

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

TOWN OF MUNSTER  
LAKE COUNTY, INDIANA

January 1, 2012 to December 31, 2012



**FILED**  
07/17/2013



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SCHEDULE OF OFFICIALS

| <u>Office</u>                    | <u>Official</u>                         | <u>Term</u>                                  |
|----------------------------------|---|--|
| Clerk-Treasurer                  | David F. Shafer                         | 01-01-11 to 12-31-15                         |
| President of the<br>Town Council | David B. Nellans<br>Joseph A. Simonetto | 01-01-12 to 12-31-12<br>01-01-13 to 12-31-13 |
| Town Manager                     | Thomas F. DeGiulio                      | 01-01-11 to 12-31-13                         |



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
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INDEPENDENT AUDITOR'S REPORT

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

***Report on the Financial Statement***

We have audited the accompanying financial statement of the Town of Munster (Town), which comprises the financial position and results of operations for the year ended December 31, 2012, and the related notes to the financial statement.

***Management's Responsibility for the Financial Statement***

Management is responsible for the preparation and fair presentation of this 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 a financial statement that is free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town's preparation and fair presentation of the financial statement 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 Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As discussed in Note 1 of the financial statement, the Town 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.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

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.

***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 Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the Town for the year ended December 31, 2012.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the Town for the year ended December 31, 2012, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated May 16, 2013, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

***Accompanying Information***

*Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the Town's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other reports used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

Our audit was conducted for the purpose of forming an opinion on the Town's financial statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Payables and Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

*Other Information*

The Town's response to the Audit Results and Comments identified in our audit is described in the accompanying section of the report entitled Official Response. We did not audit the Town's response and, accordingly, we express no opinion on it.



Bruce Hartman  
State Examiner

May 16, 2013



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the Town of Munster (Town), which comprises the financial position and results of operations for the year ended December 31, 2012, and the related notes to the financial statement, and have issued our report thereon dated May 16, 2013, wherein we noted the Town followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statement, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2012-01 to be material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS  
(Continued)

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Town's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2012-01.

***Town of Munster's Response to Findings***

The Town's response to the findings identified in our audit is described in the accompanying Official Response and Corrective Action Plan. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

***Purpose of This Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Bruce Hartman  
State Examiner

May 16, 2013

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## FINANCIAL STATEMENT

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

TOWN OF MUNSTER  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For The Year Ended December 31, 2012

| Fund   | Cash and<br>Investments<br>01-01-12 | Receipts             | Disbursements        | Cash and<br>Investments<br>12-31-12 |
|--|-------------------------------------|----------------------|----------------------|-------------------------------------|
| General                                      | \$ 59,484                           | \$ 6,453,168         | \$ 6,216,656         | \$ 295,996                          |
| Motor Vehicle Highway                        | 336,862                             | 1,340,621            | 1,360,107            | 317,376                             |
| Local Road And Street                        | 69,588                              | 247,962              | 283,385              | 34,165                              |
| Economic Development Operating               | 32,854                              | 34                   | 4,600                | 28,288                              |
| Law Enforcement Continuing Ed                | 14,057                              | 31,223               | 29,017               | 16,263                              |
| Parks And Recreation                         | 588,551                             | 2,361,191            | 2,782,034            | 167,708                             |
| Cumulative Capital Improvement Cigarette Tax | 29,994                              | 62,601               | 82,874               | 9,721                               |
| Cumulative Capital Development               | 31,347                              | 502,270              | 458,713              | 74,904                              |
| Riverboat Capital Project                    | 738,420                             | 348,440              | 742,782              | 344,078                             |
| Police Pension                               | 634,444                             | 648,421              | 675,950              | 606,915                             |
| Rental Property Inspect                      | 10,305                              | 7,920                | -                    | 18,225                              |
| EDC Bond Proceeds                            | 12,572,405                          | 1,210,664            | 12,807,125           | 975,944                             |
| Donations                                    | 33,197                              | 87,074               | 83,938               | 36,333                              |
| Technology Fund                              | 53,090                              | 528,542              | 457,956              | 123,676                             |
| Sewer Maintenance                            | 851,634                             | 2,629,611            | 3,383,992            | 97,253                              |
| Special Asset Forfeiture Non-Reverting       | 58,181                              | 37,884               | 26,631               | 69,434                              |
| State Grants                                 | -                                   | 3,398                | 3,398                | -                                   |
| Federal Grants                               | -                                   | 2,507,278            | 2,507,278            | -                                   |
| Municipal Bond and Interest Nonexempt        | 61                                  | 2,264,355            | 2,261,220            | 3,196                               |
| Redevelopment Bond and Interest              | 42,401                              | 728,992              | 736,199              | 35,194                              |
| Park Bond and Interest Nonexempt             | 14                                  | 2,149,619            | 2,148,785            | 848                                 |
| Municipal Complex                            | 60,312                              | 1,176,617            | 1,227,500            | 9,429                               |
| Redevelopment Reserve Fund                   | 736,555                             | -                    | -                    | 736,555                             |
| Park Bond and Interest Exempt                | 33,060                              | 358                  | -                    | 33,418                              |
| Municipal Bond and Interest Exempt           | 142,207                             | 209,500              | 215,000              | 136,707                             |
| EDC Bond and Interest Fund                   | 1,000,822                           | 867,159              | 1,203,928            | 664,053                             |
| EDC Bond Reserve Fund                        | 2,095,329                           | 2,390                | -                    | 2,097,719                           |
| Corporation Bond (Proceeds)                  | 1,682,294                           | 3,920,300            | 2,055,321            | 3,547,273                           |
| Park Bond (Proceeds)                         | 2,369,831                           | 3,984,450            | 1,309,702            | 5,044,579                           |
| Redevelopment Operating                      | 778,456                             | 108,959              | 256,818              | 630,597                             |
| Barrett Bond Proceeds                        | -                                   | -                    | -                    | -                                   |
| Redevelopment Capital Improvements           | 525,673                             | 432                  | -                    | 526,105                             |
| Local Major Moves Construction               | 333,923                             | 398                  | 96,707               | 237,614                             |
| Rainy Day Fund                               | 100,000                             | 100,000              | -                    | 200,000                             |
| TIF Allocation Fund                          | 5,555,883                           | 10,126,512           | 13,016,229           | 2,666,166                           |
| Medical/Life Insurance Escrow                | 165,603                             | 1,772,366            | 1,546,678            | 391,291                             |
| Liability Insurance Escrow                   | 172,059                             | 910,293              | 749,598              | 332,754                             |
| Park Donation Non-Reverting                  | 46,913                              | 124,322              | 121,796              | 49,439                              |
| Park Land Escrow                             | 11,520                              | -                    | -                    | 11,520                              |
| Payroll                                      | 229,376                             | 10,674,483           | 10,897,974           | 5,885                               |
| Levy Excess Fund                             | -                                   | -                    | -                    | -                                   |
| Intergovernmental Collection                 | 179,329                             | 1,767,838            | 1,769,050            | 178,117                             |
| Insurance Payments                           | -                                   | 1,343,939            | 1,343,939            | -                                   |
| Cable TV Security                            | 111,305                             | 158                  | -                    | 111,463                             |
| Escrow Fund                                  | 183,650                             | 1,346,297            | 1,028,357            | 501,590                             |
| Solid Waste-Operating                        | 669,758                             | 1,947,457            | 1,902,433            | 714,782                             |
| Water Utility-Operating                      | 1,872,008                           | 4,142,840            | 4,402,588            | 1,612,260                           |
| Water Utility-Customer Deposit               | 94,470                              | 32,380               | 27,960               | 98,890                              |
| Totals                                       | <u>\$ 35,307,225</u>                | <u>\$ 68,710,716</u> | <u>\$ 80,224,218</u> | <u>\$ 23,793,723</u>                |

