

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

FINANCIAL STATEMENTS REVIEW REPORT
OF
EAST CHICAGO WATERWAY MANAGEMENT DISTRICT
LAKE COUNTY, INDIANA
January 1, 2015 to December 31, 2018



FILED
09/30/2019

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SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|--|------------------|----------------------|
| Executive Director | Fernando Trevino | 01-01-15 to 12-31-19 |
| Treasurer | Ray Lopez | 01-01-15 to 12-31-19 |
| President of the Board of Directors | John Fekete | 01-01-15 to 12-31-19 |



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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

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

We have reviewed the accompanying financial statements of the East Chicago Waterway Management District (District), for the period of January 1, 2015 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 statements 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 these financial statements 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 statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with *Statement 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 statements for them 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 statements in order for them 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 statements, which describes the basis of accounting. The financial statements are 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

July 25, 2019

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, 2015 and 2016

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| Fund | Cash and Investments 01-01-15 | Receipts | Disbursements | Cash and Investments 12-31-15 | Receipts | Disbursements | Cash and Investments 12-31-16 |
|---------------------------------|-------------------------------------|------------|---------------|-------------------------------------|------------|---------------|-------------------------------------|
| ECI Facilities Trust | \$ 5,983,737 | \$ 73,219 | \$ 268,520 | \$ 5,788,436 | \$ 76,517 | \$ 276,950 | \$ 5,588,003 |
| Ec Waterway Management District | 2,006,878 | 698,331 | 646,601 | 2,058,608 | 696,806 | 478,646 | 2,276,768 |
| Totals | \$ 7,990,615 | \$ 771,550 | \$ 915,121 | \$ 7,847,044 | \$ 773,323 | \$ 755,596 | \$ 7,864,771 |

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, 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 |
|---------------------------------|-------------------------------------|--------------|---------------|-------------------------------------|------------|---------------|-------------------------------------|
| ECI Facilities Trust | \$ 5,588,003 | \$ 64,507 | \$ 800,467 | \$ 4,852,043 | \$ 99,989 | \$ 224,758 | \$ 4,727,274 |
| Ec Waterway Management District | 2,276,768 | 1,220,877 | 427,605 | 3,070,040 | 601,552 | 343,485 | 3,328,107 |
| Totals | \$ 7,864,771 | \$ 1,285,384 | \$ 1,228,072 | \$ 7,922,083 | \$ 701,541 | \$ 568,243 | \$ 8,055,381 |

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 East Chicago, 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 and are limited to certificates of deposit. 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:

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 statements. 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.

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

Supplies. Amounts disbursed for 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, but are not limited to, the following: office supplies, operating supplies, and repair and maintenance supplies.

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.

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 without formal approval from the Indiana Department of Environmental Management.

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, 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.

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. The District mitigates these risks by purchasing insurance, which transfers the risk to an independent third-party.

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 and continued dredging through 2018. Through 2018, the Corps has dredged approximately 1.4 million 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 or private dredging companies - 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. The District has made payments towards the construction of the CDF and is currently in the midst of a dispute resolution process against the Corps regarding the District's past and ongoing financial obligations with respect to the CDF.

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 Corps does not plan to dredge for navigational purposes. The project was completed through the RD 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.

In December of 2018, the District entered into a subsequent Project Agreement between the EPA and Atlantic Richfield/British Petroleum to remediate portions of the Lake George Canal Branch. The sediment remediation project includes dredging and disposal of approximately 60,000 cubic yards of sediment and placing/constructing approximately 462,000 square feet of an engineered cap.

The District continues to explore various options to leverage federal dollars available through the GLLA program by securing additional local non-federal funding to perform additional remediation/clean-up work.

EAST CHICAGO WATERWAY MANAGEMENT DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on July 25, 2019, with Fernando Trevino, Executive Director; Ray Lopez, Treasurer; and John Fekete, President of the Board of Directors.