

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

EXAMINATION REPORT
OF
TOWN OF MERRILLVILLE
LAKE COUNTY, INDIANA
January 1, 2007 to December 31, 2007



FILED
08/08/2008

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Rose Ann Antich Eugene M. Guernsey	11-28-05 to 12-31-07 01-01-08 to 12-31-11
President of the Town Council	Shawn Pettit Ronald J. Widing	01-01-07 to 12-31-07 01-01-08 to 12-31-08



STATE OF INDIANA
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF MERRILLVILLE, LAKE COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Merrillville (Town), for the period of January 1, 2007 to December 31, 2007. The Town'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, 2007, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

July 8, 2008

TOWN OF MERRILLVILLE
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
As Of And For The Year Ended December 31, 2007

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 555,275	\$ 10,816,155	\$ 11,492,523	\$ (121,093)
Motor Vehicle Highway	232,041	1,180,663	1,440,332	(27,628)
Local Road and Street	88,430	410,388	504,084	(5,266)
Park and Recreation	39,523	70,560	173,825	(63,742)
Town Party Donation	138	80	-	218
Town Donations	1,626	7,091	6,156	2,561
Dumpster Nonreverting	951	9,255	9,225	981
Parks Nonreverting	33,436	29,719	38,512	24,643
EMS/Ambulance	115,165	728,396	862,507	(18,946)
Emergency Management Agency	308	-	3,044	(2,736)
Court Probation	8,386	41,057	44,485	4,958
Public Defender Fees	3,868	7,334	-	11,202
Record Perpetuation	(1,270)	7,221	7,086	(1,135)
Veterans Memorial	34,735	44,805	50,533	29,007
Engineering Fees	17,069	42,546	26,784	32,831
Noxious Weeds Nonreverting	-	165	-	165
Landscaping Escrow	-	2,500	-	2,500
Park Impact Fees	31,744	86,253	-	117,997
Firefighters Equipment	18,230	14,950	32,000	1,180
Police Equipment	64,145	89,624	115,352	38,417
Police Donation	1,091	11,356	6,356	6,091
Law Enforcement Continuing Education	9,916	34,355	35,774	8,497
Economic Development Commission	4,190	-	4,000	190
Special Projects	5,364	-	5,000	364
Police Special Grant	4,594	45,683	40,038	10,239
Tourism	23,806	5,400	29,000	206
Property Seizure	31,372	44,127	18,626	56,873
OTB	1,924	83,208	65,003	20,129
New Town Hall Donation	743	-	-	743
Parks Grant	43,766	12	43,778	-
Park Donation	7,904	60	-	7,964
Cumulative Capital Improvement	79,375	107,339	185,592	1,122
Cumulative Capital Development	311,995	353,585	395,034	270,546
GO Bond 2004	169,797	19,276	170,926	18,147
Merrillville Road TIF	301,114	154,631	450,919	4,826
Merrillville Road TIF Debt Service	243,518	500,229	490,450	253,297
Redevelopment Bond Debt Service	-	11,083	11,083	-
93rd Avenue Redevelopment	475,004	24,262	497,742	1,524
GO Bond Debt Service	128,670	401,944	420,442	110,172
Broadway TIF	106,509	12,614	133,473	(14,350)
Mississippi Street TIF Debt Service	189,337	693,448	976,167	(93,382)
Mississippi Street TIF Project	277,876	242,470	406,778	113,568
Mississippi Street TIF Debt Service Reserve	802,273	42,003	-	844,276
Fire and Hazmat	11,986	167,307	150,447	28,846
Recycling Grant	20,681	193,823	180,188	34,316
Casino Gaming	148,293	323,354	299,408	172,239
RDC Bonds 2005	181,461	1,606,906	1,643,823	144,544
RDC Bonds 2005 Debt Service	579,416	1,041,334	837,352	783,398
Major Moves Construction	135,208	611,871	743,748	3,331
Proprietary Fund:				
Health Insurance Escrow	9,881	1,986,129	1,890,108	105,902
Fiduciary Funds:				
Payroll	64,410	6,726,264	6,668,608	122,066
Cable Escrow	183,705	8,276	40	191,941
Employees Insurance Benefits Withholding	9	1,447,553	1,426,693	20,869
Police Officers' Pension	(28,966)	246,249	403,860	(186,577)
Police Pension - PERF	122	142,011	108,873	33,260
Town Court	294,898	1,236,383	1,217,437	313,844
Totals	<u>\$ 6,065,042</u>	<u>\$ 32,113,307</u>	<u>\$ 34,763,214</u>	<u>\$ 3,415,135</u>

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

TOWN OF MERRILLVILLE
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

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

Note 2. Fund Accounting

The Town 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. For 2007, the Town did not receive final approval from 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 Town 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.

