

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

EXAMINATION REPORT

OF

TOWN OF GRIFFITH

LAKE COUNTY, INDIANA

January 1, 2007 to December 31, 2007



**FILED**  
11/06/2008



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Ronald J. Szafarczyk	01-01-04 to 12-31-11
President of the Town Council	Stan Dobosz Rick Ryfa	01-01-07 to 12-31-07 01-01-08 to 12-31-08
President of the Board of Sanitary Commissioners	Clark Swartz	01-01-07 to 12-31-08
President of the Storm Water Management Board	George Jerome	01-01-07 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 GRIFFITH, LAKE COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Griffith (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 Long-Term Debt, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the basic financial information. It has not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

September 3, 2008

TOWN OF GRIFFITH  
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 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
<b>Governmental Funds:</b>				
General	\$ 990,951	\$ 6,426,603	\$ 6,246,826	\$ 1,170,728
Motor Vehicle Highway	379,206	830,779	999,402	210,583
Local Road and Street	180,954	195,370	276,193	100,131
Park and Recreation	58,210	193,194	217,138	34,266
Law Enforcement Continuing Education	928	13,041	7,419	6,550
Non-Reverting Police Equipment	3,291	9,183	3,159	9,315
Law Enforcement Block Grant	158	-	158	-
Operation Night Light Grant	-	392	392	-
Operation Pullover Grant	6,226	8,196	14,422	-
BMV Fines Moving	145	7,567	6,880	832
Federal Asset Forfeiture	13,728	7,132	4,952	15,908
Asset Forfeiture Nonreverting	500	-	230	270
Vandalism Reward	500	-	-	500
Gun Range Interlocal	120,212	44,258	6,584	157,886
Unsafe Building Nonreverting	8,035	2,190	-	10,225
Recycling Grant	301,647	66,981	131,515	237,113
Fuel Fund Interlocal	7,231	67,028	65,633	8,626
Fire Department Donation Equipment	31,048	137,124	127,917	40,255
Innkeeper Hotel Tax	10,683	5,400	2,210	13,873
Donation	18,972	19,064	18,599	19,437
GMBF/Corp Bond/Lease	62,912	148,709	167,350	44,271
Park District Bond 2002	46,629	77,994	97,780	26,843
Cumulative Capital Improvement	97,763	70,595	65,036	103,322
Cumulative Capital Building and Equipment	351,009	85,477	69,888	366,598
Casino Gaming Fund	73,348	270,181	212,794	130,735
General Improvement	102,466	-	-	102,466
Park District Improvement	84,470	901	14,922	70,449
Redevelopment Nonreverting	24,105	6,450	-	30,555
Building Escrow	12,350	7,050	3,800	15,600
2% Engineering Review Fee	18,737	-	321	18,416
Major Moves Construction	415,391	71,905	266,798	220,498
Park Capital Donation	25,000	-	-	25,000
<b>Proprietary Funds:</b>				
Water Utility - Operating	303,387	1,310,699	1,312,140	301,946
Water Utility - Sinking	65,251	408,000	400,520	72,731
Water Utility - Debt Reserve	406,998	-	-	406,998
Water Utility - Customer Deposit	91,070	10,655	7,000	94,725
Water Utility - Depreciation Improvement	118,119	232,646	311,348	39,417
Sewer Utility - Operating	(13,359)	2,203,464	1,903,065	287,040
Sewer Utility - Bond and Interest	9,100	-	9,100	-
Sewer Utility - Sinking Fund	146,892	336,021	414,025	68,888
Sewer Utility - Capital	1,016,960	19,420	843,825	192,555
Sewer Utility - Consumer Deposit	86,693	10,517	6,850	90,360
Sewer Utility - Sewer Replacement Fund	480,852	-	3,231	477,621
Storm Utility - Operating	300,608	193,610	193,358	300,860
Storm Utility - Capital	784,834	1,009,000	817,616	976,218
Storm Utility - Storm Water District	1,925,932	68,269	811,379	1,182,822
Storm Utility - Storm Water Sinking	428,570	295,652	608,494	115,728
<b>Fiduciary Funds:</b>				
Police Officers' Pension	275,046	351,163	428,765	197,444
Infraction Deferral	1,320	35,508	34,056	2,772
Self-Insurance	298,978	918,980	871,418	346,540
PERF	-	166,011	166,011	-
Voluntary PERF	-	13,449	13,449	-
Police PERF	52	87,240	87,222	70
Payroll	-	4,792,117	4,792,117	-
<b>Totals</b>	<u>\$ 10,174,108</u>	<u>\$ 21,235,185</u>	<u>\$ 23,063,307</u>	<u>\$ 8,345,986</u>

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

TOWN OF GRIFFITH  
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 (police and fire), highways and street, culture and recreation, public improvement, planning and zoning, general administrative services, water, wastewater, and urban development.

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.

