

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

FINANCIAL STATEMENT AUDIT REPORT

OF

MERRILLVILLE CONSERVANCY DISTRICT

LAKE COUNTY, INDIANA

January 1, 2020 to December 31, 2021



FILED

11/17/2022

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report	3-5
Financial Statement and Accompanying Notes:	
Statement of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis	9
Notes to Financial Statement	10-13
Required Supplementary Information:	
Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis	16-19
Other Information:	
Schedule of Payables and Receivables	22
Schedule of Leases and Debt	23
Other Reports.....	24

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Financial Clerk	Vickee Edwards	01-01-20 to 12-31-22
Chair of the District Board of Directors	Edward Yerga	01-01-20 to 12-31-22



INDEPENDENT AUDITOR'S REPORT

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

Adverse and Unmodified Opinions

We have audited the accompanying financial statement of the Merrillville Conservancy District (District), which comprises the financial position and results of operations for the period of January 1, 2020 to December 31, 2021, and the related notes to the financial statement as listed in the Table of Contents.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse and Unmodified Opinions* section of our report, the financial statement referred to above does not present fairly, the financial position and results of operations of the District as of December 31, 2021, in accordance with accounting principles generally accepted in the United States of America.

Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the respective financial position and results of operations of the District, as of December 31, 2021, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Basis for Adverse and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statement* section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Matter Giving Rise to Adverse Opinion on U.S. Generally Accepted Accounting Principles

As discussed in Note 1 to the financial statement, the District prepares its financial statement 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 basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Management's Responsibilities for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not absolute assurance, and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment of a reasonable user based on the financial statement.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Required Supplementary Information

Financial reporting requirements established by the Indiana State Board of Accounts, as described in Note 1, require that the Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis be presented to supplement the basic financial statement. Such information is the responsibility of management and, although not a part of the basic financial statement, is required by reporting requirements established by the Indiana State Board of Accounts who considers it to be an essential part of financial reporting for placing the basic financial statement in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statement, and other knowledge we obtained during our audit of the basic financial statement. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the Annual Financial Report. The other information comprises the Schedule of Payables and Receivables and Schedule of Leases and Debt, as listed in the Table of Contents, but does not include the basic financial statement and our auditor's report thereon. Our opinions on the basic financial statement do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statement, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statement, or the other information otherwise appears to be materially misstated. If, based on the work performed, we concluded that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.



Beth Kelley, CPA, CFE
Deputy State Examiner

November 3, 2022

(This page intentionally left blank.)

FINANCIAL STATEMENT AND ACCOMPANYING NOTES; REQUIRED SUPPLEMENTARY
INFORMATION; AND OTHER INFORMATION

The financial statement and accompanying notes were approved by management of the District. The financial statement and notes are presented as intended by the District.

The District's Annual Financial Reports information can be found on the Indiana Gateway for Government Units website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the District's Annual Financial Reports referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The other information presented was approved by management of the District. It is presented as intended by the District.

(This page intentionally left blank.)

MERRILLVILLE CONSERVANCY DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended December 31, 2020 and 2021

Fund	Cash and Investments 01-01-20	Receipts	Disbursements	Cash and Investments 12-31-20	Receipts	Disbursements	Cash and Investments 12-31-21
General Fund	\$ 3,167,093	\$ 5,844,505	\$ 5,995,725	\$ 3,015,873	\$ 5,492,076	\$ 5,366,569	\$ 3,141,380
2011 Bond Fund	1,050,903	9,931	530	1,060,304	3,079	2,130	1,061,253
Cumulative Fund	3,568,741	332,479	370,850	3,530,370	378,104	63,119	3,845,355
Payroll	-	1,134,095	1,134,095	-	1,096,182	1,093,789	2,393
ALBANESE SURCHARGE FUND	-	376,160	376,160	-	381,358	381,358	-
IHCD's Share of GSD True-Ups	370,659	300,000	300,000	370,659	-	35,991	334,668
REFUNDING BONDS OF 2020	-	5,588,359	5,588,359	-	-	-	-
NEW BONDS 2020 (\$16M)	-	15,747,905	32,104	15,715,801	2,919,880	4,813,675	13,822,006
Construction	1,164,336	1,152,008	2,316,344	-	-	-	-
Debt Service	1,130,666	4,157,479	4,284,880	1,003,265	3,347,686	3,569,483	781,468
Totals	<u>\$ 10,452,398</u>	<u>\$ 34,642,921</u>	<u>\$ 20,399,047</u>	<u>\$ 24,696,272</u>	<u>\$ 13,618,365</u>	<u>\$ 15,326,114</u>	<u>\$ 22,988,523</u>

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

MERRILLVILLE CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENT

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 a governing board.