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

TOWN OF MUNSTER  
NOTES TO FINANCIAL STATEMENT

**Note 1. Summary of Significant Accounting Policies**

*A. Reporting Entity*

The Town was established under the laws of the State of Indiana. The Town operates under a Town Council form of government and provides some or all of the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, storm water, trash, and urban redevelopment.

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

*B. Basis of Accounting*

The financial statement is reported on a regulatory basis of accounting prescribed by the 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. Receipts are recorded when received and disbursements are recorded when paid.

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 which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, and other taxes that are set by the Town.

Licenses and permits which include amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state,

TOWN OF MUNSTER  
NOTES TO FINANCIAL STATEMENT  
(Continued)

local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine 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.

Fines and forfeits which include receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

Utility fees which are comprised mostly of charges for current services.

Penalties which include fees received for late payments.

Other receipts which include amounts received from various sources which can include, but are 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.

*E. Disbursements*

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

Personal services include outflows 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 which include 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 office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service principal and interest which include fixed obligations resulting from financial transactions previously entered into by the Town. It includes all expenditures for the reduction of the principal and interest of the Town's general obligation indebtedness.

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

TOWN OF MUNSTER  
NOTES TO FINANCIAL STATEMENT  
(Continued)

Utility operating expenses which include all outflows for operating the utilities.

Other disbursements which include, but are 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 Town may, from time to time, transfer money 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 Town. Each fund is used to account for money 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 Town. The money 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 Town 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.

**Note 2. Budgets**

The operating budget is initially prepared and approved at the local level. The fiscal officer of the Town 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 Town 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 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 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.

TOWN OF MUNSTER  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**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 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 5. Risk Management**

The Town 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 Town 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.

**Note 6. Pension Plans**

*A. Public Employees' Retirement Fund*

*Plan Description*

The Indiana Public Employees' Retirement Fund (PERF) is 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 Indiana Public Retirement System (INPRS) 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 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS 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:

Indiana Public Retirement System  
1 North Capital Street, Suite 001  
Indianapolis, IN 46204  
Ph. (888) 526-1687

TOWN OF MUNSTER  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*Funding Policy and Annual Pension Cost*

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

*B. 1925 Police Officers' Pension Plan*

*Plan Description*

The 1925 Police Officers' Pension Plan 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.

*Funding Policy*

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute.

*On Behalf Payments*

The 1925 Police Officers' Pension Plan is funded by the State of Indiana through the Indiana Public Retirement System as provided under Indiana Code 5-10.3-11.

*C. 1977 Police Officers' and Firefighters' Pension and Disability Fund*

*Plan Description*

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

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 52 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 52. The plan also provides for death and disability benefits.

INPRS 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:

Indiana Public Retirement System  
1 North Capital Street, Suite 001  
Indianapolis, IN 46204  
Ph. (888) 526-1687

TOWN OF MUNSTER  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*Funding Policy*

The contribution requirements of plan members and the Town are established by the Board of Trustees of INPRS.

**Note 7. *Holding Corporation***

The Town has entered into a capital lease with the Town of Munster Municipal Center Corporation (the lessor). The lessor was organized as a not for profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the Town. The lessor has been determined to be a related party of the Town. Lease payments during the year 2012 totaled \$1,220,000.

**Note 8. *Subsequent Event***

The Town is in the process of issuing 2013 Economic Development Revenue Bonds to be repaid by Tax Increment Financing (TIF) revenues. The proposed bonds will be used for a number of different projects within the TIF District.

**Note 9. *Other Postemployment Benefits***

The Town provides to eligible retirees and their spouses the following benefits. Employees who retire with twenty or more years of service can opt to remain on the Town's medical and dental insurance plan. Retirees taking this option must pay the COBRA rates for the chosen coverage level. The Town's Self-Funded Medical/Dental/Life Insurance Fund covers the costs of claims. These benefits pose a liability to the Town for this year and in future years. Information regarding the benefits can be obtained by contacting the Town.

## SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Town's Annual Report information can be found on the Gateway 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 Annual Report of the Town which is 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 supplementary information presented was approved by management of the Town. It is presented as intended by the Town.

TOWN OF MUNSTER  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012

|  | General           | Motor<br>Vehicle<br>Highway | Local<br>Road<br>And<br>Street | Economic<br>Development<br>Operating | Law<br>Enforcement<br>Continuing<br>Ed | Parks<br>And<br>Recreation | Cumulative<br>Capital<br>Improvement<br>Cigarette<br>Tax |
|--|-------------------|-----------------------------|--------------------------------|--------------------------------------|--|----------------------------|--|
| Cash and investments - beginning                   | \$ 59,484         | \$ 336,862                  | \$ 69,588                      | \$ 32,854                            | \$ 14,057                              | \$ 588,551                 | \$ 29,994  |
| Receipts:  |                   |                             |                                |                                      |  |                            |  |
| Taxes  | 4,461,477         | 77,784                      | -                              | -                                    | -                                      | 594,128                    | -  |
| Licenses and permits                               | 746,850           | -                           | -                              | -                                    | -                                      | -                          | -  |
| Intergovernmental                                  | 849,919           | 642,479                     | 245,855                        | -                                    | -                                      | 37,182                     | 62,601   |
| Charges for services                               | 173,109           | 455,110                     | -                              | -                                    | 20,700                                 | 1,683,931                  | -  |
| Fines and forfeits                                 | 138,720           | -                           | -                              | -                                    | 9,023                                  | -                          | -  |
| Utility fees                                       | -                 | -                           | -                              | -                                    | -                                      | -                          | -  |
| Penalties  | -                 | -                           | -                              | -                                    | -                                      | -                          | -  |
| Other receipts                                     | 83,093            | 165,248                     | 2,107                          | 34                                   | 1,500                                  | 45,950                     | -  |
| Total receipts                                     | <u>6,453,168</u>  | <u>1,340,621</u>            | <u>247,962</u>                 | <u>34</u>                            | <u>31,223</u>                          | <u>2,361,191</u>           | <u>62,601</u>  |
| Disbursements:                                     |                   |                             |                                |                                      |  |                            |  |
| Personal services                                  | 4,492,996         | 744,989                     | -                              | -                                    | -                                      | 1,787,672                  | 8,700  |
| Supplies   | 273,321           | 159,302                     | 164,939                        | -                                    | 630                                    | 287,541                    | 73,787   |
| Other services and charges                         | 649,239           | 395,816                     | 118,446                        | 4,600                                | 28,387                                 | 704,121                    | 387  |
| Debt service - principal and interest              | -                 | -                           | -                              | -                                    | -                                      | -                          | -  |
| Capital outlay                                     | -                 | -                           | -                              | -                                    | -                                      | -                          | -  |
| Utility operating expenses                         | -                 | -                           | -                              | -                                    | -                                      | -                          | -  |
| Other disbursements                                | 801,100           | 60,000                      | -                              | -                                    | -                                      | 2,700                      | -  |
| Total disbursements                                | <u>6,216,656</u>  | <u>1,360,107</u>            | <u>283,385</u>                 | <u>4,600</u>                         | <u>29,017</u>                          | <u>2,782,034</u>           | <u>82,874</u>  |
| Excess (deficiency) of receipts over disbursements | <u>236,512</u>    | <u>(19,486)</u>             | <u>(35,423)</u>                | <u>(4,566)</u>                       | <u>2,206</u>                           | <u>(420,843)</u>           | <u>(20,273)</u>  |
| Cash and investments - ending                      | <u>\$ 295,996</u> | <u>\$ 317,376</u>           | <u>\$ 34,165</u>               | <u>\$ 28,288</u>                     | <u>\$ 16,263</u>                       | <u>\$ 167,708</u>          | <u>\$ 9,721</u>  |

TOWN OF MUNSTER  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012  
 (Continued)

|  | Cumulative<br>Capital<br>Development | Riverboat<br>Capital<br>Project | Police<br>Pension | Rental<br>Property<br>Inspect | EDC<br>Bond<br>Proceeds | Donations        | Technology<br>Fund |
|--|--------------------------------------|---------------------------------|-------------------|-------------------------------|-------------------------|------------------|--------------------|
| Cash and investments - beginning                   | \$ 31,347                            | \$ 738,420                      | \$ 634,444        | \$ 10,305                     | \$ 12,572,405           | \$ 33,197        | \$ 53,090          |
| Receipts:  |                                      |                                 |                   |                               |                         |                  |                    |
| Taxes  | 471,891                              | -                               | -                 | -                             | -                       | -                | -                  |
| Licenses and permits                               | -                                    | -                               | -                 | 7,920                         | -                       | -                | -                  |
| Intergovernmental                                  | 30,010                               | 348,440                         | 648,421           | -                             | -                       | -                | -                  |
| Charges for services                               | -                                    | -                               | -                 | -                             | -                       | -                | 528,013            |
| Fines and forfeits                                 | -                                    | -                               | -                 | -                             | -                       | -                | -                  |
| Utility fees                                       | -                                    | -                               | -                 | -                             | -                       | -                | -                  |
| Penalties  | -                                    | -                               | -                 | -                             | -                       | -                | -                  |
| Other receipts                                     | 369                                  | -                               | -                 | -                             | 1,210,664               | 87,074           | 529                |
| Total receipts                                     | <u>502,270</u>                       | <u>348,440</u>                  | <u>648,421</u>    | <u>7,920</u>                  | <u>1,210,664</u>        | <u>87,074</u>    | <u>528,542</u>     |
| Disbursements:                                     |                                      |                                 |                   |                               |                         |                  |                    |
| Personal services                                  | 170,011                              | -                               | 645               | -                             | -                       | -                | 221,860            |
| Supplies   | 52,510                               | 46,466                          | -                 | -                             | -                       | -                | 35,551             |
| Other services and charges                         | 125,902                              | 77,095                          | 675,305           | -                             | 21,702                  | -                | 196,462            |
| Debt service - principal and interest              | -                                    | -                               | -                 | -                             | -                       | -                | -                  |
| Capital outlay                                     | 110,290                              | 619,221                         | -                 | -                             | -                       | -                | 4,083              |
| Utility operating expenses                         | -                                    | -                               | -                 | -                             | -                       | -                | -                  |
| Other disbursements                                | -                                    | -                               | -                 | -                             | 12,785,423              | 83,938           | -                  |
| Total disbursements                                | <u>458,713</u>                       | <u>742,782</u>                  | <u>675,950</u>    | <u>-</u>                      | <u>12,807,125</u>       | <u>83,938</u>    | <u>457,956</u>     |
| Excess (deficiency) of receipts over disbursements | <u>43,557</u>                        | <u>(394,342)</u>                | <u>(27,529)</u>   | <u>7,920</u>                  | <u>(11,596,461)</u>     | <u>3,136</u>     | <u>70,586</u>      |
| Cash and investments - ending                      | <u>\$ 74,904</u>                     | <u>\$ 344,078</u>               | <u>\$ 606,915</u> | <u>\$ 18,225</u>              | <u>\$ 975,944</u>       | <u>\$ 36,333</u> | <u>\$ 123,676</u>  |