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

TOWN OF GRIFFITH  
NOTES TO FINANCIAL INFORMATION  
(Continued)

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. Deferred Compensation 457 Plan

The Town participates in a Deferred Compensation 457 Plan. The assets in the plan are accumulated through payroll deductions. The Town's 457 Plan ending investment balance at December 31, 2007, is \$744,856.76.

Note 8. Tax Levies and Rates for 2007

Property tax rates and levies for 2006 taxes payable in 2007 were not established by February 15, 2006, as required by state statute due to the delay in the completion of the reassessment of Lake County. The tax bills were mailed to Lake County residents on December 26, 2007. They were due on January 31, 2008. The final settlement of the 2006 taxes payable in 2007 was distributed to the various governmental entities on March 20, 2008.

Note 9. Subsequent Event

On June 30, 2008, the Town of Griffith issued \$2,910,000 in Sanitary District Refunding Bonds for the purpose of the refunding of \$2,960,000 of outstanding Sanitary District Bonds of 1996, dated October 1, 1996, together with the payment of issuance expenses.

On June 26, 2008, the Town of Griffith issued \$2,575,000 in tax anticipation warrants; \$2,500,000 and \$75,000, respectively, for the General and Park and Recreation Funds. Tax anticipation warrants outstanding as of December 31, 2007, of \$2,425,000 and \$75,000, respectively, for the General and Park and Recreation Funds were repaid on February 20, 2008.

Property tax rates and levies were not established by the Indiana Department of Local Government Finance as of February 15, 2008, as required by state statute, due to the continued delay caused by the reassessment of Lake County. As of September 3, 2008, the property tax rates and levies had not yet been established for 2007 pay 2008 property taxes.

TOWN OF GRIFFITH  
 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
<b>Governmental Activities:</b>		
Capital leases:		
1998 Public Works Building	\$ 1,420,000	\$ 160,000
2006 Police Chevy Impala	5,194	5,534
Notes and loans payable		
1999 Fire Truck Loan	62,822	64,838
2004 2 Fire Trucks Loan	401,843	69,889
Bonds payable:		
General obligation bonds:		
1996 Sanitary District Bond	2,960,000	414,575
2002 Park District Bond	480,000	104,640
2004 Stormwater District Bond	<u>7,230,000</u>	<u>601,032</u>
<b>Total governmental activities debt</b>	<b><u>\$ 12,559,859</u></b>	<b><u>\$ 1,420,508</u></b>
<b>Business-type Activities:</b>		
Water Utility		
Revenue bonds:		
2003 Water Refunding Revenue Bond	<u>\$ 3,215,000</u>	<u>\$ 401,830</u>
<b>Total business-type activities debt:</b>	<b><u>\$ 3,215,000</u></b>	<b><u>\$ 401,830</u></b>

TOWN OF GRIFFITH  
EXAMINATION RESULTS AND COMMENTS

CUSTOMER DEPOSIT REGISTER

As in the last examination period, the Water and Sewer Utilities maintained a computerized customer deposit register and utilities fund ledger for the Water Consumer Deposit Fund (604) and Sewer Consumer Deposit Fund (609). The computerized control balance did not agree with the ending cash balance of the Water and Sewer Consumer Deposit Fund at December 31, 2007. Additionally, the computerized customer deposits register does not reflect separate amounts for the Water and Sewer Utilities.

Monthly reconcilements of the computerized customer deposit register to the fund ledger were not performed. The cash balance is \$9,116 more than the customer deposit register balance.

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)

CAPITAL ASSET RECORDS

As stated in prior examination reports, the Town and the Utilities do not maintain sufficient detailed records of capital assets. The Town included a partial listing of infrastructure, land and buildings in its capital asset record.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded in the Capital Assets Ledger. 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)

HOLIDAY PARTY

The Town paid \$2,370.69 for a holiday party. The invoice for the party was not itemized. The party was for members of the various Boards and their spouses. The Town has not established an ordinance authorizing promotional expenses.

Indiana Code 36-7-2-7 states: "A unit may promote economic development and tourism."

Such statute replaced a prior law which authorized cities and towns to budget and appropriate funds from the general fund to pay the expense of, or to reimburse city or town officials as the case may be, for expenses incurred in promoting the best interest of the city or town. Accordingly, a Home Rule ordinance needs to be adopted in accordance with IC 36-1-3 in order to enable a city or town to pay for such expenses. Additionally, an appropriation for such expenses must also be obtained.

Each city and town should establish, by ordinance, the parameters for such appropriations and expenditures. Such ordinance should list the specific types of promotional expenses which can be paid from moneys appropriated for such purpose. Please note that excessive amounts expended for employee meals, awards, gifts and similar expenses could be considered an audit result and comment item in an audit. (Cities and Towns Bulletin and Uniform Compliance Guidelines, December 2005)

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental entity may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF GRIFFITH  
EXIT CONFERENCE

The contents of this report were discussed on September 3, 2008, with Ronald J. Szafarczyk, Clerk-Treasurer; Michelle P. Ciucki, Deputy Clerk-Treasurer; Rick Ryfa, President of the Town Council; and George Jerome, President of the Storm Water Management Board. The officials concurred with our findings.