

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

MERRILLVILLE CONSERVANCY DISTRICT

LAKE COUNTY, INDIANA

January 1, 2011 to December 31, 2014



FILED
01/07/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
District Coordinator	Charles J. Stojakovich	01-01-11 to 12-31-15
Financial Clerk	Vickee Edwards	01-01-11 to 12-31-15
Chairman of the Board of Directors	Edward M. Sperka Edward Yerga	01-01-11 to 12-31-12 01-01-13 to 12-31-15



STATE OF INDIANA
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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the accompanying financial statements of the Merrillville 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. The basis noted above is a different basis than that used in the prior period.

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 Receivables, and Schedule of Debt, 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

October 1, 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.

MERRILLVILLE 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 Fund	\$ 2,654,486	\$ 3,826,088	\$ 4,108,287	\$ 2,372,287	\$ 4,211,960	\$ 4,337,819	\$ 2,246,428
2011 Bond Fund	-	6,146,161	267,134	5,879,027	6,655	1,671,955	4,213,727
Cumulative Fund	3,413,663	91,805	22,800	3,482,668	168,588	12,800	3,638,456
Construction	1,690,641	39,992	876,100	854,533	832,689	35,459	1,651,763
Debt Service	456,554	3,881,664	3,047,786	1,290,432	3,520,102	3,704,845	1,105,689
Expansion	2,716,997	113,672	2,537,246	293,423	164,619	329,359	128,683
Totals	<u>\$ 10,932,341</u>	<u>\$ 14,099,382</u>	<u>\$ 10,859,353</u>	<u>\$ 14,172,370</u>	<u>\$ 8,904,613</u>	<u>\$ 10,092,237</u>	<u>\$ 12,984,746</u>

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

MERRILLVILLE 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 Fund	\$ 2,246,428	\$ 4,593,264	\$ 4,268,108	\$ 2,571,584	\$ 4,748,968	\$ 4,495,256	\$ 2,825,296
2011 Bond Fund	4,213,727	7,201	181,757	4,039,171	6,603	1,275,169	2,770,605
Cumulative Fund	3,638,456	394,113	105,029	3,927,540	341,972	314,753	3,954,759
Construction	1,651,763	2,479	-	1,654,242	2,434	-	1,656,676
Debt Service	1,105,689	3,224,033	3,670,249	659,473	4,164,111	3,108,158	1,715,426
Expansion	128,683	114	603	128,194	715	128,909	-
Payroll	-	903,666	903,909	(243)	883,599	883,624	(268)
Totals	<u>\$ 12,984,746</u>	<u>\$ 9,124,870</u>	<u>\$ 9,129,655</u>	<u>\$ 12,979,961</u>	<u>\$ 10,148,402</u>	<u>\$ 10,205,869</u>	<u>\$ 12,922,494</u>

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

MERRILLVILLE 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.

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.

MERRILLVILLE CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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.

MERRILLVILLE 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.

MERRILLVILLE CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 6. Pension Plan

The District contributes \$1.25 per hour to the full-time employee's retirement fund. The employee may also contribute an additional amount per pay up to an amount set by law.

Note 7. Subsequent Events

The District paid Gary Sanitary District (GSD) \$371,168 of the appropriated \$396,638 in 2015 for agreed upon capital costs. The District anticipates a \$181,420 payment to GSD in December 2015. This required the District to request an additional appropriation of \$155,949 in September of 2015 for the Debt Service fund.

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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.

