

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

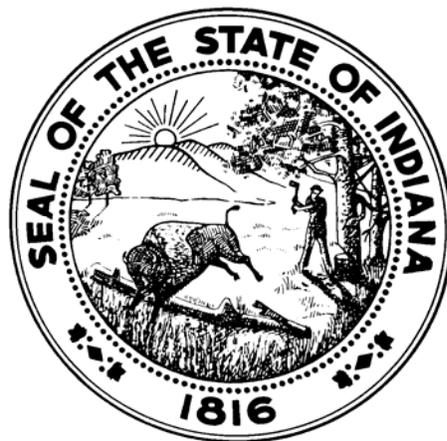
EXAMINATION REPORT

OF

CITY OF WHITING

LAKE COUNTY, INDIANA

January 1, 2006 to December 31, 2006



FILED
11/07/2007

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Margaret Drewniak	01-01-04 to 12-31-07
Mayor	Joseph Stahura	01-01-04 to 12-31-07
President of the City Council	Chris Sarvanidis	01-01-04 to 12-31-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE CITY OF WHITING, LAKE COUNTY, INDIANA

We have examined the financial information presented herein of the City of Whiting (City), for the period of January 1, 2006 to December 31, 2006. The City's management is responsible for the financial information presented herein. Our responsibility is to express an opinion 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 information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the Town for the year ended December 31, 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

August 15, 2007

CITY OF WHITING
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
As Of And For The Year Ended December 31, 2006

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 2,048,395	\$ 7,406,908	\$ 7,650,800	\$ 1,804,503
Special Revenue Funds:				
Motor Vehicle Highway	233,088	194,468	144,236	283,320
Local Road and Street	478,419	54,186	40,813	491,792
Tennis in the Parks Grant	46	400	413	33
Park and Recreation	260,980	1,074,369	1,309,732	25,617
Park Nonreverting Operating	10,422	18,573	15,534	13,461
Park Donation	4,246	935	372	4,809
Park Shoreline Improvement	-	186,152	-	186,152
Build Indiana Grant	-	-	-	-
Local Supplement Probation	7,467	8,590	7,433	8,624
Local Law Enforcement Continuing Education	9,423	2,948	-	12,371
Court Donation	6,063	2,165	2,985	5,243
Clerk Record Perpetuation	3,274	902	-	4,176
Local Law Enforcement Block Grant	-	-	-	-
Fire Emergency Medical Services Grant	-	-	-	-
Foundation Fire Services Grant	-	-	-	-
FEMA Fire Assistance Grant	3,665	16,830	20,495	-
Economic Development Project Innkeepers Tax	64,981	5,400	-	70,381
Economic Development Commission	21,500	-	-	21,500
Animal Control	23,339	3,166	2,303	24,202
Street Light	137,094	168,569	116,108	189,555
Redevelopment Commission Operating	267,870	140,248	166,459	241,659
Riverboat	4,661	48,356	-	53,017
Lakefront Commons Allocation	5,763	18,000	-	23,763
New York Avenue Allocation	6,000	-	-	6,000
Tax Increment Financing (TIF) Allocation No. 1	2,475,054	1,599,971	1,628,510	2,446,515
Debt Service Fund:				
Whiting Bond	87,127	94,944	100,380	81,691
Capital Projects Funds:				
Park Nonreverting Capital	26,378	301,161	-	327,539
Cumulative Capital Improvement	80,651	18,352	19,699	79,304
Cumulative Capital Development	298,305	7,140	181,253	124,192
Major Moves Construction	-	122,154	-	122,154
Redevelopment Standard Avenue Construction	-	6,753,108	121,131	6,631,977
Proprietary Funds:				
Water Utility:				
Operating	586,446	594,849	573,196	608,099
Wastewater Utility:				
Sanitary District General	1,009,122	2,026,060	1,585,503	1,449,679
Solid Waste Recycling Grant	101,853	51,909	-	153,762
Basin/Sewer Users	672,255	1,015,877	1,065,777	622,355
Sanitary District Bond	306,611	1,740,728	1,485,513	561,826
Internal Service Fund:				
Hospitalization	91,931	1,058,984	1,057,295	93,620
Fiduciary Funds:				
Private Purpose Trust Funds:				
Fire Pension	96,893	463,333	448,936	111,290
Police Pension	388,128	559,551	594,547	353,132
Agency Funds:				
Public Employees Retirement Fund	24,032	93,752	117,784	-
IN Police and Fire Pension	20,043	78,931	98,535	439
Town Court	75,867	173,247	180,068	69,046
Tax Fund	-	1,478,094	1,478,094	-
Payroll Fund	-	5,992,598	5,992,598	-
Child Support Fund	-	24,688	24,688	-
Totals	<u>\$ 9,937,392</u>	<u>\$ 33,600,596</u>	<u>\$ 26,231,190</u>	<u>\$ 17,306,798</u>

The accompanying notes are an integral part of the financial information.