TOWN OF MUNSTER  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012  
 (Continued)

|  | Sewer<br>Maintenance | Special<br>Asset<br>Forfeiture<br>Non-Reverting | State<br>Grants | Federal<br>Grants | Municipal<br>Bond<br>and<br>Interest<br>Nonexempt | Redevelopment<br>Bond<br>and<br>Interest | Park<br>Bond<br>and<br>Interest<br>Nonexempt |
|--|----------------------|---|-----------------|-------------------|---|--|--|
| Cash and investments - beginning                   | \$ 851,634           | \$ 58,181                                       | \$ -            | \$ -              | \$ 61   | \$ 42,401                                | \$ 14  |
| Receipts:  |                      |   |                 |                   |   |  |  |
| Taxes  | 496,555              | -   | -               | -                 | 1,921,270   | 658,573                                  | 1,824,039                                    |
| Licenses and permits                               | -                    | -   | -               | -                 | -   | -  | -  |
| Intergovernmental                                  | -                    | -   | 3,398           | 2,507,278         | 122,183   | 39,326                                   | 115,999                                      |
| Charges for services                               | 1,126,240            | -   | -               | -                 | -   | -  | -  |
| Fines and forfeits                                 | -                    | 37,748  | -               | -                 | -   | -  | -  |
| Utility fees                                       | -                    | -   | -               | -                 | -   | -  | -  |
| Penalties  | -                    | -   | -               | -                 | -   | -  | -  |
| Other receipts                                     | 1,006,816            | 136   | -               | -                 | 220,902   | 31,093                                   | 209,581                                      |
| Total receipts                                     | <u>2,629,611</u>     | <u>37,884</u>                                   | <u>3,398</u>    | <u>2,507,278</u>  | <u>2,264,355</u>                                  | <u>728,992</u>                           | <u>2,149,619</u>                             |
| Disbursements:                                     |                      |   |                 |                   |   |  |  |
| Personal services                                  | 1,102,331            | 2,860   | -               | -                 | -   | -  | -  |
| Supplies   | 171,650              | 20,672  | -               | -                 | -   | -  | -  |
| Other services and charges                         | 1,051,052            | 3,099   | -               | -                 | 3,300   | 1,834                                    | 3,300  |
| Debt service - principal and interest              | -                    | -   | -               | -                 | 2,048,420   | 734,365                                  | 2,081,335                                    |
| Capital outlay                                     | 1,058,959            | -   | -               | -                 | -   | -  | -  |
| Utility operating expenses                         | -                    | -   | -               | -                 | -   | -  | -  |
| Other disbursements                                | -                    | -   | 3,398           | 2,507,278         | 209,500   | -  | 64,150                                       |
| Total disbursements                                | <u>3,383,992</u>     | <u>26,631</u>                                   | <u>3,398</u>    | <u>2,507,278</u>  | <u>2,261,220</u>                                  | <u>736,199</u>                           | <u>2,148,785</u>                             |
| Excess (deficiency) of receipts over disbursements | <u>(754,381)</u>     | <u>11,253</u>                                   | <u>-</u>        | <u>-</u>          | <u>3,135</u>                                      | <u>(7,207)</u>                           | <u>834</u>                                   |
| Cash and investments - ending                      | <u>\$ 97,253</u>     | <u>\$ 69,434</u>                                | <u>\$ -</u>     | <u>\$ -</u>       | <u>\$ 3,196</u>                                   | <u>\$ 35,194</u>                         | <u>\$ 848</u>                                |

