

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

FINANCIAL STATEMENTS EXAMINATION REPORT
OF
EAST CHICAGO WATERWAY MANAGEMENT DISTRICT
LAKE COUNTY, INDIANA
January 1, 2010 to December 31, 2014



FILED
11/06/2015

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Executive Director	Fernando Trevino	01-01-10 to 12-31-15
Fiscal Officer	Charles Pacurar (Vacant)	01-01-10 to 06-10-11 06-11-11 to 09-08-11
Treasurer	Mike Ebert Ray Lopez	09-09-11 to 12-31-14 01-01-15 to 12-31-15
President of the Board	Ernest Jones John Fekete	01-01-10 to 12-31-12 01-01-13 to 12-31-15



STATE OF INDIANA
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE EAST CHICAGO WATERWAY
MANAGEMENT DISTRICT, LAKE COUNTY, INDIANA

We have examined the accompanying financial statements of the East Chicago Waterway Management District (District), for the period of January 1, 2010 to December 31, 2014. The financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on the financial statements 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, 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 fairly, 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, 2010 to December 31, 2014.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the District for the period of January 1, 2010 to December 31, 2014, on the 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, Schedule of Leases and Debt, and Schedule of Capital Assets, 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

August 12, 2015

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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.

EAST CHICAGO WATERWAY MANAGEMENT DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended December 31, 2010, 2011, and 2012

Fund	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
ECI Facilities Trust	\$ 6,734,313	\$ 70,785	\$ 242,934	\$ 6,562,164
EC Waterway Management District	<u>90,764</u>	<u>414,115</u>	<u>194,799</u>	<u>310,080</u>
Totals	<u>\$ 6,825,077</u>	<u>\$ 484,900</u>	<u>\$ 437,733</u>	<u>\$ 6,872,244</u>

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
ECI Facilities Trust	\$ 6,562,164	\$ 71,916	\$ 234,188	\$ 6,399,892
EC Waterway Management District	<u>310,080</u>	<u>740,283</u>	<u>251,568</u>	<u>798,795</u>
Totals	<u>\$ 6,872,244</u>	<u>\$ 812,199</u>	<u>\$ 485,756</u>	<u>\$ 7,198,687</u>

Fund	Cash and Investments 01-01-12	Receipts	Disbursements	Cash and Investments 12-31-12
ECI Facilities Trust	\$ 6,399,892	\$ 143,646	\$ 217,534	\$ 6,326,004
EC Waterway Management District	<u>798,795</u>	<u>745,029</u>	<u>294,621</u>	<u>1,249,203</u>
Totals	<u>\$ 7,198,687</u>	<u>\$ 888,675</u>	<u>\$ 512,155</u>	<u>\$ 7,575,207</u>

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

EAST CHICAGO WATERWAY MANAGEMENT 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
ECI Facilities Trust	\$ 6,326,004	\$ 72,556	\$ 236,975	\$ 6,161,585
EC Waterway Management District	<u>1,249,203</u>	<u>703,355</u>	<u>266,287</u>	<u>1,686,271</u>
Totals	<u>\$ 7,575,207</u>	<u>\$ 775,911</u>	<u>\$ 503,262</u>	<u>\$ 7,847,856</u>

Fund	Cash and Investments 01-01-14	Receipts	Disbursements	Cash and Investments 12-31-14
ECI Facilities Trust	\$ 6,161,585	\$ 56,262	\$ 234,110	\$ 5,983,737
EC Waterway Management District	<u>1,686,271</u>	<u>834,344</u>	<u>513,737</u>	<u>2,006,878</u>
Totals	<u>\$ 7,847,856</u>	<u>\$ 890,606</u>	<u>\$ 747,847</u>	<u>\$ 7,990,615</u>

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

EAST CHICAGO WATERWAY MANAGEMENT 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 appointed governing board. The District oversees the management, cleanup, development, and future planning of the waterways in the Indiana Harbor Ship Canal in Lake County, Indiana.

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:

User fees imposed on owners of property adjacent to waterways and users of waterways, license agreements for the use of land owned by the District, sales of property owned by the District, and interest earned on cash accounts held in banks.

Other receipts which include amounts received from various sources which can include, but are 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:

EAST CHICAGO WATERWAY MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Other disbursements which include, but are 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, transfer money 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 money 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 money 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. Budgets

The operating budget is initially prepared and approved at the local level and is subject to final approval by the Indiana Department of Environmental Management.

Note 3. 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, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

EAST CHICAGO WATERWAY MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 4. 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; 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.

Note 5. Army Corps of Engineers (Corps)

The Corps designed and constructed a Confined Disposal Facility (CDF) located in East Chicago with the current capacity to store 2.4 million cubic yards of dredged contaminated sediment. Following the completion of the CDF construction in 2011, the Corps began dredging in 2012 - dredging activities continued in 2013, 2014, and 2015. Through 2014, the Corps had dredged approximately 610,000 cubic yards of sediment. For dredging outside of the federal navigation channel, the District serves as the local sponsor to companies and private owners to facilitate dredging of their docks and/or property by the Corps - costs affiliated with these dredging activities and storage in the CDF are paid by the company/private owners. The District also helps facilitate communication to the Corps regarding concerns and issues voiced by the local community and stakeholders related to the dredging and CDF construction/maintenance activities.