The accompanying financial statement presents the financial information for the District.

B. Basis of Accounting

The financial statement is 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 statement. The aggregate receipts include the following sources:

Taxes. Amounts received from one or more of the following: property tax, wheel tax, innkeeper's 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. Amounts received for services including, but not limited to, the following: planning commission charges, building department charges, copies of public records, copy machines 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. 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.

MERRILLVILLE CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENT
(Continued)

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statement. 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.

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.

Debt service - principal and interest. Amounts disbursed for 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. Amounts disbursed for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

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.

MERRILLVILLE CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENT
(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 December 31 of the year preceding the budget year or January 15 of the budget year if the District is issuing debt after December 1 or intends on filing a shortfall appeal. These rates were based upon the assessed valuations adjusted for various tax credits from the preceding year's lien date of January 1. 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, 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.

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 statement. 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 STATEMENT
(Continued)

Note 6. Pension Plan

The District contributed \$2 in 2021 and \$1.50 in 2020 per hour to the full-time employees' retirement funds. The employees may also contribute an additional amount per pay up to an amount set by law.

Note 7. Subsequent Events

In an unfavorable outcome to a property tax appeal, the District is responsible for paying a share of property tax overpayment owed per the settlement. Lake County is currently in settlement negotiations on behalf of the affected taxing entities. When an amount has been agreed upon, the District will issue bonds to repay property tax overpayments per District Board Resolution 2022-06.

The District plans to close on the new bonds in December 2022.

(This page intentionally left blank.)

REQUIRED SUPPLEMENTARY INFORMATION

MERRILLVILLE CONSERVANCY DISTRICT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended December 31, 2020

	General Fund	2011 Bond Fund	Cumulative Fund	Payroll	ALBANESE SURCHARGE FUND	IHCD's Share of GSD True-Ups
Cash and investments - beginning	\$ 3,167,093	\$ 1,050,903	\$ 3,568,741	\$ -	\$ -	\$ 370,659
Receipts:						
Taxes	-	-	-	-	-	-
Charges for services	5,391,722	-	286,586	-	376,160	300,000
Other receipts	452,783	9,931	45,893	1,134,095	-	-
Total receipts	<u>5,844,505</u>	<u>9,931</u>	<u>332,479</u>	<u>1,134,095</u>	<u>376,160</u>	<u>300,000</u>
Disbursements:						
Personal services	1,516,705	-	-	1,134,095	-	-
Supplies	93,450	-	-	-	-	-
Other services and charges	3,929,797	530	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	48,214	-	370,850	-	-	-
Other disbursements	407,559	-	-	-	376,160	300,000
Total disbursements	<u>5,995,725</u>	<u>530</u>	<u>370,850</u>	<u>1,134,095</u>	<u>376,160</u>	<u>300,000</u>
Excess (deficiency) of receipts over disbursements	<u>(151,220)</u>	<u>9,401</u>	<u>(38,371)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 3,015,873</u>	<u>\$ 1,060,304</u>	<u>\$ 3,530,370</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 370,659</u>

MERRILLVILLE CONSERVANCY DISTRICT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended December 31, 2020

