

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

FINANCIAL STATEMENTS EXAMINATION REPORT
OF
VALPARAISO LAKES AREA CONSERVANCY DISTRICT
PORTER COUNTY, INDIANA
January 1, 2011 to December 31, 2014



FILED
12/04/2015

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
General Manager	Robert A. Minarich	01-01-11 to 12-31-15
Financial Secretary	Dale D. Brewer	01-01-11 to 12-31-15
Chairman of the Board of Directors	Richard Brychell Robert A. Garmon	01-01-11 to 12-31-11 01-01-12 to 12-31-15



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE VALPARAISO LAKES AREA CONSERVANCY DISTRICT,
PORTER COUNTY, INDIANA

We have examined the accompanying financial statements of the Valparaiso Lakes Area 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 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

September 15, 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.

VALPARAISO LAKES AREA 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
General	\$ 222,502	\$ 185,777	\$ 206,900	\$ 201,379	\$ 197,348	\$ 144,504	\$ 254,223
Rainy Day	33,164	30	-	33,194	17	-	33,211
Cuml Improvement	290,271	33,935	18,762	305,444	32,009	118,795	218,658
Payroll	-	-	-	-	233,624	233,230	394
Wastewater (Sewer) Operating	154,981	\$ 478,221	\$ 508,988	124,214	452,280	438,089	138,405
Water Operating	141,339	\$ 475,944	\$ 479,750	137,533	427,717	432,670	132,580
Water Utility Customer Deposit	47,041	3,834	13,066	37,809	2,339	1,840	38,308
Totals	<u>\$ 889,298</u>	<u>\$ 1,177,741</u>	<u>\$ 1,227,466</u>	<u>\$ 839,573</u>	<u>\$ 1,345,334</u>	<u>\$ 1,369,128</u>	<u>\$ 815,779</u>

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

VALPARAISO LAKES AREA 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
General	\$ 254,223	\$ 271,774	\$ 342,509	\$ 183,488	\$ 204,761	\$ 171,593	\$ 216,656
Rainy Day	33,211	17,223	-	50,434	25	-	50,459
Cuml Improvement	218,658	28,331	40,946	206,043	27,439	67,194	166,288
Payroll	394	248,910	248,733	571	246,928	246,936	563
Wastewater (Sewer) Operating	138,405	425,373	421,394	142,384	482,721	491,025	134,080
Water Operating	132,580	405,008	363,132	174,456	488,244	386,649	276,051
Water Utility Customer Deposit	38,308	4,140	2,760	39,688	3,260	2,720	40,228
Totals	<u>\$ 815,779</u>	<u>\$ 1,400,759</u>	<u>\$ 1,419,474</u>	<u>\$ 797,064</u>	<u>\$ 1,453,378</u>	<u>\$ 1,366,117</u>	<u>\$ 884,325</u>

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

VALPARAISO LAKES AREA 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.

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state, local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

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

Penalties which include fees received for late payments.

VALPARAISO LAKES AREA 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.

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.

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.

VALPARAISO LAKES AREA 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.

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.