CITY OF WHITING
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The City was established under the laws of the State of Indiana. The City provides the following services: public safety, health and social services, culture and recreation, and general administrative services.

Note 2. Fund Accounting

The City uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Town in June and December. 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% 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 become delinquent if not paid by May 10 and November 10, respectively.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were 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 statute (IC 5-13-9) authorizes the City 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.

CITY OF WHITING
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plans

1. Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plans

a. Public Employees' Retirement Fund

Plan Description

The City contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the Town authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

b. 1925 Police Officers' Pension Plan

Plan Description

The City contributes to the 1925 Police Officers' Pension Plan, which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-6). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

CITY OF WHITING
NOTES TO FINANCIAL INFORMATION
(Continued)

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute. The City's annual pension cost and related information as provided by the actuary, is presented in this note.

The use of the pay-as-you-go actuarial cost method by the City results in significant underfunding of the plan. Therefore, the Net Pension Obligation (NPO) is not reflected in the financial statements of the pension trust funds.

c. 1937 Firefighters' Pension Plan

Plan Description

The City contributes to the 1937 Firefighters' Pension Plan, which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-7). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for the 1937 Firefighters' Pension Plan are established by state statute. The City's annual pension cost and related information, as provided by the actuary, is presented in this note.

The use of the pay-as-you-go actuarial cost method by the City results in significant underfunding of the plan. Therefore, the Net Pension Obligation (NPO) is not reflected in the financial statements of the pension trust funds.

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The City contributes to the 1977 Police Officers' and Firefighters' Pension and Disability Fund, a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Employees' Retirement Plan (PERF) for all police officers and firefighters hired after April 30, 1977.

CITY OF WHITING
NOTES TO FINANCIAL INFORMATION
(Continued)

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting and requirements for contributions by employers and by employees. Covered employees may retire at age 55 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 55. The plan also provides for death and disability benefits.

PERF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Costs

Plan members are required to contribute 6% of the first-class police officers' and firefighters' salary and the City is to contribute at an actuarially determined rate. The current rate, which has not changed since the inception of the plan, is 21% of the first-class police officers' and firefighters' salary. The contribution requirements of plan members and the City are established by the Board of Trustees of PERF.

Note 7. Subsequent Event

Reassessment and Property Taxes

Reassessments were required prior to billing taxes in 2007. Significant delays in the reassessment process have resulted in delays in billing taxes in 2007. Taxes are normally billed in two installments, the first is due in May, and the second in November. As of August 15, 2007, the May installment has not been billed. Thus, the City has not received a June tax distribution. It is not yet known when the taxes will be billed.

CITY OF WHITING
EXAMINATION RESULTS AND COMMENTS

ALCOHOLIC BEVERAGE PERMITS

The Redevelopment Commission purchased two three-way alcohol permits on March 22, 2005. As of August 2, 2007, they have not returned the permits to the Indiana State Alcohol and Tobacco Commission, as a City is not allowed to have an alcohol permit based upon state statute.

Indiana Code 7.1-3-22-10 states in part:

"(b) A city or town may purchase a permit described in subsection (a) from the permit holder. The purchase price must be agreed to by: (1) the permit holder; and (2) the executive (as defined in IC 36-1-2-5) of the respective city or town, with the approval of the legislative body (as defined in IC 36-1-2-9) of the respective city or town.

(c) The executive of a city or town that purchases a permit under subsection (b) shall return the permit to the commission.

(d) The commission shall retire a permit received under subsection (c) and may not issue to another person a permit received under subsection (c)."

EMERGENCY MEDICAL SERVICE BILLING RECONCILEMENTS

The Emergency Medical Service (EMS) department contracts with a third party billing service. The third party billing service performs the billings of amounts due based upon run sheets filled out by the EMS department. They also receive collections on the billings they perform, which are subsequently remitted to the City.

The City relies solely upon the third party reports to document amounts billed and collected. The City does not compare or reconcile the billed amounts to the run sheets provided; nor do they maintain a record of unpaid amounts due. In October 2004, the computer system of the third party billing service crashed. No back-up of the system was maintained; therefore, all of the prior information was lost.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF WHITING
EXAMINATION RESULTS AND COMMENTS
(Continued)

RECEIPTS (ANIMAL CONTROL)

City of Whiting Ordinance CC-2004-1680 provides for the collecting of various fees, including animal impound fees. In the past, these fees were assessed by the Animal Control Warden and subsequently collected by the Warden or the Clerk-Treasurer. Per the City Attorney, this ordinance provides for the assessing/collecting of these fees but it does not give the Warden the authority to collect said fees.