TOWN OF MERRILLVILLE
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Town 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.

Note 7. Subsequent Events

Reassessment and Property Taxes

In accordance with state statutes, all counties were required to reassess property values prior to billing taxes in 2005 through 2007. Significant delays in the reassessment process have resulted in delays in billing taxes in 2005 through 2007. The late billing has delayed timely property tax distributions to the Town. The 2006 pay tax bills were not sent out until December 2007 with a due date of January 31, 2008. The Town received the final property tax distribution in March 2008.

Tax Anticipation Warrants

The Town received tax anticipation warrants on January 14, 2008, in the amount of \$5,000,000.

TOWN OF MERRILLVILLE
NOTES TO FINANCIAL INFORMATION
(Continued)

Ambulance Service

On February 1, 2008, the Town privatized their ambulance service. Prompt Medical Transportation, Inc., was awarded the contract to provide ambulance services.

Delinquent Liabilities

The Town currently owes \$99,384 in delinquent bills. The Town will pay these bills when the local tax distributions are received.

TOWN OF MERRILLVILLE
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

For The Year Ended December 31, 2007

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.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 6,249,408
Infrastructure	68,652,205
Buildings	3,567,134
Improvements other than buildings	1,696,857
Machinery and equipment	<u>9,117,929</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 89,283,533</u>

TOWN OF MERRILLVILLE
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2007

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital leases:		
Mower, Sweeper, Backhoe, Truck, 5 Police Cars	\$ 257,234	\$ 52,234
10 Police Cars, Leaf Collector	145,333	29,713
2 Trucks, 4 Dump Trucks, Equipment	411,859	85,077
15 Police Cars	341,566	180,617
Police Car	1,807	1,807
Bonds payable:		
General obligation bonds:		
RDC 2005	8,445,000	510,000
GO 2004	4,150,000	150,000
Revenue bonds:		
Merrillville Rd TIF	1,435,000	205,000
Merrillville Revenue Notes	940,000	215,000
Mississippi St TIF	9,190,000	290,000
Total governmental activities debt	<u>\$ 25,317,799</u>	<u>\$ 1,719,448</u>

TOWN OF MERRILLVILLE
EXAMINATION RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

The cash balances of the following funds were overdrawn at December 31, 2007:

<u>Fund</u>	<u>Balance</u>
General	\$ (121,093)
Police Pension	(186,577)
Local Road and Street	(5,266)
Motor Vehicle Highway	(27,628)
EMS/Ambulance	(18,946)
Park and Recreation	(63,742)
Emergency Management Agency	(2,736)
Record Perpetuation	(1,135)
Mississippi Street TIF Debt Service	(93,382)
Broadway TIF	(14,350)

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CAPITAL ASSET RECORDS

The Town did not include 12 police cars acquired during 2007 in their capital asset records.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded in the Capital Assets Ledger form. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

REDUCTION OF CASH BALANCES

As stated in the previous examination report, the Town's financial records did not reconcile to the Town's depository accounts. In an attempt to resolve the difference, the Town Council passed Resolution 07-87 which allowed the Clerk-Treasurer to reduce the cash balance in several funds. The Police Equipment Fund was reduced by \$40,000 and the Cumulative Capital Development Fund was reduced by \$20,000. The allowable expenditures from these funds are restricted by Indiana statutes.

The Police Equipment Fund was established under Indiana Code 33-37-8-3 which states in part: "Sec.3. (a) A city or town user fee fund is established in each city or town having a city or town court for the purpose of supplementing the cost of various program services. The city or town fund is administered by the fiscal officer of the city or town. (b) The city or town fund consists of the following fees collected by a clerk under this article: (4) The deferral program fee." Indiana Code 33-37-8-4(b) states in part: "Funds derived from a deferral program or a pretrial diversion program may be used only for the following

TOWN OF MERRILLVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

purposes: (1) Personnel expenses related to the operation of the program. (2) Special training for: (A) a prosecuting attorney; (B) a deputy prosecuting attorney; (C) support staff for a prosecuting attorney or deputy prosecuting attorney; or (D) a law enforcement officer. (3) Employment of a deputy prosecutor or prosecutorial support staff. (4) Victim assistance. (5) Electronic legal research. (6) Office equipment, including computers, computer software, communication devices, office machinery, furnishings, and office supplies. (7) Expenses of a criminal investigation and prosecution. (8) An activity or program operated by the prosecuting attorney that is intended to reduce or prevent criminal activity, including: (A) substance abuse; (B) child abuse; (C) domestic violence; (D) operating while intoxicated; and (E) juvenile delinquency. (9) Any other purpose that benefits the office of the prosecuting attorney or law enforcement and that is agreed upon by the county fiscal body and the prosecuting attorney. (c) Funds described in subsection (b) may be used only in accordance with guidelines adopted by the prosecuting attorneys council under IC 33-39-8-5."

