

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

INDEPENDENCE HILL CONSERVANCY DISTRICT

LAKE COUNTY, INDIANA

January 1, 2011 to December 31, 2014



FILED
11/13/2015

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Financial Clerk	Lynn E. Sattler	01-01-11 to 12-31-15
Chairman of the Board of Directors	James W. Beshears	01-01-11 to 12-31-15



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE INDEPENDENCE HILL CONSERVANCY
DISTRICT, LAKE COUNTY, INDIANA

We have examined the accompanying financial statements of the Independence Hill Conservancy District (District), for the period of January 1, 2011 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, 2011 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, 2011 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 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 31, 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.

INDEPENDENCE HILL CONSERVANCY 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
Cumulative Improvement Wastewater General Fund	\$ 1,814,781 1,278,935	\$ 336,630 3,063,489	\$ 259,130 1,920,922	\$ 1,892,281 2,421,502	\$ 394,794 2,307,288	\$ 386,573 1,815,646	\$ 1,900,502 2,913,144
Totals	<u>\$ 3,093,716</u>	<u>\$ 3,400,119</u>	<u>\$ 2,180,052</u>	<u>\$ 4,313,783</u>	<u>\$ 2,702,082</u>	<u>\$ 2,202,219</u>	<u>\$ 4,813,646</u>

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

INDEPENDENCE HILL CONSERVANCY 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
Cumulative Improvement	\$ 1,900,502	\$ 289,494	\$ 105,760	\$ 2,084,236	\$ 382,092	\$ 889,663	\$ 1,576,665
Wastewater General Fund	<u>2,913,144</u>	<u>1,655,421</u>	<u>2,004,564</u>	<u>2,564,001</u>	<u>1,722,545</u>	<u>2,033,742</u>	<u>2,252,804</u>
Totals	<u>\$ 4,813,646</u>	<u>\$ 1,944,915</u>	<u>\$ 2,110,324</u>	<u>\$ 4,648,237</u>	<u>\$ 2,104,637</u>	<u>\$ 2,923,405</u>	<u>\$ 3,829,469</u>

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

INDEPENDENCE HILL CONSERVANCY 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 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 which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers 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.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Utility fees which are comprised mostly of charges for current services.

Penalties which include fees received for late payments.

INDEPENDENCE HILL CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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:

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

Debt service principal and interest which include 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.

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Utility operating expenses which include all outflows for operating the utilities.

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.

INDEPENDENCE HILL CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the District submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the District in June and December; however, situations can arise which would delay the distributions. 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 percent 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 normally become delinquent if not paid by May 10 and November 10, respectively.

Note 4. 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.

Note 5. 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.

INDEPENDENCE HILL CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 6. Pension Plan

The District has a defined contribution pension plan administered by Hoosier START, Empower Retirement of Denver, Colorado.

The District contributes to the State of Indiana Public Employee Deferred Compensation Governmental 457 Plan, for employees eligible to participate in that plan, \$2 per hour for all paid hours including paid vacation and other paid leave not to exceed \$4,160 per year. The employee can also make additional voluntary contributions allowable by applicable IRS rules.

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OTHER INFORMATION - UNAUDITED

The District's Annual 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 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.

INDEPENDENCE HILL CONSERVANCY DISTRICT
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2011

	Cumulative Improvement	Wastewater General Fund	Totals
Cash and investments - beginning	\$ 1,814,781	\$ 1,278,935	\$ 3,093,716
Receipts:			
Taxes	328,510	1,994,353	2,322,863
Charges for services	5,818	-	5,818
Utility fees	-	1,042,647	1,042,647
Penalties	-	24,688	24,688
Other receipts	2,302	1,801	4,103
Total receipts	336,630	3,063,489	3,400,119
Disbursements:			
Personal services	-	332,493	332,493
Other services and charges	10,796	45,373	56,169
Debt service - principal and interest	-	394,290	394,290
Capital outlay	248,334	24,458	272,792
Utility operating expenses	-	1,124,308	1,124,308
Total disbursements	259,130	1,920,922	2,180,052
Excess of receipts over disbursements	77,500	1,142,567	1,220,067
Cash and investments - ending	\$ 1,892,281	\$ 2,421,502	\$ 4,313,783