Note 6. East Chicago Waterway Cleanup Project

In December of 2013, the District entered into a Project Agreement with the United States Environmental Protection Agency (EPA) under the EPA's Great Lakes Legacy Act (GLLA) program to perform a Remedial Investigation (RI), Feasibility Study (FS) and Remedial Design (RD) for parts of the Grand Calumet River that have not been remediated and parts of the Indiana Harbor Ship Canal that the Army Corps of Engineers does not plan to dredge for navigational purposes. We expect the project to be completed through the RD within the original schedule estimate of two years, by December 2015, and within the original budget of \$2,000,000. Per the project agreement, the District agreed to provide the local share or 35 percent of the total cost, i.e., \$700,000 if the total is \$2,000,000.

The District is currently exploring various options to leverage federal dollars available through the GLLA program by securing additional local non-federal funding to perform the remediation/clean-up work, with the goal to begin remediation activities in 2016.

OTHER INFORMATION - UNAUDITED

The District's Annual Reports for years prior to 2011 can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

The District's Annual Report information for years 2011 and later 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 Annual Reports of the District which are 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.

EAST CHICAGO WATERWAY MANAGEMENT DISTRICT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2010

	ECI Facilities Trust	EC Waterway Management District	Totals
Cash and investments - beginning	\$ 6,734,313	\$ 90,764	\$ 6,825,077
Receipts:			
Other receipts	70,785	414,115	484,900
Total receipts	70,785	414,115	484,900
Disbursements:			
Supplies	-	963	963
Other services and charges	-	190,494	190,494
Other disbursements	242,934	3,342	246,276
Total disbursements	242,934	194,799	437,733
Excess (deficiency) of receipts over disbursements	(172,149)	219,316	47,167
Cash and investments - ending	\$ 6,562,164	\$ 310,080	\$ 6,872,244

EAST CHICAGO WATERWAY MANAGEMENT DISTRICT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2011

	ECI Facilities Trust	EC Waterway Management District	Totals
Cash and investments - beginning	\$ 6,562,164	\$ 310,080	\$ 6,872,244
Receipts:			
User fees	-	504,483	504,483
Other receipts	71,916	235,800	307,716
Total receipts	71,916	740,283	812,199
Disbursements:			
Supplies	-	1,242	1,242
Other services and charges	-	250,326	250,326
Other disbursements	234,188	-	234,188
Total disbursements	234,188	251,568	485,756
Excess (deficiency) of receipts over disbursements	(162,272)	488,715	326,443
Cash and investments - ending	\$ 6,399,892	\$ 798,795	\$ 7,198,687

EAST CHICAGO WATERWAY MANAGEMENT DISTRICT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2012

	ECI Facilities Trust	EC Waterway Management District	Totals
Cash and investments - beginning	\$ 6,399,892	\$ 798,795	\$ 7,198,687
Receipts:			
Other receipts	143,646	745,029	888,675
Total receipts	143,646	745,029	888,675
Disbursements:			
Supplies	-	2,541	2,541
Other services and charges	-	12,000	12,000
Other disbursements	217,534	280,080	497,614
Total disbursements	217,534	294,621	512,155
Excess (deficiency) of receipts over disbursements	(73,888)	450,408	376,520
Cash and investments - ending	\$ 6,326,004	\$ 1,249,203	\$ 7,575,207

EAST CHICAGO WATERWAY MANAGEMENT DISTRICT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013

	ECI Facilities Trust	EC Waterway Management District	Totals
Cash and investments - beginning	\$ 6,326,004	\$ 1,249,203	\$ 7,575,207
Receipts:			
Other receipts	72,556	703,355	775,911
Total receipts	72,556	703,355	775,911
Disbursements:			
Supplies	-	1,750	1,750
Other services and charges	-	12,000	12,000
Other disbursements	236,975	252,537	489,512
Total disbursements	236,975	266,287	503,262
Excess (deficiency) of receipts over disbursements	(164,419)	437,068	272,649
Cash and investments - ending	\$ 6,161,585	\$ 1,686,271	\$ 7,847,856

EAST CHICAGO WATERWAY MANAGEMENT DISTRICT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014

	ECI Facilities Trust	EC Waterway Management District	Totals
Cash and investments - beginning	\$ 6,161,585	\$ 1,686,271	\$ 7,847,856
Receipts:			
Other receipts	56,262	834,344	890,606
Total receipts	56,262	834,344	890,606
Disbursements:			
Supplies	-	1,342	1,342
Other services and charges	-	31,225	31,225
Other disbursements	234,110	481,170	715,280
Total disbursements	234,110	513,737	747,847
Excess (deficiency) of receipts over disbursements	(177,848)	320,607	142,759
Cash and investments - ending	\$ 5,983,737	\$ 2,006,878	\$ 7,990,615

EAST CHICAGO WATERWAY MANAGEMENT DISTRICT
SCHEDULE OF PAYABLES AND RECEIVABLES
December 31, 2014

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 55,200</u>	<u>\$ 9,555</u>

EAST CHICAGO WATERWAY MANAGEMENT DISTRICT
SCHEDULE OF LEASES AND DEBT
December 31, 2014

<u>Lessor</u>	<u>Purpose</u>	<u>Annual Lease Payment</u>	<u>Lease Beginning Date</u>	<u>Lease Ending Date</u>
Governmental activities: City of East Chicago	Office rent	<u>\$ 12,000</u>	12/16/2009	12/31/2015

EAST CHICAGO WATERWAY MANAGEMENT DISTRICT
SCHEDULE OF CAPITAL ASSETS
December 31, 2014

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.

	<u>Ending Balance</u>
Governmental activities:	
Machinery, equipment, and vehicles	<u>\$ 6,590</u>