The money collected shall be held in a special fund to be known as the cumulative capital development fund. The money may not be expended for any purpose other than the purpose of which the tax was levied. (Cities and Towns Bulletin and Uniform Compliance Guidelines, March 2004, Page 4)

OVERPAYMENT TO POLICE PENSIONER

Overpayment of \$10,949 in pension salary over a five year period was made when one police pensioner should have been switched from disability pension to regular pension after he turned 55 years of age. The Pension Board is taking the necessary steps to recover the money.

Governmental units should collect any overpayments made. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

BUDGET AND APPROPRIATIONS

The Town did not have an approved budget or file for additional appropriations for 2007.

The law requires the adoption of a balanced budget which shall include all anticipated revenues and expenses of every organizational unit with the exception of utilities. A budget is the record of a definite financial program for a given period of time and the means of carrying such program into effect. It shows the contemplated expenditures and their relation to the revenues received and expected.

At least two days prior to September 22 of each year, two copies of the budget on which tax levies are based shall be filed with the county auditor for use of the county tax adjustment board. [IC 6-1.1-17-5(b)] In preparing the budget, careful planning for the necessary income is essential, and it is equally important to provide a specific program for the disposition or anticipated revenue.

No budget plan will work of its own accord. With complete information available it is possible for the Clerk-Treasurer or Controller to formulate a balanced budget.

Appropriations as stated in the budget, or as modified by additional appropriations, shall constitute the limitation of disbursements. No disbursement shall be made without an appropriation therefore unless specifically authorized by law. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 4)

TOWN OF MERRILLVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

TEMPORARY TRANSFER OF FUNDS

Temporary transfers were made in 2005 of \$165,000 from the Cumulative Capital Development Fund to the Cumulative Improvement Fund, and \$260,000 from the 93rd Avenue Redevelopment Fund to the Redevelopment Bond Debt Service Fund. These temporary loans had not been repaid as of December 31, 2007.

Temporary loans were made from the Redevelopment Bonds 2005 Fund to the Redevelopment Bonds 2005 Debt Service Fund for \$793,783 in 2007. An emergency was declared and the loan extended for six months at the end of the year. The Redevelopment Bonds 2005 Fund was funded in 2005 by the issuance and receipt of bond proceeds. Review of bond resolution 05-03, which authorized these bonds, noted the restriction of the use of the bond proceeds. Temporary loans are not defined as a permitted use under sections 8 and 9 of the bond resolution.

Indiana Code 36-1-8-4 concerning temporary transfer, states in part:

"(a) . . . (3) Except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs. (4) The amount transferred must be returned to the other fund at the end of the prescribed period. . . ."

"(b) If the fiscal body of a political subdivision determines that an emergency exists that requires an extension of the prescribed period of a transfer under this section, the prescribed period may be extended for not more than six (6) months beyond the budget year of the year in which the transfer occurs if the fiscal body does the following: (1) Passes an ordinance or a resolution that contains the following: (A) A statement that the fiscal body has determined that an emergency exists. (B) A brief description of the grounds for the emergency. (C) The date the loan will be repaid that is not more than six (6) months beyond the budget year in which the transfer occurs. (2) Immediately forwards the ordinance or resolution to the state board of accounts and the department of local government finance."

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CONDITION OF RECORDS

The following observations were made regarding the handling of disbursements:

1. During 2007, the Town Council approved the payment of claims; however, many of these bills were held and not paid before the year end. Subsequently, the bills were paid in January 2008 but backdated to December 31, 2007, without having been encumbered.
2. Due to the confusion when claims were not being paid, some claims got paid more than once. The Town was reimbursed for the duplicate payments.
3. Claims were paid May 7, 2007, but not approved by the Town Council until May 22, 2007.
4. Fifty percent of the claims reviewed were not certified by the Clerk-Treasurer. Eight percent of the claims reviewed did not have attached invoices.

TOWN OF MERRILLVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

Indiana Code 36-4-8 and Indiana Code 36-5-4 list various conditions which must be met prior to issuing warrants in cities and towns. Indiana Code 36-4-8-14 and Indiana Code 36-5-4-12 allow a city or town council to adopt an ordinance allowing the city or town fiscal officer to pay certain types of claims prior to board allowance.