TOWN OF MUNSTER  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012  
 (Continued)

|  | Municipal<br>Complex | Redevelopment<br>Reserve<br>Fund | Park<br>Bond<br>and<br>Interest<br>Exempt | Municipal<br>Bond<br>and<br>Interest<br>Exempt | EDC<br>Bond<br>and<br>Interest<br>Fund | EDC<br>Bond<br>Reserve<br>Fund | Corporation<br>Bond<br>(Proceeds) |
|--|----------------------|----------------------------------|---|--|--|--------------------------------|-----------------------------------|
| Cash and investments - beginning                   | \$ 60,312            | \$ 736,555                       | \$ 33,060                                 | \$ 142,207                                     | \$ 1,000,822                           | \$ 2,095,329                   | \$ 1,682,294                      |
| Receipts:  |                      |                                  |   |  |  |                                |                                   |
| Taxes  | 1,077,311            | -                                | -   | -  | -                                      | -                              | -                                 |
| Licenses and permits                               | -                    | -                                | -   | -  | -                                      | -                              | -                                 |
| Intergovernmental                                  | 64,306               | -                                | -   | -  | -                                      | -                              | -                                 |
| Charges for services                               | -                    | -                                | -   | -  | -                                      | -                              | -                                 |
| Fines and forfeits                                 | -                    | -                                | -   | -  | -                                      | -                              | -                                 |
| Utility fees                                       | -                    | -                                | -   | -  | -                                      | -                              | -                                 |
| Penalties  | -                    | -                                | -   | -  | -                                      | -                              | -                                 |
| Other receipts                                     | 35,000               | -                                | 358                                       | 209,500  | 867,159                                | 2,390                          | 3,920,300                         |
| Total receipts                                     | <u>1,176,617</u>     | <u>-</u>                         | <u>358</u>                                | <u>209,500</u>                                 | <u>867,159</u>                         | <u>2,390</u>                   | <u>3,920,300</u>                  |
| Disbursements:                                     |                      |                                  |   |  |  |                                |                                   |
| Personal services                                  | -                    | -                                | -   | -  | -                                      | -                              | -                                 |
| Supplies   | -                    | -                                | -   | -  | -                                      | -                              | -                                 |
| Other services and charges                         | 7,500                | -                                | -   | -  | 2,666                                  | -                              | 26,311                            |
| Debt service - principal and interest              | 1,220,000            | -                                | -   | -  | 1,201,262                              | -                              | -                                 |
| Capital outlay                                     | -                    | -                                | -   | -  | -                                      | -                              | 2,029,010                         |
| Utility operating expenses                         | -                    | -                                | -   | -  | -                                      | -                              | -                                 |
| Other disbursements                                | -                    | -                                | -   | 215,000  | -                                      | -                              | -                                 |
| Total disbursements                                | <u>1,227,500</u>     | <u>-</u>                         | <u>-</u>                                  | <u>215,000</u>                                 | <u>1,203,928</u>                       | <u>-</u>                       | <u>2,055,321</u>                  |
| Excess (deficiency) of receipts over disbursements | <u>(50,883)</u>      | <u>-</u>                         | <u>358</u>                                | <u>(5,500)</u>                                 | <u>(336,769)</u>                       | <u>2,390</u>                   | <u>1,864,979</u>                  |
| Cash and investments - ending                      | <u>\$ 9,429</u>      | <u>\$ 736,555</u>                | <u>\$ 33,418</u>                          | <u>\$ 136,707</u>                              | <u>\$ 664,053</u>                      | <u>\$ 2,097,719</u>            | <u>\$ 3,547,273</u>               |

TOWN OF MUNSTER  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012  
 (Continued)

|  | Park<br>Bond<br>(Proceeds) | Redevelopment<br>Operating | Barrett<br>Bond<br>Proceeds | Redevelopment<br>Capital<br>Improvements | Local<br>Major<br>Moves<br>Construction | Rainy<br>Day<br>Fund | TIF<br>Allocation<br>Fund |
|--|----------------------------|----------------------------|-----------------------------|--|---|----------------------|---------------------------|
| Cash and investments - beginning                   | \$ 2,369,831               | \$ 778,456                 | \$ -                        | \$ 525,673                               | \$ 333,923                              | \$ 100,000           | \$ 5,555,883              |
| Receipts:  |                            |                            |                             |  |   |                      |                           |
| Taxes  | -                          | 102,416                    | -                           | -  | -                                       | -                    | 4,816,124                 |
| Licenses and permits                               | -                          | -                          | -                           | -  | -                                       | -                    | -                         |
| Intergovernmental                                  | -                          | 6,513                      | -                           | -  | -                                       | -                    | -                         |
| Charges for services                               | -                          | -                          | -                           | -  | -                                       | -                    | 318,310                   |
| Fines and forfeits                                 | -                          | -                          | -                           | -  | -                                       | -                    | -                         |
| Utility fees                                       | -                          | -                          | -                           | -  | -                                       | -                    | -                         |
| Penalties  | -                          | -                          | -                           | -  | -                                       | -                    | -                         |
| Other receipts                                     | 3,984,450                  | 30                         | -                           | 432                                      | 398                                     | 100,000              | 4,992,078                 |
| Total receipts                                     | <u>3,984,450</u>           | <u>108,959</u>             | <u>-</u>                    | <u>432</u>                               | <u>398</u>                              | <u>100,000</u>       | <u>10,126,512</u>         |
| Disbursements:                                     |                            |                            |                             |  |   |                      |                           |
| Personal services                                  | -                          | 118,246                    | -                           | -  | -                                       | -                    | 9,270                     |
| Supplies   | -                          | 227                        | -                           | -  | -                                       | -                    | 2,849                     |
| Other services and charges                         | 193,826                    | 8,345                      | -                           | -  | 96,707                                  | -                    | 622,959                   |
| Debt service - principal and interest              | -                          | -                          | -                           | -  | -                                       | -                    | -                         |
| Capital outlay                                     | 905,876                    | -                          | -                           | -  | -                                       | -                    | 11,780,580                |
| Utility operating expenses                         | -                          | -                          | -                           | -  | -                                       | -                    | -                         |
| Other disbursements                                | 210,000                    | 130,000                    | -                           | -  | -                                       | -                    | 600,571                   |
| Total disbursements                                | <u>1,309,702</u>           | <u>256,818</u>             | <u>-</u>                    | <u>-</u>                                 | <u>96,707</u>                           | <u>-</u>             | <u>13,016,229</u>         |
| Excess (deficiency) of receipts over disbursements | <u>2,674,748</u>           | <u>(147,859)</u>           | <u>-</u>                    | <u>432</u>                               | <u>(96,309)</u>                         | <u>100,000</u>       | <u>(2,889,717)</u>        |
| Cash and investments - ending                      | <u>\$ 5,044,579</u>        | <u>\$ 630,597</u>          | <u>\$ -</u>                 | <u>\$ 526,105</u>                        | <u>\$ 237,614</u>                       | <u>\$ 200,000</u>    | <u>\$ 2,666,166</u>       |