The Clerk-Treasurer, has stated that she had no knowledge of the Animal Control Warden having a receipt book nor did she have knowledge that he was collecting any fees.

Total receipts, written by the Warden, not deposited totaled \$488.00. The Police Chief located an envelope with \$145 cash, and three vendor receipts totaling \$58.85. After giving the Warden credit for the cash found as well as the vendor receipts, the total shortage was determined to be \$284.15.

The Animal Control Warden reimbursed the City of Whiting \$284.15 for these receipts not deposited on August 21, 2007, with Receipt 7866. (See Summary, page 14)

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or nonfeasance in office of any officer or employee may be the personal obligation of the responsible officer or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Indiana Code 5-13-6-1(d) states in part: "A city or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories selected by the city or town as provided in an ordinance adopted by the city or the town and approved as depositories of state funds."

CITY OF WHITING
EXIT CONFERENCE

The contents of this report were discussed on September 10, 2007, with Margaret Drewniak, Clerk-Treasurer; Joseph Stahura, Mayor; Steve Spebar, Member of City Council; and Denise Sejna, City Attorney. The official response has been made a part of this report and may be found on pages 12 and 13.



September 10, 2007

Mr. Bruce Hartman
State Board of Accounts
302 West Washington Street, Room E 418
Indianapolis, Indiana 46204-2765

IN RE: OFFICIAL RESPONSE
CITY OF WHITING AUDIT

Dear Mr. Hartman:

The City of Whiting wishes to make an Official Response to the Examination Results and Comments from the audit of the City's records for year 2006.

The City of Whiting again disagrees with the examination comments regarding the purchase of two three-way alcohol permits by the City of Whiting Redevelopment Commission.

Last year's audit contained similar comments and the City explained its position. The City had a legal opinion from the Whiting Redevelopment Commission Attorney Carol Green Fraley that such a purchase was legal. The City also relied on the fact that the Alcohol and Tobacco Commission issued the licenses to the Commission. In fact, since the last audit the ATC has renewed one license and the second renewal is pending. We will reiterate our response as follows:

Under I.C. 36-7-14-12.2, the WRC may hold, use, sell, or otherwise dispose of property acquired for use in the redevelopment of areas needing redevelopment on the terms and conditions that the commission considers best for the unit and its inhabitants;

Under I.C. 7.1-3-20-16(c), the Alcohol & Tobacco Commission may issue three way permits to proprietors, as owners or lessee, or both, of a restaurant within a redevelopment project consisting of a building or group of buildings that has been redeveloped or renovated with the redevelopment or renovation beings funded in part with grants from the federal, state, or local government. Under I.C. 7.1-3-20-16(a), permits under this section may be issued without regard to the quota provisions of I.C. 7.1-3-22.

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City of Whiting

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www.whitingindiana.com

As a result, the WRC (rather than the City executive), purchased the licenses and will be using them, as allowed under the statutes, to redevelop the downtown and ancillary business districts. We are aware that the City of Hammond by and through its Redevelopment Commission has also purchased licenses in a similar manner and used them in a similar fashion.

The City believes that the purchases were allowable by the Commission under the statutes for the purposes of redevelopment and that the issuance and subsequent renewal by the Alcohol and Tobacco Commission confirms this interpretation. The City is therefore requesting that the comments regarding the liquor licenses owned by the Whiting Redevelopment Commission be stricken from the audit report.

The second finding the City wishes to address is the one regarding the Animal Control Officer. The Chief of Police and the Clerk-Treasurer were both unaware that the animal control officer was collecting fees of any kind since this was not a power authorized under the City of Whiting ordinances. As soon as the Chief discovered what was occurring, immediate steps were taken to cease said activity. The employee at fault repaid the City all missing funds and the employee was terminated. Receipt books were removed from the animal control office and a new procedure was established as follows:

1. The acting animal control officer must write up an invoice for any fees which are due and owing for an animal.
2. The owner takes the invoice to the Office of the Clerk-Treasurer to pay said fees.
3. The Clerk-Treasurer issues a receipt for payment of fees.
4. The animal control officer releases the animal to the owner upon presentation of the paid receipt.

The City is confident that no such further findings will be issued regarding the collection of fees for animal control.

If you have any questions, please feel free to contact my office.

Sincerely,


Joseph M. Stahura
Mayor, City of Whiting


Margaret Drewniak
Clerk-Treasurer, City of Whiting

CITY OF WHITING
SUMMARY

	Charges	Credits	Balance Due
Animal Control Warden:			
Receipts Not Deposited (Animal Control), page 10	\$ 284.15	\$	\$
Repaid by Animal Control Warden on August 21, 2007, Receipt 7866		284.15	-
Totals	\$ 284.15	\$ 284.15	\$ -