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

	General Fund	2011 Bond Fund	Cumulative Fund	Construction	Debt Service	Expansion	Totals
Cash and investments - beginning	\$ 2,654,486	\$ -	\$ 3,413,663	\$ 1,690,641	\$ 456,554	\$ 2,716,997	\$ 10,932,341
Receipts:							
Taxes	-	-	-	-	3,819,716	-	3,819,716
Charges for services	3,064,124	-	60,800	-	-	-	3,124,924
Other receipts	761,964	6,146,161	31,005	39,992	61,948	113,672	7,154,742
Total receipts	<u>3,826,088</u>	<u>6,146,161</u>	<u>91,805</u>	<u>39,992</u>	<u>3,881,664</u>	<u>113,672</u>	<u>14,099,382</u>
Disbursements:							
Personal services	1,101,025	-	-	-	-	-	1,101,025
Supplies	107,019	-	-	-	-	-	107,019
Other services and charges	2,843,375	121,472	-	-	-	-	2,964,847
Debt service - principal and interest	-	-	-	-	2,594,730	-	2,594,730
Capital outlay	31,409	145,662	-	863,300	453,056	2,537,246	4,030,673
Other disbursements	25,459	-	22,800	12,800	-	-	61,059
Total disbursements	<u>4,108,287</u>	<u>267,134</u>	<u>22,800</u>	<u>876,100</u>	<u>3,047,786</u>	<u>2,537,246</u>	<u>10,859,353</u>
Excess (deficiency) of receipts over disbursements	<u>(282,199)</u>	<u>5,879,027</u>	<u>69,005</u>	<u>(836,108)</u>	<u>833,878</u>	<u>(2,423,574)</u>	<u>3,240,029</u>
Cash and investments - ending	<u>\$ 2,372,287</u>	<u>\$ 5,879,027</u>	<u>\$ 3,482,668</u>	<u>\$ 854,533</u>	<u>\$ 1,290,432</u>	<u>\$ 293,423</u>	<u>\$ 14,172,370</u>

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

	General Fund	2011 Bond Fund	Cumulative Fund	Construction	Debt Service	Expansion	Totals
Cash and investments - beginning	\$ 2,372,287	\$ 5,879,027	\$ 3,482,668	\$ 854,533	\$ 1,290,432	\$ 293,423	\$ 14,172,370
Receipts:							
Taxes	-	-	-	-	3,458,350	-	3,458,350
Charges for services	4,113,863	-	-	-	-	-	4,113,863
Other receipts	98,097	6,655	168,588	832,689	61,752	164,619	1,332,400
Total receipts	<u>4,211,960</u>	<u>6,655</u>	<u>168,588</u>	<u>832,689</u>	<u>3,520,102</u>	<u>164,619</u>	<u>8,904,613</u>
Disbursements:							
Personal services	1,134,919	-	-	-	-	-	1,134,919
Supplies	114,719	68,532	-	-	-	-	183,251
Other services and charges	3,059,695	107,554	-	-	-	-	3,167,249
Debt service - principal and interest	-	-	-	-	3,704,845	-	3,704,845
Capital outlay	28,486	493,787	-	-	-	329,359	851,632
Other disbursements	-	1,002,082	12,800	35,459	-	-	1,050,341
Total disbursements	<u>4,337,819</u>	<u>1,671,955</u>	<u>12,800</u>	<u>35,459</u>	<u>3,704,845</u>	<u>329,359</u>	<u>10,092,237</u>
Excess (deficiency) of receipts over disbursements	<u>(125,859)</u>	<u>(1,665,300)</u>	<u>155,788</u>	<u>797,230</u>	<u>(184,743)</u>	<u>(164,740)</u>	<u>(1,187,624)</u>
Cash and investments - ending	<u>\$ 2,246,428</u>	<u>\$ 4,213,727</u>	<u>\$ 3,638,456</u>	<u>\$ 1,651,763</u>	<u>\$ 1,105,689</u>	<u>\$ 128,683</u>	<u>\$ 12,984,746</u>