	REFUNDING BONDS OF 2020	NEW BONDS 2020 (\$16M)	Construction	Debt Service	Totals
Cash and investments - beginning	\$ -	\$ -	\$ 1,164,336	\$ 1,130,666	\$ 10,452,398
Receipts:					
Taxes	-	-	-	3,025,603	3,025,603
Charges for services	-	-	-	60,000	6,414,468
Other receipts	5,588,359	15,747,905	1,152,008	1,071,876	25,202,850
Total receipts	5,588,359	15,747,905	1,152,008	4,157,479	34,642,921
Disbursements:					
Personal services	-	-	-	-	2,650,800
Supplies	-	-	-	-	93,450
Other services and charges	-	19,795	-	850	3,950,972
Debt service - principal and interest	-	-	-	2,789,228	2,789,228
Capital outlay	93,006	12,309	1,173,186	-	1,697,565
Other disbursements	5,495,353	-	1,143,158	1,494,802	9,217,032
Total disbursements	5,588,359	32,104	2,316,344	4,284,880	20,399,047
Excess (deficiency) of receipts over disbursements	-	15,715,801	(1,164,336)	(127,401)	14,243,874
Cash and investments - ending	\$ -	\$ 15,715,801	\$ -	\$ 1,003,265	\$ 24,696,272

MERRILLVILLE CONSERVANCY DISTRICT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended December 31, 2021

	General Fund	2011 Bond Fund	Cumulative Fund	Payroll	ALBANESE SURCHARGE FUND	IHCD's Share of GSD True-Ups
Cash and investments - beginning	\$ 3,015,873	\$ 1,060,304	\$ 3,530,370	\$ -	\$ -	\$ 370,659
Receipts:						
Taxes	-	-	-	-	-	-
Charges for services	5,484,690	-	357,824	-	381,358	-
Other receipts	7,386	3,079	20,280	1,096,182	-	-
Total receipts	5,492,076	3,079	378,104	1,096,182	381,358	-
Disbursements:						
Personal services	1,362,176	-	-	1,093,789	-	-
Supplies	107,289	-	-	-	-	-
Other services and charges	3,872,252	-	63,119	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	18,459	-	-	-	-	-
Other disbursements	6,393	2,130	-	-	381,358	35,991
Total disbursements	5,366,569	2,130	63,119	1,093,789	381,358	35,991
Excess (deficiency) of receipts over disbursements	125,507	949	314,985	2,393	-	(35,991)
Cash and investments - ending	\$ 3,141,380	\$ 1,061,253	\$ 3,845,355	\$ 2,393	\$ -	\$ 334,668

MERRILLVILLE CONSERVANCY DISTRICT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended December 31, 2021

	REFUNDING BONDS OF 2020	NEW BONDS 2020 (\$16M)	Construction	Debt Service	Totals
Cash and investments - beginning	\$ -	\$ 15,715,801	\$ -	\$ 1,003,265	\$ 24,696,272
Receipts:					
Taxes	-	-	-	2,996,195	2,996,195
Charges for services	-	-	-	60,000	6,283,872
Other receipts	-	2,919,880	-	291,491	4,338,298
Total receipts	-	2,919,880	-	3,347,686	13,618,365
Disbursements:					
Personal services	-	-	-	-	2,455,965
Supplies	-	-	-	-	107,289
Other services and charges	-	-	-	-	3,935,371
Debt service - principal and interest	-	-	-	3,314,483	3,314,483
Capital outlay	-	1,912,707	-	-	1,931,166
Other disbursements	-	2,900,968	-	255,000	3,581,840
Total disbursements	-	4,813,675	-	3,569,483	15,326,114
Excess (deficiency) of receipts over disbursements	-	(1,893,795)	-	(221,797)	(1,707,749)
Cash and investments - ending	\$ -	\$ 13,822,006	\$ -	\$ 781,468	\$ 22,988,523

(This page intentionally left blank.)

OTHER INFORMATION

MERRILLVILLE CONSERVANCY DISTRICT
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2021

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 325,975</u>	<u>\$ 162,532</u>

MERRILLVILLE CONSERVANCY DISTRICT
 SCHEDULE OF LEASES AND DEBT
 December 31, 2021

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Governmental activities:			
General obligation bonds	2011 A FILTER BUILDING	\$ 1,892,466	\$ 104,701
General obligation bonds	Conservancy District Bonds of 2020	14,275,000	1,085,000
General obligation bonds	Conservancy District Refunding Bonds of 2020	2,920,000	895,000
General obligation bonds	GSD CAPITAL COST	971,125	345,489
Total governmental activities		<u>20,058,591</u>	<u>2,430,190</u>
Totals		<u>\$ 20,058,591</u>	<u>\$ 2,430,190</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/>.