TOWN OF MUNSTER  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012  
 (Continued)

|  | Medical/Life<br>Insurance<br>Escrow | Liability<br>Insurance<br>Escrow | Park<br>Donation<br>Non-Reverting | Park<br>Land<br>Escrow | Payroll    | Levy<br>Excess<br>Fund | Intergovernmental<br>Collection |
|--|-------------------------------------|----------------------------------|-----------------------------------|------------------------|------------|------------------------|---------------------------------|
| Cash and investments - beginning                   | \$ 165,603                          | \$ 172,059                       | \$ 46,913                         | \$ 11,520              | \$ 229,376 | \$ -                   | \$ 179,329                      |
| Receipts:  |                                     |                                  |                                   |                        |            |                        |                                 |
| Taxes  | -                                   | -                                | -                                 | -                      | -          | -                      | -                               |
| Licenses and permits                               | -                                   | -                                | -                                 | -                      | -          | -                      | -                               |
| Intergovernmental                                  | -                                   | -                                | -                                 | -                      | -          | -                      | -                               |
| Charges for services                               | -                                   | -                                | -                                 | -                      | -          | -                      | 1,492,410                       |
| Fines and forfeits                                 | -                                   | -                                | -                                 | -                      | -          | -                      | 167,516                         |
| Utility fees                                       | -                                   | -                                | -                                 | -                      | -          | -                      | -                               |
| Penalties  | -                                   | -                                | -                                 | -                      | -          | -                      | -                               |
| Other receipts                                     | 1,772,366                           | 910,293                          | 124,322                           | -                      | 10,674,483 | -                      | 107,912                         |
| Total receipts                                     | 1,772,366                           | 910,293                          | 124,322                           | -                      | 10,674,483 | -                      | 1,767,838                       |
| Disbursements:                                     |                                     |                                  |                                   |                        |            |                        |                                 |
| Personal services                                  | 1,542,481                           | 678,946                          | -                                 | -                      | -          | -                      | -                               |
| Supplies   | -                                   | -                                | 3,002                             | -                      | -          | -                      | -                               |
| Other services and charges                         | 4,197                               | 70,652                           | 12,156                            | -                      | -          | -                      | 1,769,050                       |
| Debt service - principal and interest              | -                                   | -                                | -                                 | -                      | -          | -                      | -                               |
| Capital outlay                                     | -                                   | -                                | -                                 | -                      | -          | -                      | -                               |
| Utility operating expenses                         | -                                   | -                                | -                                 | -                      | -          | -                      | -                               |
| Other disbursements                                | -                                   | -                                | 106,638                           | -                      | 10,897,974 | -                      | -                               |
| Total disbursements                                | 1,546,678                           | 749,598                          | 121,796                           | -                      | 10,897,974 | -                      | 1,769,050                       |
| Excess (deficiency) of receipts over disbursements | 225,688                             | 160,695                          | 2,526                             | -                      | (223,491)  | -                      | (1,212)                         |
| Cash and investments - ending                      | \$ 391,291                          | \$ 332,754                       | \$ 49,439                         | \$ 11,520              | \$ 5,885   | \$ -                   | \$ 178,117                      |

TOWN OF MUNSTER  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012  
 (Continued)

|  | Insurance<br>Payments | Cable<br>TV<br>Security | Escrow<br>Fund | Solid<br>Waste-Operating | Water<br>Utility-Operating | Water<br>Utility-Customer<br>Deposit | Totals        |
|--|-----------------------|-------------------------|----------------|--------------------------|----------------------------|--------------------------------------|---------------|
| Cash and investments - beginning                   | \$ -                  | \$ 111,305              | \$ 183,650     | \$ 669,758               | \$ 1,872,008               | \$ 94,470                            | \$ 35,307,225 |
| Receipts:  |                       |                         |                |                          |                            |                                      |               |
| Taxes  | -                     | -                       | -              | -                        | -                          | -                                    | 16,501,568    |
| Licenses and permits                               | -                     | -                       | -              | -                        | -                          | -                                    | 754,770       |
| Intergovernmental                                  | -                     | -                       | -              | 129,514                  | -                          | -                                    | 5,853,424     |
| Charges for services                               | -                     | -                       | 5,968          | 1,816,999                | -                          | -                                    | 7,620,790     |
| Fines and forfeits                                 | -                     | -                       | -              | -                        | -                          | -                                    | 353,007       |
| Utility fees                                       | -                     | -                       | -              | -                        | 3,727,990                  | 32,380                               | 3,760,370     |
| Penalties  | -                     | -                       | -              | -                        | 136,721                    | -                                    | 136,721       |
| Other receipts                                     | 1,343,939             | 158                     | 1,340,329      | 944                      | 278,129                    | -                                    | 33,730,066    |
| Total receipts                                     | 1,343,939             | 158                     | 1,346,297      | 1,947,457                | 4,142,840                  | 32,380                               | 68,710,716    |
| Disbursements:                                     |                       |                         |                |                          |                            |                                      |               |
| Personal services                                  | -                     | -                       | -              | 198,130                  | -                          | -                                    | 11,079,137    |
| Supplies   | -                     | -                       | -              | 18,937                   | -                          | -                                    | 1,311,384     |
| Other services and charges                         | -                     | -                       | 118,110        | 1,685,366                | -                          | -                                    | 8,677,892     |
| Debt service - principal and interest              | -                     | -                       | -              | -                        | -                          | -                                    | 7,285,382     |
| Capital outlay                                     | -                     | -                       | 475,434        | -                        | 482,897                    | -                                    | 17,466,350    |
| Utility operating expenses                         | -                     | -                       | -              | -                        | 3,654,691                  | 27,960                               | 3,682,651     |
| Other disbursements                                | 1,343,939             | -                       | 434,813        | -                        | 265,000                    | -                                    | 30,721,422    |
| Total disbursements                                | 1,343,939             | -                       | 1,028,357      | 1,902,433                | 4,402,588                  | 27,960                               | 80,224,218    |
| Excess (deficiency) of receipts over disbursements | -                     | 158                     | 317,940        | 45,024                   | (259,748)                  | 4,420                                | (11,513,502)  |
| Cash and investments - ending                      | \$ -                  | \$ 111,463              | \$ 501,590     | \$ 714,782               | \$ 1,612,260               | \$ 98,890                            | \$ 23,793,723 |

