

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

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



FILED
10/16/2008

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Janice M. Malinowski	01-01-04 to 12-31-11
President of the Town Council	Michael Troxell Harold Slager	01-01-07 to 12-31-07 01-01-08 to 12-31-08



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial information presented herein of the Town of Schererville (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

August 4, 2008

TOWN OF SCHERERVILLE
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, 2007

	Cash and Investments		Cash and Investments	
	01-01-07	Receipts	Disbursements	12-31-07
Governmental Funds:				
General	\$ 885,872	\$ 8,900,351	\$ 9,230,968	\$ 555,255
Motor Vehicle Highway	571,512	1,227,486	1,495,748	303,250
Local Road and Street	320,162	303,319	299,282	324,199
Park and Recreation	39,085	1,040,430	976,928	102,587
Park and Recreation - Nonreverting	21,978	138,292	127,909	32,361
Law Enforcement Continuing Education	3,899	31,264	13,002	22,161
Lake County Gaming Tax	324,556	492,825	477,613	339,768
Special Ambulance Equipment - Nonreverting	100	45,920	25,040	20,980
Ambulance Service	401,537	447,621	705,881	143,277
Drainage	38,420	17,893	46,878	9,435
Cumulative Capital Improvement	374,997	87,286	76,407	385,876
Cumulative Capital Development	400,406	199,523	320,227	279,702
Cable TV	267,900	286,586	264,747	289,739
Pennsy/Greenway Bike Trail	250	21,000	1,123	20,127
Video	20,602	1,500	559	21,543
Police Equipment	29,775	39,600	58,281	11,094
Police Training	8,442	10,824	13,558	5,708
Fire Equipment	36,090	94,588	109,327	21,351
Redevelopment District Bond Debt Services	175,667	190,312	295,000	70,979
Storm Sewer Bond Debt Services	121,304	84,372	162,061	43,615
Storm Water Permit N/R	-	5,150	-	5,150
77th Ave Road Improvement	3,087	-	-	3,087
77th Ave Bridge Bond Proceeds	5	-	-	5
Donation	163,579	25,276	69,038	119,817
Impact Fees	21,789	-	-	21,789
Park District Bond Debt Services	73,189	132,900	170,187	35,902
77th Ave Bridge Debt Services	71,212	277,506	294,812	53,906
Park Impact Fees	362,374	46,540	62,057	346,857
Asset Forfeiture - Federal	26,053	18,346	27,190	17,209
Asset Forfeiture - State	404	3	-	407
Asset Seizure	363	1	-	364
Solid Waste Management	591,432	1,139,567	1,209,970	521,029
Building Corporation Lease	298,826	1,415,193	1,463,000	251,019
Police Grants	6,314	10,590	3,040	13,864
Schererville Safe Kids Chapter	2,740	5,706	3,607	4,839
Emergency Medical Services	402	235	422	215
Farmers' Market N/R Fund	-	6,330	2,346	3,984
2005 TIF Construction	1,717	5	1,663	59
2004 Park District Bond Proceeds	304,396	1,221	171,071	134,546
Schererville Newspaper	1,500	4,750	6,200	50
Major Moves Construction	590,940	-	-	590,940
Kennedy Ave TIF District Debt Services	3,030,117	1,139,341	2,650,001	1,519,457
Special Deferral Program	56,864	48,610	45,998	59,476
Adult Probation Services	19,190	49,905	69,095	-
Clerk's Perpetuation	861	3,514	3,253	1,122
Public Defender	5,130	6,611	7,500	4,241
US Postage Stamp	525	4,459	4,245	739
Central Purchasing	90	8,425	2,830	5,685
HIDTA	-	296,428	215,728	80,700
HIDTA Revenue N/R Fund	-	4,673	4,673	-
Proprietary Funds:				
Water Utility - Operating	268,562	4,268,588	4,291,692	245,458
Water Utility - Bond and Interest	813,422	911,510	962,965	761,967
Water Utility - Improvement	1,458,975	1,323,163	695,557	2,086,581
Water Utility - Revenue	-	5,422,600	5,422,600	-
Water Utility - Bond Debt Service	27,144	-	-	27,144
Water Utility - Meter Deposit	591,163	52,475	112,715	530,923
Water Utility - Debt Service Revenue	805,172	-	-	805,172
Wastewater Utility - Operating	128,325	3,854,894	3,521,491	461,728
Wastewater Utility - Bond and Interest	607,839	740,710	787,707	560,842
Wastewater Utility - Deposits	15,351	600	300	15,651
Wastewater Utility - Revenue	-	5,422,600	5,422,600	-
Wastewater Utility - Bond and Interest Special Reserve	814,827	-	-	814,827
Wastewater Utility - Operating Reserve	2,150,002	706,188	691,883	2,164,307
Wastewater Utility - Improvement	2,557,318	1,982,061	2,444,590	2,094,789
SRF Debt Service Reserve	-	146,271	-	146,271
S/E Sewer Intercep. Ban	-	4,950,500	117,380	4,833,120
Fiduciary Funds:				
Police Officers' Pension	21,486	222,829	200,852	43,463
Payroll	107,620	12,269,949	12,268,611	108,958
Employee Benefits	1,041,648	1,553,112	1,347,883	1,246,877
Town Court	367,572	909,479	902,699	374,352
Deposits Nonreverting Escrow Fund	476	1,850	1,926	400
Totals	\$ 21,452,555	\$ 63,051,656	\$ 60,381,916	\$ 24,122,295