The types of claims which could be paid before board allowance include: (1) property or services purchased from the U.S. Government, (2) License or permit fees, (3) Insurance premiums, (4) Utility payments or connection charges (5) General grant programs where advance refunding is not prohibited and the contracting party posts sufficient security to cover the amount advanced, (6) Grants of State funds, (7) Maintenance or service agreements, (8) Leases or rental agreements, (9) Bond or coupon payments, (10) Payroll, (11) State, federal or county taxes, (12) expenses that must be paid because of emergency circumstances, and (13) expenses described in an ordinance.

The legislative body or the board having jurisdiction over the allowance of the claims shall review and allow the claims at the body's or board's next regular or special meeting following the preapproved payment of the expense. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

A Clerk-Treasurer or Controller is not obligated to pay any bill or invoice which, in his judgment, should not be paid. Prejudice or personal feelings are not sufficient reasons for withholding payment. The correctness and legality of a bill or invoice should be the guide in disbursing public funds. The official surety bond requires that faithful accounting be made. It is advisable to proceed with caution in every instance where questions arise and advice of the city or town attorney should be requested. [Cities, IC 36-4-8-4; Towns IC 36-5-6; General Law IC 5-11-10-1.6 and IC 5-11-10-2] (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Indiana Code 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services."

"(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

TOWN OF MERRILLVILLE
EXIT CONFERENCE

The contents of this report were discussed on July 8, 2008, with Ronald J. Widing, President of the Town Council; Eugene M. Guernsey, Clerk-Treasurer; Timothy A. Brown, Town Manager; and Diane Plikuhn, Bookkeeper.

The contents of this report were discussed on July 8, 2008, with Rose Ann Antich, retired Clerk-Treasurer; and Jeffrey F. Gunning, Attorney. The official response has been made a part of this report and may be found on pages 15 through 20.

*Rose Ann Antich
5401 Lincoln Street
Merrillville, Indiana 46410
Phone (219) 980-0010*

Merrillville Clerk Treasurer, (Ret.)

July 11, 2008

The following is in response to the TOWN OF MERRILLVILLE, LAKE COUNTY EXAMINATION RESULTS AND COMMENTS by the State Board of Accounts done in 2008 for the final year of my term as Merrillville Town Clerk Treasurer in the year of 2007.

Specifically, I would like to address the following:

OVERDRAWN CASH BALANCES:

The Examination Records listed ten (10) funds which were found to have cash balances in the negative as of December 31, 2007.

The cash balances were not negative as of December 31, 2007, which was my last day as Clerk Treasurer for the Town of Merrillville (**see note on page 6). I unequivocally dispute the existence of negative cash balances on December 31, 2007. If I would have paid the outstanding invoices (bills) it would have created a shortage in ten of the funds, including the General Fund. Although this report lists ten 'funds' that are in the negative, it should be noted that there was not a shortage of money in the bank accounts. Beginning in July of 2007, our Financial Advisor told me, my staff, the town manager and member(s) of the Town Council that we did not have the cash to pay many of the purchase orders requested by department heads and others. He specifically said that I was to hold back on paying anything that was not absolutely necessary, expenditures for the police department, E.M.S., street department, etc., were to be exclusions that I had to try to find monies for.

The reason (as with other municipalities), for cash flow shortage was because we were not receiving tax monies in a timely manner. The town's final tax allocation, which was normally to be received by the town in November of 2007, did not arrive until either the last week of December of 2007 or in January of 2008.

Along with the late tax money distribution, almost \$300,000.00 of missing funds which were allegedly stolen by a bookkeeper and for which criminal charges are pending in Lake Superior Criminal Courts. Immediately upon my discovery of the missing funds, I reported the matter to the proper authorities; namely the State Police, and the State Board of Accounts. In cooperation with your office (SBA), the alleged amount missing was found to be almost \$300,000.00. The alleged theft, forgery and official misconduct certainly added to the already existing shortfall. The criminal prosecution of the missing money is presently scheduled for trial in September of this year. The matter of the missing money is scheduled for a court trial in September of this year. Please see the Examination Report of the Town of Merrillville for 2006 (Report B30760) and the Special Investigative Report of the Clerk-Treasurer's office for January 1, 2000 to July 17, 2007 (Report B0759)

Another reason that I believe the books reflect, upon audit, the overdrawn cash balances is because, as I have been informed, checks for the 2007 unpaid purchases and services for the town, were paid in January of 2008, but backdated to December of 2007. (See 'Conditions of Records' Paragraph 1 of this report)

As previously stated, our tax monies were not delivered in a timely manner to allow the payment of outstanding bills, hence the necessity of not writing checks that would have had insufficient funds.