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

	General Fund	2011 Bond Fund	Cumulative Fund	Construction	Debt Service	Expansion	Payroll	Totals
Cash and investments - beginning	\$ 2,246,428	\$ 4,213,727	\$ 3,638,456	\$ 1,651,763	\$ 1,105,689	\$ 128,683	\$ -	\$ 12,984,746
Receipts:								
Taxes	-	-	-	-	3,168,039	-	-	3,168,039
Charges for services	4,406,457	-	-	-	-	-	-	4,406,457
Other receipts	186,807	7,201	394,113	2,479	55,994	114	903,666	1,550,374
Total receipts	<u>4,593,264</u>	<u>7,201</u>	<u>394,113</u>	<u>2,479</u>	<u>3,224,033</u>	<u>114</u>	<u>903,666</u>	<u>9,124,870</u>
Disbursements:								
Personal services	1,153,521	-	-	-	-	-	-	1,153,521
Supplies	95,090	-	-	-	-	-	-	95,090
Other services and charges	3,019,083	181,757	16,662	-	-	603	-	3,218,105
Debt service - principal and interest	-	-	-	-	3,669,749	-	-	3,669,749
Capital outlay	414	-	88,367	-	-	-	-	88,781
Other disbursements	-	-	-	-	500	-	903,909	904,409
Total disbursements	<u>4,268,108</u>	<u>181,757</u>	<u>105,029</u>	<u>-</u>	<u>3,670,249</u>	<u>603</u>	<u>903,909</u>	<u>9,129,655</u>
Excess (deficiency) of receipts over disbursements	<u>325,156</u>	<u>(174,556)</u>	<u>289,084</u>	<u>2,479</u>	<u>(446,216)</u>	<u>(489)</u>	<u>(243)</u>	<u>(4,785)</u>
Cash and investments - ending	<u>\$ 2,571,584</u>	<u>\$ 4,039,171</u>	<u>\$ 3,927,540</u>	<u>\$ 1,654,242</u>	<u>\$ 659,473</u>	<u>\$ 128,194</u>	<u>\$ (243)</u>	<u>\$ 12,979,961</u>

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

	General Fund	2011 Bond Fund	Cumulative Fund	Construction	Debt Service	Expansion	Payroll	Totals
Cash and investments - beginning	\$ 2,571,584	\$ 4,039,171	\$ 3,927,540	\$ 1,654,242	\$ 659,473	\$ 128,194	\$ (243)	\$ 12,979,961
Receipts:								
Taxes	-	-	-	-	4,098,556	-	-	4,098,556
Charges for services	4,633,933	-	-	-	-	-	-	4,633,933
Other receipts	115,035	6,603	341,972	2,434	65,555	715	883,599	1,415,913
Total receipts	<u>4,748,968</u>	<u>6,603</u>	<u>341,972</u>	<u>2,434</u>	<u>4,164,111</u>	<u>715</u>	<u>883,599</u>	<u>10,148,402</u>
Disbursements:								
Personal services	1,109,109	-	-	-	-	-	-	1,109,109
Supplies	166,127	-	-	-	-	-	-	166,127
Other services and charges	3,194,423	56,918	-	-	750	28,549	-	3,280,640
Debt service - principal and interest	-	-	-	-	3,107,408	-	-	3,107,408
Capital outlay	25,597	1,218,251	314,753	-	-	100,360	-	1,658,961
Other disbursements	-	-	-	-	-	-	883,624	883,624
Total disbursements	<u>4,495,256</u>	<u>1,275,169</u>	<u>314,753</u>	<u>-</u>	<u>3,108,158</u>	<u>128,909</u>	<u>883,624</u>	<u>10,205,869</u>
Excess (deficiency) of receipts over disbursements	<u>253,712</u>	<u>(1,268,566)</u>	<u>27,219</u>	<u>2,434</u>	<u>1,055,953</u>	<u>(128,194)</u>	<u>(25)</u>	<u>(57,467)</u>
Cash and investments - ending	<u>\$ 2,825,296</u>	<u>\$ 2,770,605</u>	<u>\$ 3,954,759</u>	<u>\$ 1,656,676</u>	<u>\$ 1,715,426</u>	<u>\$ -</u>	<u>\$ (268)</u>	<u>\$ 12,922,494</u>

MERRILLVILLE CONSERVANCY DISTRICT
SCHEDULE OF RECEIVABLES
December 31, 2014

<u>Government or Enterprise</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 447,136</u>

MERRILLVILLE CONSERVANCY DISTRICT
 SCHEDULE OF DEBT
 December 31, 2014

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Governmental activities:			
General obligation bonds	GSD Capital Cost	\$ 3,427,344	\$ 552,588
General obligation bonds	2007 Bonds	8,600,000	1,097,045
General obligation bonds	2011 Bonds	<u>11,440,000</u>	<u>2,026,505</u>
Totals		<u>\$ 23,467,344</u>	<u>\$ 3,676,138</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/>.