INDEPENDENCE HILL CONSERVANCY DISTRICT
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2012

	Cumulative Improvement	Wastewater General Fund	Totals
Cash and investments - beginning	\$ 1,892,281	\$ 2,421,502	\$ 4,313,783
Receipts:			
Taxes	246,600	1,250,772	1,497,372
Charges for services	146,805	-	146,805
Utility fees	-	1,031,318	1,031,318
Penalties	-	24,402	24,402
Other receipts	1,389	796	2,185
Total receipts	394,794	2,307,288	2,702,082
Disbursements:			
Personal services	-	299,419	299,419
Other services and charges	373,844	46,626	420,470
Debt service - principal and interest	-	391,930	391,930
Capital outlay	-	6,069	6,069
Utility operating expenses	-	1,071,602	1,071,602
Other disbursements	12,729	-	12,729
Total disbursements	386,573	1,815,646	2,202,219
Excess of receipts over disbursements	8,221	491,642	499,863
Cash and investments - ending	\$ 1,900,502	\$ 2,913,144	\$ 4,813,646

INDEPENDENCE HILL CONSERVANCY DISTRICT
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2013

	Cumulative Improvement	Wastewater General Fund	Totals
Cash and investments - beginning	\$ 1,900,502	\$ 2,913,144	\$ 4,813,646
Receipts:			
Taxes	255,844	629,489	885,333
Charges for services	31,103	-	31,103
Utility fees	-	1,002,652	1,002,652
Penalties	-	22,820	22,820
Other receipts	2,547	460	3,007
Total receipts	289,494	1,655,421	1,944,915
Disbursements:			
Personal services	-	300,164	300,164
Other services and charges	-	49,296	49,296
Debt service - principal and interest	-	390,975	390,975
Capital outlay	105,760	23,992	129,752
Utility operating expenses	-	1,240,137	1,240,137
Total disbursements	105,760	2,004,564	2,110,324
Excess (deficiency) of receipts over disbursements	183,734	(349,143)	(165,409)
Cash and investments - ending	\$ 2,084,236	\$ 2,564,001	\$ 4,648,237

INDEPENDENCE HILL CONSERVANCY DISTRICT
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2014

	Cumulative Improvement	Wastewater General Fund	Totals
Cash and investments - beginning	\$ 2,084,236	\$ 2,564,001	\$ 4,648,237
Receipts:			
Taxes	251,180	608,061	859,241
Charges for services	128,387	-	128,387
Utility fees	-	1,091,407	1,091,407
Penalties	-	22,336	22,336
Other receipts	2,525	741	3,266
Total receipts	382,092	1,722,545	2,104,637
Disbursements:			
Personal services	-	317,450	317,450
Other services and charges	-	49,009	49,009
Debt service - principal and interest	-	389,320	389,320
Capital outlay	889,663	15,941	905,604
Utility operating expenses	-	1,262,022	1,262,022
Total disbursements	889,663	2,033,742	2,923,405
Excess (deficiency) of receipts over disbursements	(507,571)	(311,197)	(818,768)
Cash and investments - ending	\$ 1,576,665	\$ 2,252,804	\$ 3,829,469

INDEPENDENCE HILL CONSERVANCY 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>
Wastewater: NILO Corp	Office Rental	<u>\$ 25,600</u>	1/1/2006	12/31/2015

<u>Description of Debt</u>		<u>Ending Principal Balance</u>	<u>Principal and Interest Due Within One Year</u>
<u>Type</u>	<u>Purpose</u>		
Wastewater: General obligation bonds	Infrastructure	<u>\$ 2,945,000</u>	<u>\$ 387,965</u>

INDEPENDENCE HILL CONSERVANCY 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.

	Ending Balance
Wastewater:	
Infrastructure	\$ 2,864,831
Machinery, equipment, and vehicles	<u>188,930</u>
Total capital assets	<u><u>\$ 3,053,761</u></u>

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/>.