

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

EXAMINATION REPORT

OF

EAST CHICAGO WATERWAY MANAGEMENT DISTRICT

LAKE COUNTY, INDIANA

January 1, 2005 to December 31, 2006



**FILED**  
03/28/2007



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Executive Director	Christine Brooks	01-01-05 to 01-20-05
	Vacant Position	01-21-05 to 08-23-05
	Thomas Frank	08-24-05 to 12-20-06
	Vacant Position	12-21-06 to 12-31-07
Fiscal Officer	Charles Pacurar	01-01-05 to 12-31-07
President of the Board	John Fekete	01-01-05 to 12-31-05
	Alicia Lopez Rodriguez	01-01-06 to 08-04-06
	Ernest Jones (Interim)	08-05-06 to 12-31-07



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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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 financial information presented herein of the East Chicago Waterway Management District (District), for the period of January 1, 2005 to December 31, 2006. 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, 2005 and 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

January 31, 2007

EAST CHICAGO WATERWAY MANAGEMENT DISTRICT  
 SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
 ALL GOVERNMENTAL FUND TYPES  
 As Of And For The Years Ended December 31, 2005 And 2006

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General	\$ 76,772	\$ 86,836	\$ 110,861	\$ 52,747
ECI Facilities Trust	<u>14,817,082</u>	<u>432,068</u>	<u>6,395,100</u>	<u>8,854,050</u>
Totals	<u>\$ 14,893,854</u>	<u>\$ 518,904</u>	<u>\$ 6,505,961</u>	<u>\$ 8,906,797</u>

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 52,747	\$ 162,499	\$ 116,523	\$ 98,723
ECI Facilities Trust	<u>8,854,050</u>	<u>354,045</u>	<u>185,605</u>	<u>9,022,490</u>
Totals	<u>\$ 8,906,797</u>	<u>\$ 516,544</u>	<u>\$ 302,128</u>	<u>\$ 9,121,213</u>

The accompanying notes are an integral part of the schedules.

EAST CHICAGO WATERWAY MANAGEMENT DISTRICT  
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The District was established under the laws of the State of Indiana. The District oversees the management, cleanup, development, and future planning of the waterways in the Indiana Harbor Ship Canal in Lake County, Indiana.

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. Budgets

The operating budget is initially prepared and approved at the local level.

Note 4. 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.

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

Note 5. Pension Plan

Public Employees' Retirement Fund

Plan Description

The District contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the District authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund  
Harrison Building, Room 800  
143 West Market Street  
Indianapolis, IN 46204  
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

## EAST CHICAGO WATERWAY MANAGEMENT DISTRICT EXAMINATION RESULTS AND COMMENTS

### TRANSACTION RECORDING

A ledger was not maintained for the activity of the ECI Facilities Trust Fund. Two of the twenty-four monthly statements from the financial institution that holds the trust were not presented for audit. The activity presented in the Schedule of Receipts, Disbursements and Balances was abstracted from the available trust statements. A similar comment appeared in the prior Report B25046.

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)

### ANNUAL REPORT

Annual reports for 2005 and 2006 were not presented for examination. A similar comment appeared in the prior Report B25046.

Indiana Code 5-11-1-4(a) states in part: "The state examiner shall require from . . . every local governmental unit, entity . . . financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner within thirty (30) days after the close of each fiscal year."

### SEPARATE BANK ACCOUNTS

The General Fund of the East Chicago Waterway Management District was included with other funds of the City of East Chicago in one bank account. A similar comment appeared in the prior Report B25046.

When two or more governmental units are authorized by statute to have the same fiscal officer, there should be separate bank accounts and accounting records for each governmental unit unless authorized by statute, appropriate federal or state rule or regulation. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

### COMPENSATION AND BENEFITS

The Board of Directors did not adopt a written salary schedule or salary resolution for the employees of the District. A similar comment appeared in the prior reports.

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 10)

EAST CHICAGO WATERWAY MANAGEMENT DISTRICT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

LEAVE AND OVERTIME POLICY

A leave and overtime policy adopted by the Board of Directors was not presented for examination. A similar comment appeared in prior reports.

Each governmental unit should adopt a written policy regarding the accrual and use of leave time and compensatory time and the payment of overtime. Negotiated labor contracts approved by the governing board would be considered as written policy. The policy should conform to the requirements of all state and federal regulatory agencies. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

APPROVAL OF FORMS

The City of East Chicago processes the payroll for the East Chicago Waterway Management District. In 2004, the City converted to a new computerized payroll system. The Employee's Earnings Record (Form 99B) as prescribed or approved was not used.

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)

TRAVEL POLICY

A travel policy adopted by the Board was not presented for examination. A similar comment appeared in prior reports.

Each governmental unit should adopt a written travel policy in conformity with applicable statutes. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 14)

CAPITAL ASSET RECORDS

The East Chicago Waterway Management District does not have a formal written capitalization policy. Detailed records of capital asset purchases and disposals have not been maintained. A complete inventory of capital assets has not been performed. A similar comment appeared in prior reports.

Every governmental unit should have a complete inventory of all capital assets owned which reflect 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.

The governing body should establish a capitalization policy that sets a dollar amount as a threshold to be used in determining which items will be recorded. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 16)

EAST CHICAGO WATERWAY MANAGEMENT DISTRICT  
EXIT CONFERENCE

The contents of this report were discussed on February 12, 2007, with Charles Pacurar, Fiscal Officer; and Ernest Jones, Interim President of the Board.