CAPITOL ASSET RECORDS

The twelve cars that were purchased in 2007 may not have been purchased prior to the inventory which occurred during

the late summer of 2007. The town did have an inventory performed by an outside contracted person every year.

REDUCTION OF CASH BALANCES:

Each department head was asked to review their budget and see where they could cut expenses to allow a dollar amount justification to equal the shortfall caused by the alleged theft referred to previously. The reduction of Police Equipment Funds and the reduction of C.C.I. funds were oversights, as the Town Manager and the financial advisor had all worked together on this matter and were apparently not aware that these to funds could not be reduced in the manner approved by the Town Council.

OVERPAYMENT TO POLICE PENSIONER:

Overpayment of \$10,949 in pension salary over a five year period was made when one police pensioner should have been switched from disability pension to regular pension after he turned 55 years of age.

This was not a part of the Clerk Treasurer's bookkeeping responsibilities and as your office has stated in the report, it is being handled by the Police Pension Board.

BUDGET AND APPROPRIATIONS:

The Department of Local Government Finance did not approve a budget for 2007 because the Town failed to meet the advertising requirements. The Town also failed to properly obtain additional appropriations throughout the year authorizing the expenditure of funds.

Agree, there was a glitch in advertisement mainly because; I was not getting all of the necessary budget request forms from all department heads. Department heads were instructed by the town manager to turn budget requests into the town manager instead of to me, this caused confusion as well as delays. Also as I was formulating the budget, the town manager was doing a separate one.

TEMPORARY TRANSFER OF FUNDS:

I concur with this statement.

CONDITION OF RECORDS

- 1) Please note paragraph 1 (Under Overdrawn Cash Balances). Also note that it was believed that claims approved (although not yet paid) would not have to be encumbered.
- 2) The untimeliness of paying vendors has also been explained in paragraph 1. As for claims being paid twice, I agree that this did occur. Once was to SBC (telephone company) when office clerk Minchuk made a check out for \$12,000.00, instead of \$1200.00. I immediately telephoned Mr. George Fleetwood, President of SBC, and requested a refund, which we promptly received. - and another time when a check was issued twice and the vendor called to report that they had already been paid and returned the uncashed check.
- 3) Any claims paid on May 7, 2007 were done by someone on my staff, as my husband had died the previous day, (May 6, 2007) and I was not at work that day, nor the rest of the week. A staff member may have paid those claims at the insistence of an unauthorized entity during my absence.
- 4) Obviously, a large number of claims paid in January of 2008, but backdated to my last day, December 31, 2007, could not have been certified by me after I left office.

See Condition of Records, Paragraph 1, above.)

Office clerks M. Gust and L. Burns were aware of the mandate to attach invoices to all purchase orders and/or claims when they were being paid.

Overall, I concur with this Examination Report and am glad that the audit of the Town returned to a more routine circumstance where the draft Report is only 3-1/2 pages long. I also continue to hope that the pursuit of reimbursement of restitution of the town funds which were apparently mishandled by the former bookkeeper will continue by the Prosecutor of Lake County, Indiana and that the State Police, the State Examiner and the Attorney General of Indiana will continue to prevail upon the Prosecutor for full recovery and recoupment of the taxpayers funds.

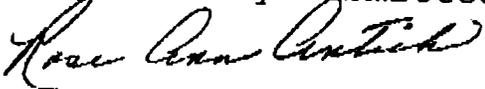
Both my Clerk Treasurer predecessor and I repeatedly would tell department heads, town manager and council members that no purchases were to be made without first receiving approval from the Clerk Treasurer. This was done to insure that there was enough money in the appropriate funds to pay for the purchase(s). This was told to them verbally as well as in written Memo form. This was also told to them a repeated number of times.

Because both my and my predecessor's requests were often ignored, there were departments that operated in the red.

Some department heads argued that they had the money just because the budget had the appropriation listed, not understanding that we hadn't received our tax monies and that the funds were not available to be distributed and used.

I thank you for the opportunity to answer to your findings and for the efforts your office put forth last year (2007) regarding the investigative report of missing money.

Respectfully submitted,



Rose Ann Antich
Clerk Treasurer (Ret.)

^^ Funds did not show in the negative obviously because we had to carry over payments that were overdue beginning in July of 2007. This was due to not receiving tax monies in time.