

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

EXAMINATION REPORT
OF
MERRILLVILLE CONSERVANCY DISTRICT
LAKE COUNTY, INDIANA
January 1, 2008 to December 31, 2010



FILED
04/20/2011

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
District Manager	Christine V. Savarese	01-01-08 to 08-21-08
Financial Clerk	Keith A. Lennon Vickeye Edwards	09-08-08 to 11-14-09 04-07-10 to 12-31-11
District Coordinator	Charles J. Stojakovich	01-02-08 to 12-31-11
Chairman of the Board of Directors	Edward M. Sperka	01-01-08 to 12-31-11



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE MERRILLVILLE CONSERVANCY DISTRICT, LAKE COUNTY, INDIANA

We have examined the financial information presented herein of the Merrillville Conservancy 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 Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

March 1, 2011

MERRILLVILLE CONSERVANCY DISTRICT
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL 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	\$ 1,750,193	\$ 3,772,853	\$ 3,824,017	\$ 1,699,029
Construction	846,009	1,339,783	50,000	2,135,792
Debt Service	26,993	4,433,627	4,404,629	55,991
Cumulative	623,906	2,757,488	1,405,000	1,976,394
Expansion	4,130,762	195,705	1,225,472	3,100,995
Escrow	15,161	5	15,166	-
Totals	<u>\$ 7,393,024</u>	<u>\$ 12,499,461</u>	<u>\$ 10,924,284</u>	<u>\$ 8,968,201</u>

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ 1,699,029	\$ 4,883,552	\$ 3,924,339	\$ 2,658,242
Construction	2,135,792	29,471	285,900	1,879,363
Debt Service	55,991	4,486,062	4,510,765	31,288
Cumulative	1,976,394	1,437,269	1,711,000	1,702,663
Expansion	3,100,995	1,222,282	297,339	4,025,938
Totals	<u>\$ 8,968,201</u>	<u>\$ 12,058,636</u>	<u>\$ 10,729,343</u>	<u>\$ 10,297,494</u>

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
Governmental Funds:				
General	\$ 2,658,242	\$ 4,156,473	\$ 4,160,229	\$ 2,654,486
Construction	1,879,363	-	188,722	1,690,641
Debt Service	31,288	5,248,301	4,823,035	456,554
Cumulative	1,702,663	1,711,000	-	3,413,663
Expansion	4,025,938	-	1,308,942	2,716,996
Totals	<u>\$ 10,297,494</u>	<u>\$ 11,115,774</u>	<u>\$ 10,480,928</u>	<u>\$ 10,932,340</u>

The accompanying notes are an integral part of the financial information.

MERRILLVILLE CONSERVANCY DISTRICT
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The District was established under the laws of the State of Indiana. The District provides the following services: the collection, treatment, and disposal of sewage and other liquid wastes.

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. In addition, funds for which property taxes are levied are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the District in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively.

Note 5. 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.

MERRILLVILLE CONSERVANCY DISTRICT
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 For The Year Ended December 31, 2010

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.

General infrastructure assets are included if acquired (purchased, constructed, or donated) after July 1, 1980, or if they received major renovations, restorations, or improvements after that date. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are reported at historical cost.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 5,141,175
Sewers, manholes, and lift stations	50,045,191
Maintenance equipment	477,695
Vehicles	846,100
Office equipment	<u>180,312</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 56,690,473</u>

MERRILLVILLE CONSERVANCY DISTRICT
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2010

The District has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Bonds payable:		
General obligation bonds:		
2000 Construction Additions and Improvements	\$ 5,480,000	\$ 1,350,636
2003 Construction Additions and Improvements	8,050,000	906,171
2007 Refunding	<u>8,800,000</u>	<u>399,666</u>
Total governmental activities debt	<u>\$ 22,330,000</u>	<u>\$ 2,656,473</u>

MERRILLVILLE CONSERVANCY DISTRICT
EXAMINATION RESULTS AND COMMENTS

ADVANCE PAYMENTS

Per diem checks in the amount of \$160 each were issued in advance to seven employees attending the Pumper Show in Louisville, Kentucky for a total of \$3,220. The District Board approved the payment of per diem in advance. Receipts and other supporting documentation for expenditures were not provided to the District for these per diems.

Reimbursements for lodging and meals should be based upon actual receipts for amounts paid, unless otherwise authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

ACCOUNTS PAYABLE VOUCHERS

Accounts payable vouchers were not certified by the District Manager, District Coordinator, or Financial Clerk for 50% of the vouchers reviewed.

IC 5-11-10-2(a) states:

"Claims against a political subdivision of the state must be approved by the officer or person receiving the goods or services, be audited for correctness and approved by the disbursing officer of the political subdivision, and, where applicable, be allowed by the governing body having jurisdiction over allowance of such claims before they are paid. If the claim is against a governmental entity (as defined in section 1.6 of this chapter), the claim must be certified by the fiscal officer."

ANNUAL REPORTS

The District did not prepare the prescribed Special District Annual Report (SDAR) for the years 2008, 2009, or 2010. The District did provide a financial statement report for each year.

The district shall prepare and file an annual financial report, required under IC 5-11-1-4, with the State Board of Accounts. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 3)

MERRILLVILLE CONSERVANCY DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on March 1, 2011, with Edward M. Sperka, Chairman of the Board of Directors; Helen Sanok, Board member; Charles J. Stojakovich, District Coordinator; Vickee Edwards, Financial Clerk; and Peggy Mayersky, Billing Clerk. The officials concurred with our findings.