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

	General	Rainy Day	Cuml Improvement	Payroll	Wastewater (Sewer) Operating	Water Operating	Water Utility Customer Deposit	Totals
Cash and investments - beginning	\$ 222,502	\$ 33,164	\$ 290,271	\$ -	\$ 154,981	\$ 141,339	\$ 47,041	\$ 889,298
Receipts:								
Taxes	171,824	-	30,526	-	-	24,244	-	226,594
Utility fees	-	-	-	-	417,241	384,354	-	801,595
Penalties	-	-	-	-	-	2,868	-	2,868
Other receipts	13,953	30	3,409	-	60,980	64,478	3,834	146,684
Total receipts	<u>185,777</u>	<u>30</u>	<u>33,935</u>	<u>-</u>	<u>478,221</u>	<u>475,944</u>	<u>3,834</u>	<u>1,177,741</u>
Disbursements:								
Personal services	38,572	-	-	-	79,498	110,559	-	228,629
Supplies	321	-	19	-	-	-	-	340
Other services and charges	55,703	-	-	-	31,585	31,586	-	118,874
Debt service - principal and interest	-	-	-	-	69,329	30,169	-	99,498
Capital outlay	82,832	-	18,743	-	-	21,093	-	122,668
Utility operating expenses	-	-	-	-	284,255	232,872	-	517,127
Other disbursements	29,472	-	-	-	44,321	53,471	13,066	140,330
Total disbursements	<u>206,900</u>	<u>-</u>	<u>18,762</u>	<u>-</u>	<u>508,988</u>	<u>479,750</u>	<u>13,066</u>	<u>1,227,466</u>
Excess (deficiency) of receipts over disbursements	<u>(21,123)</u>	<u>30</u>	<u>15,173</u>	<u>-</u>	<u>(30,767)</u>	<u>(3,806)</u>	<u>(9,232)</u>	<u>(49,725)</u>
Cash and investments - ending	<u>\$ 201,379</u>	<u>\$ 33,194</u>	<u>\$ 305,444</u>	<u>\$ -</u>	<u>\$ 124,214</u>	<u>\$ 137,533</u>	<u>\$ 37,809</u>	<u>\$ 839,573</u>

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

	General	Rainy Day	Cuml Improvement	Payroll	Wastewater (Sewer) Operating	Water Operating	Water Utility Customer Deposit	Totals
Cash and investments - beginning	\$ 201,379	\$ 33,194	\$ 305,444	\$ -	\$ 124,214	\$ 137,533	\$ 37,809	\$ 839,573
Receipts:								
Taxes	167,412	-	29,543	-	-	-	-	196,955
Utility fees	-	-	-	-	436,306	425,828	-	862,134
Penalties	-	-	-	-	5,842	1,757	-	7,599
Other receipts	29,936	17	2,466	233,624	10,132	132	2,339	278,646
Total receipts	<u>197,348</u>	<u>17</u>	<u>32,009</u>	<u>233,624</u>	<u>452,280</u>	<u>427,717</u>	<u>2,339</u>	<u>1,345,334</u>
Disbursements:								
Personal services	48,933	-	-	233,230	86,926	101,565	-	470,654
Supplies	332	-	-	-	-	-	-	332
Other services and charges	58,475	-	71,000	-	25,551	25,551	-	180,577
Debt service - principal and interest	-	-	-	-	5,635	27,451	-	33,086
Capital outlay	7,221	-	47,795	-	-	-	-	55,016
Utility operating expenses	-	-	-	-	309,968	278,094	-	588,062
Other disbursements	29,543	-	-	-	10,009	9	1,840	41,401
Total disbursements	<u>144,504</u>	<u>-</u>	<u>118,795</u>	<u>233,230</u>	<u>438,089</u>	<u>432,670</u>	<u>1,840</u>	<u>1,369,128</u>
Excess (deficiency) of receipts over disbursements	<u>52,844</u>	<u>17</u>	<u>(86,786)</u>	<u>394</u>	<u>14,191</u>	<u>(4,953)</u>	<u>499</u>	<u>(23,794)</u>
Cash and investments - ending	<u>\$ 254,223</u>	<u>\$ 33,211</u>	<u>\$ 218,658</u>	<u>\$ 394</u>	<u>\$ 138,405</u>	<u>\$ 132,580</u>	<u>\$ 38,308</u>	<u>\$ 815,779</u>