TOWN OF MUNSTER  
 SCHEDULE OF PAYABLES AND RECEIVABLES  
 December 31, 2012

| Government or Enterprise | Accounts<br>Payable | Accounts<br>Receivable |
|--------------------------|---------------------|------------------------|
| Solid Waste              | \$ 124,420          | \$ 168,159             |
| Water                    | 78,664              | 367,875                |
| Governmental activities  | 1,814,428           | 358,095                |
| Totals                   | \$ 2,017,512        | \$ 894,129             |

TOWN OF MUNSTER  
SCHEDULE OF LEASES AND DEBT  
December 31, 2012

| Lessor                               | Purpose                         | Annual<br>Lease<br>Payment | Lease<br>Beginning<br>Date | Lease<br>Ending<br>Date |
|--------------------------------------|---------------------------------|----------------------------|----------------------------|-------------------------|
| Governmental activities:             |                                 |                            |                            |                         |
| BANCORP                              | 2012 Copiers                    | \$ 41,536                  | 05-07-12                   | 05-07-17                |
| Munster Municipal Center Corporation | Construction of Centennial Park | 1,220,000                  | 01-15-08                   | 07-15-24                |
| Public Finance.com/Old National Bank | 2011 Methane Generator (P)      | 640,000                    | 07-15-12                   | 01-15-19                |
| Public Finance.com/Old National Bank | 2012 Pump Station Generator (Q) | 37,011                     | 06-15-12                   | 12-15-16                |
| Public Finance.com/Old National Bank | 2012 Police Vehicles (R)        | 84,320                     | 06-15-12                   | 02-15-13                |
| Public Finance.com/Old National Bank | 2012 Pump Station Generator (S) | 102,023                    | 12-15-12                   | 06-15-17                |
| Yamaha Motor Corporation USA         | 2010 Golf Carts (N)             | <u>17,884</u>              | 05-01-10                   | 10-01-14                |
| Total governmental activities        |                                 | <u>2,142,774</u>           |                            |                         |
| Total of annual lease payments       |                                 | <u>\$ 2,142,774</u>        |                            |                         |

| Type                          | Description of Debt<br>Purpose | Ending<br>Principal<br>Balance | Principal and<br>Interest Due<br>Within One<br>Year |
|-------------------------------|--------------------------------|--------------------------------|---|
| Governmental activities:      |                                |                                |   |
| General obligation bonds      | 2009 Municipal Bond            | \$ 500,000                     | \$ 511,250  |
| General obligation bonds      | 2010 Municipal Bond            | 1,000,000                      | 512,800   |
| General obligation bonds      | 2011 Municipal Bond            | 1,500,000                      | 516,178   |
| General obligation bonds      | 2012 Municipal Bond            | 1,970,000                      | 525,475   |
| General obligation bonds      | 2009 Park Bond                 | 470,000                        | 480,350   |
| General obligation bonds      | 2010 Park Bond                 | 970,000                        | 514,353   |
| General obligation bonds      | 2011 Park Bond                 | 1,470,000                      | 515,773   |
| General obligation bonds      | 2012 Park Bond                 | 1,970,000                      | 525,157   |
| General obligation bonds      | 2007 Redevelopment Bond        | 6,935,000                      | 732,228   |
| Revenue bonds                 | 2010 Economic Development Bond | 5,020,000                      | 407,680   |
| Revenue bonds                 | 2011 Economic Development Bond | <u>19,640,000</u>              | <u>1,069,125</u>                                    |
| Total governmental activities |                                | <u>41,445,000</u>              | <u>6,310,369</u>                                    |
| Totals                        |                                | <u>\$ 41,445,000</u>           | <u>\$ 6,310,369</u>                                 |

TOWN OF MUNSTER  
SCHEDULE OF CAPITAL ASSETS  
December 31, 2012

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.

|                                    | Ending<br>Balance |
|------------------------------------|-------------------|
| Governmental activities:           |                   |
| Land                               | \$ 34,886,020     |
| Infrastructure                     | 161,319,696       |
| Buildings                          | 8,802,678         |
| Improvements other than buildings  | 13,919,901        |
| Machinery, equipment, and vehicles | 9,215,257         |
| Construction in progress           | 5,576,655         |
| Books and other                    | 828,893           |
| Total governmental activities      | 234,549,100       |
| Water:                             |                   |
| Land                               | 288,548           |
| Infrastructure                     | 21,399,746        |
| Buildings                          | 3,863,636         |
| Machinery, equipment, and vehicles | 2,117,810         |
| Total Water                        | 27,669,740        |
| Total capital assets               | \$ 262,218,840    |

TOWN OF MUNSTER  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

*Master Equipment Leases/Purchase Agreements*

The Town approved the purchase of police vehicles, generators, and equipment for the Gas to Energy Facility to be financed through three separate Master Equipment Leases/Purchase Agreements with Public-Finance.com, Inc. Per the Escrow Agreement between the Town and Public-Finance.com, Inc., the Town agreed to have three separate special escrow accounts established for each Master Equipment Lease/Purchase Agreement for the deposit of the lease proceeds and disbursement of the acquisition costs of the equipment.