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

TOWN OF SCHERERVILLE
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.

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 SCHERERVILLE
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

Property tax rates and levies for 2007 taxes payable in 2008 were not certified by February 15, 2007, as required by State statute due to the delay in the completion and approval of the trending ratio study used in determining the assessed value of each property within Lake County. Currently, tax bills are expected to be mailed in September 2008, for the spring installment, normally due May 10.

In March of 2008, the Town issued Tax Anticipation Warrants in the amount of \$3,000,000 at an interest rate of 6.0% and payable by December 31, 2008, to Chase Bank.

In June of 2008, the Town issued Tax Anticipation Warrants in the amount of \$2,000,000 at an interest rate of 4.10% and payable by December 31, 2008, to Peoples Bank.

In June of 2008, a temporary loan payable December 31, 2008, was made from the Wastewater Improvement Fund totaling \$1,236,500 to the following funds:

TOWN OF SCHERERVILLE
 NOTES TO FINANCIAL INFORMATION
 (Continued)

Fund	Amount
Drainage (106)	\$ 2,800
Police Pension (108)	52,000
Park and Recreation (105)	410,000
Storm Sewer Bond Debt Service (120)	10,000
G.O. Bond Bridge/Debt Service (126)	105,000
Park District Bond Debt Service (128)	43,200
Building Corporation Lease (135)	570,000
Redevelopment District Bond Debt (118)	43,500

In October 2008, the Town assumed the responsibilities of acting as the fiscal agent for the federally funded High Intensity Drug Trafficking Area program previously handled by Lake County.

TOWN OF SCHERERVILLE
 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.

General infrastructure assets are included if acquired (purchased, constructed, or donated) after July 1, 1980, or if they received major renovations, restorations, or improvements after that date. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are reported at historical cost.

In the prior schedule of capital assets, the balance for the wastewater treatment plant in the amount of \$10,537,072 was presented as buildings. The amount for buildings of \$7,473,444 was not included.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 3,576,010
Infrastructure	45,681,369
Buildings	10,974,241
Improvements other than buildings	14,100,864
Machinery and equipment	9,551,801
Construction in progress	<u>6,845,124</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 90,729,409</u>
<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 272,887
Infrastructure	20,439,961
Buildings	3,793,058
Improvements other than buildings	5,999,451
Machinery and equipment	735,231
Construction in progress	<u>2,512,713</u>
 Total Water Utility capital assets	 <u>33,753,301</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	78,798
Infrastructure	15,399,286
Buildings	7,473,444
Improvements other than buildings	3,258,518
Machinery and equipment	2,321,573
Treatment Plant	10,537,572
Construction in progress	<u>5,141,460</u>
 Total Wastewater Utility capital assets	 <u>44,210,651</u>
Total business-type activities capital assets	 <u>\$ 77,963,952</u>