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

	General	Rainy Day	Cuml Improvement	Payroll	Wastewater (Sewer) Operating	Water Operating	Water Utility Customer Deposit	Totals
Cash and investments - beginning	\$ 254,223	\$ 33,211	\$ 218,658	\$ 394	\$ 138,405	\$ 132,580	\$ 38,308	\$ 815,779
Receipts:								
Taxes	177,088	-	28,113	-	-	24,767	-	229,968
Intergovernmental	-	-	-	-	-	11,070	-	11,070
Utility fees	-	-	-	-	409,837	366,488	-	776,325
Penalties	-	-	-	-	5,694	1,433	-	7,127
Other receipts	94,686	17,223	218	248,910	9,842	1,250	4,140	376,269
Total receipts	271,774	17,223	28,331	248,910	425,373	405,008	4,140	1,400,759
Disbursements:								
Personal services	44,248	-	-	248,733	95,492	95,492	-	483,965
Supplies	51	-	-	-	-	-	-	51
Other services and charges	139,094	-	-	-	22,035	22,035	-	183,164
Debt service - principal and interest	-	-	-	-	-	24,614	-	24,614
Capital outlay	113,803	-	40,946	-	-	-	-	154,749
Utility operating expenses	-	-	-	-	295,178	207,344	-	502,522
Other disbursements	45,313	-	-	-	8,689	13,647	2,760	70,409
Total disbursements	342,509	-	40,946	248,733	421,394	363,132	2,760	1,419,474
Excess (deficiency) of receipts over disbursements	(70,735)	17,223	(12,615)	177	3,979	41,876	1,380	(18,715)
Cash and investments - ending	\$ 183,488	\$ 50,434	\$ 206,043	\$ 571	\$ 142,384	\$ 174,456	\$ 39,688	\$ 797,064

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

	General	Rainy Day	Cuml Improvement	Payroll	Wastewater (Sewer) Operating	Water Operating	Water Utility Customer Deposit	Totals
Cash and investments - beginning	\$ 183,488	\$ 50,434	\$ 206,043	\$ 571	\$ 142,384	\$ 174,456	\$ 39,688	\$ 797,064
Receipts:								
Taxes	176,174	-	27,260	-	-	-	-	203,434
Utility fees	-	-	-	-	467,993	442,803	3,240	914,036
Penalties	-	-	-	-	13,294	1,842	-	15,136
Other receipts	28,587	25	179	246,928	1,434	43,599	20	320,772
Total receipts	204,761	25	27,439	246,928	482,721	488,244	3,260	1,453,378
Disbursements:								
Personal services	44,123	-	-	-	94,644	94,644	-	233,411
Other services and charges	71,196	-	-	-	26,810	26,810	-	124,816
Debt service - principal and interest	-	-	-	-	13,477	24,324	-	37,801
Capital outlay	29,014	-	67,194	-	-	-	-	96,208
Utility operating expenses	-	-	-	-	340,723	194,004	-	534,727
Other disbursements	27,260	-	-	246,936	15,371	46,867	2,720	339,154
Total disbursements	171,593	-	67,194	246,936	491,025	386,649	2,720	1,366,117
Excess (deficiency) of receipts over disbursements	33,168	25	(39,755)	(8)	(8,304)	101,595	540	87,261
Cash and investments - ending	\$ 216,656	\$ 50,459	\$ 166,288	\$ 563	\$ 134,080	\$ 276,051	\$ 40,228	\$ 884,325

VALPARAISO LAKES AREA CONSERVANCY DISTRICT
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2014

Enterprise	Accounts Payable	Accounts Receivable
Wastewater	\$ -	\$ 75,997
Water	-	<u>46,050</u>
Totals	<u>\$ -</u>	<u>\$ 122,047</u>

VALPARAISO LAKES AREA CONSERVANCY DISTRICT
 SCHEDULE OF LEASES AND DEBT
 December 31, 2014

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Wastewater:			
Notes and loans payable	Vactor Truck	\$ 72,843	\$ 16,533
Water:			
Revenue bonds	Water Revenue SRF	66,000	23,276
Totals		<u>\$ 138,843</u>	<u>\$ 39,809</u>

VALPARAISO LAKES AREA 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
Governmental activities:	
Land	\$ 55,000
Buildings	225,000
Machinery, equipment, and vehicles	45,660
Total governmental activities	325,660
Wastewater:	
Land	7,000
Buildings	380,000
Machinery, equipment, and vehicles	157,382
Total Wastewater	544,382
Water:	
Infrastructure	5,695,520
Machinery, equipment, and vehicles	45,660
Total Water	5,741,180
Total capital assets	\$ 6,611,222

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/>.