSE

June 23, 2020:

Indiana State Board of Accounts
302 West Washington St. Room E418
Indianapolis, IN 46204-2765

Re: Fairways Regional Water District

I trust you are well. Please find in following my client's response to the review you have conducted, in final written comments, in which will appear in the final written report:

Receipt Issuance: Due to its small size, in effort to keep costs low, the Fairways Regional Water District utilizes a board member to receive, document and deposit the monthly payments received from the approximate 80 homeowners. The Fairways Regional Water District will strive to post the receipts in the accounting.

Response to Deposits: See response to receipt issuance. Due to small size of District, ability for Treasurer to make collections each day is limited, and Fairways Regional Water District will strive to deposit collections in excess of \$500.00 by the following business day.

Payroll Related Disbursements: District will commence with appropriate tax documents commencing 2020.


Late Submission of Annual Financial Report: Appropriate personnel knowledgeable with the Gateway system have been retained, and timely submissions shall occur moving forward.

Bond: Bond criteria shall be updated appropriately.

Sincerely,


Nathan D. Vis


Helena Black


Robert Van Baren

FAIRWAYS REGIONAL WATER DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on June 23, 2020, with Robert Van Baren, Financial Clerk/Treasurer; Nathan Vis, Attorney; and Helena Black, President of the District Board.