TOWN OF SCHERERVILLE
 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:		
2002 Town Hall/Police Station	10,342,500	\$ 510,000
2005 Police Cars	67,797	47,045
2006 Ambulance/Mower	162,358	87,099
2007 Trucks/Police Cars	204,606	73,897
2007 Freightliner/Fire Vehicles	206,754	75,373
Bonds payable:		
General obligation bonds:		
1994 Storm Sewer Bonds	455,000	156,284
1996 Redevelopment Bonds	2,160,000	263,565
2004 Park District Bond	1,840,000	136,788
2004 Bonds for 77th Ave Bridge	1,530,000	201,663
2005 TIF District Redevelopment Bonds	<u>6,885,000</u>	<u>561,306</u>
Total governmental activities debt	<u>\$ 23,854,015</u>	<u>\$ 2,113,020</u>
Business-type Activities:		
Water Utility		
Revenue bonds:		
1995 Water Refunding Bonds	\$ 1,310,000	\$ 684,855
1999 Water District Improvement Bonds	<u>2,445,000</u>	<u>267,342</u>
Total Water Utility	<u>3,755,000</u>	<u>952,197</u>
Wastewater Utility		
Notes and loans payable:		
State Revolving Loan	1,630,000	142,040
Sewage Works Revenue Bond Anticipation Notes, Series 2007 (BANs)	5,000,000	197,500
Revenue bonds:		
1995A Sewage Refunding Bonds	<u>1,220,000</u>	<u>636,462</u>
Total Wastewater Utility	<u>7,850,000</u>	<u>976,002</u>
Total business-type activities debt:	<u>\$ 11,605,000</u>	<u>\$ 1,928,199</u>

TOWN OF SCHERERVILLE
EXAMINATION RESULTS AND COMMENTS

CUSTOMER DEPOSIT REGISTER

As stated in the prior report, the detailed customer deposit register does not reconcile with the customer deposit fund balance recorded in the general ledger.

The Water Utility's computerized customer deposit register balance exceeded the fund balance by \$1,327.23. The Sewer Utility Fund balance exceeded the computerized customer deposit register by \$400.61.

In August of 2007, the Town began to maintain a separate manual detail of water and sewer customer deposits collected and refunded. This manual detail ledger is reconciled to the fund balance monthly. However, this does not include activity prior to August 2007.

The Town ITS department is currently updating the computerized system for processing utility deposit collections and refunds. The Town plans to reconcile all customer deposit accounts by year end.

At all times, the manual and computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PETROLEUM CONTRACT

The Town purchased petroleum supplies from a single vendor totaling \$282,632.02. No evidence of bids or a contract was presented for examination.

A purchasing agent shall follow competitive bidding procedures in awarding a contract for supplies, unless another purchasing method is required or authorized by Indiana Code 5-22-17-1.

A purchasing agent may award a contract for petroleum products to the lowest responsible and responsive offeror or all responsible and responsive offerors. The contract may allow for the escalation or de-escalation of price. The purchasing agent must purchase the petroleum products from the lowest of the responsible and responsive bidders. The contract must provide that the bidder from whom petroleum products are being purchased shall provide five business days written notice of any change in price. Upon receipt of written notice, the purchasing agent shall request current price quotes in writing based upon terms and conditions of the original offer (as awarded) from all successful responsible and responsive offerors. The purchasing agent shall record the quotes in minutes or memoranda. The purchasing agent shall purchase the petroleum products from the lowest responsible and responsive offeror, taking into account the price change of the current supplier and the price quotes of the other responsible and responsive offerors. [IC 5-22-17-10] (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF SCHERERVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

TOWN COURT BANK RECONCILEMENT

The Town Court bank balance does not reconcile to the Cash Book balance (ledger). The bank balance exceeded the ledger balance by \$4,234.10 at December 31, 2007. There were instances of posting and math errors. Since converging with Lake County Court's computer system in July 2006, the bank balance has not reconciled to the ledger.

The Town Court's official Register of Trust Funds (General Form 102) did not reconcile to the Court's Cash Book balance of trust funds (cash bonds) at December 31, 2007. In 2007, several immaterial posting errors were noted in the Cash Book in addition to checks totaling \$14,530.50 not being subtracted from the trust fund (Cash Bond) balance. The Register of Trust Funds balance at December 31, 2007, was \$58,902.02; however, the balance for Trust (cash bonds) in the Court's Cash Book was \$72,946.42 for a difference of \$14,044.40.

Financial records of a city or town court shall be reconciled with the balance statements provided by the respective depository (or depositories) at least monthly. [IC 5-13-6-1(e)] (Account and Uniform Compliance Guidelines Manual for City and Town Courts, Chapter 4)

At all times, the manual and computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Account and Uniform Compliance Guidelines Manual for City and Town Courts, Chapter 4)

The total unpaid items as shown by the trust fund register must agree with the balance in trust as shown by the Court Cash Book. (Accounting and Uniform Compliance Guidelines for City and Town Courts, Chapter 1)

TOWN OF SCHERERVILLE
EXIT CONFERENCE

The contents of this report were discussed on August 4, 2008, with Janice M. Malinowski, Clerk-Treasurer; Harold Slager, President of the Town Council; Robert Volkmann, Town Manager; and Carol Clark, Deputy Clerk-Treasurer. The officials concurred with our findings.