Once the escrow account received the initial deposit of the lease proceeds, the Town Manager's office prepared "Payment Request Forms." The Payment Request Forms included a duplicate copy of the invoice documenting the order, delivery and acceptance of the equipment purchased. The Payment Request Forms directed the escrow account agent to pay the acquisition costs to the vendor specified therein.

Neither the accounting records, financial statement, or annual report of the Town included the Master Equipment Leases/Purchase Agreements deposits, disbursements, or balances noted above. Since the Town's records did not include the Master Equipment Leases/Purchase Agreements deposits, disbursements, and balances, the invoices submitted for payment were not properly supported by a completed accounts payable voucher, approved by the fiscal officer, or approved by the proper governing board. The dollar amounts which bypassed the Town's recordkeeping process are considered material to the financial statement and the omission results from a lack of internal controls over the Town's recordkeeping process.

The total transactions of these three Leases/Purchase Agreements not recorded in the Town's accounting records or reported in the Town's financial statement and annual report were \$3,302,772 in receipts and \$2,968,934 in disbursements, resulting in the omission of \$333,838 in ending balances. The Clerk-Treasurer has approved an adjustment to the financial statement presented herein to reflect the activity of the Master Equipment Leases/Purchase Agreements to the following funds:

| <u>Fund</u>                | <u>Receipts</u>     | <u>Disbursements</u> | <u>Balance</u>    |
|----------------------------|---------------------|----------------------|-------------------|
| TIF Allocation Fund        | \$ 2,493,000        | \$ 2,493,000         | \$ -              |
| Escrow Fund                | <u>809,272</u>      | <u>475,434</u>       | <u>333,838</u>    |
| Total Approved Adjustments | <u>\$ 3,302,272</u> | <u>\$ 2,968,434</u>  | <u>\$ 333,838</u> |

*Economic Development Revenue Bonds Disbursements*

The Munster Economic Development Commission issued Revenue Bonds in 2010 and 2011. The proceeds of the bonds are used for the financing of economic development projects such as the Munster Shops, the Lake Business Center Redevelopment Project, Town land acquisition, and other permissible projects connected to the Ridge Road/Calumet Avenue Economic Development Area. The revenue bonds will be repaid from TIF (Tax Increment Financing) revenues.

The proceeds were placed in a trust account at a local bank and the Town Manager's office prepared "Certificate of Town of Munster Approving Expense and Recommending Payment." The Certificate included a duplicate copy of the invoice supporting the amount of the disbursement. Upon receipt of the Certification and duplicate invoice, the local bank drew from the trust account the amount specified therein. A copy of the Certification is also remitted to the Clerk-Treasurer's office.

TOWN OF MUNSTER  
AUDIT RESULTS AND COMMENTS  
(Continued)

Subsequent to the payments, the Clerk-Treasurer's office receives quarterly trust statements. Once the trust statement is received, the Clerk-Treasurer's office verifies the Certifications obtained to the trust statements, prepares an Accounts Payable Voucher, posts the disbursements to the Town's accounting records, and prepares an Accounts Payable Voucher Register for the Clerk-Treasurer certification and governing board confirmation.

The procedures in place did not provide for proper reviews and oversight of \$12,807,125 of disbursements recorded and reported. The invoices submitted for payment to the trustee were not properly supported by a completed accounts payable voucher, approved by the fiscal officer, or approved by the proper governing board before the actual disbursement occurred. The Clerk-Treasurer and governing board did not confirm some of the disbursements from the EDC Bond Proceeds Fund until four to five months after the disbursement occurred.

Indiana Code 5-11-10-1.6(c) states in part:

"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."

Indiana Code 5-11-1-2 states in part:

"The state board of accounts shall formulate, prescribe, and install a system of accounting and reporting in conformity with this chapter, which must comply with the following:

- (1) Be uniform for every public office and every public account of the same class and contain written standards that an entity that is subject to audit must observe.
- (2) Exhibit true accounts and detailed statements of funds collected, received, obligated, and expended for or on account of the public for any and every purpose whatever, and by all public officers, employees, or other individuals.
- (3) Show the receipt, use, and disposition of all public property and the income, if any, derived from the property.
- (4) Show all sources of public income and the amounts due and received from each source.
- (5) Show all receipts, vouchers, contracts, obligations, and other documents kept, or that may be required to be kept, to prove the validity of every transaction."

TOWN OF MUNSTER  
AUDIT RESULTS AND COMMENTS  
(Continued)

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

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)

***INTERNAL CONTROLS OVER PAYROLL DISBURSEMENTS***

Internal controls over the supporting documentation and approvals for payroll disbursements were insufficient:

1. The Town does not prepare the prescribed Payroll Schedule and Voucher (General Form 99) or use an approved alternate form for all payrolls. The Payroll Schedule and Voucher is to be certified by each department to certify that the department head has examined the time record of each employee for each payroll and that each employee has performed the services for which the salaries or compensation is paid.

Except for the police department which submits a detail time report, the Town relies upon departments to submit Time and Attendance Sheets or time cards with the signatures of an immediate supervisor to certify the time. A review of the effectiveness of the internal controls over the supervisory approval of the actual time worked determined that the control is ineffective since not all the time sheets or cards remitted included a signature of an immediate supervisor. Of the four pay dates reviewed in 2012, three pay dates did not have the proper immediate supervisor approval on all the submitted time cards and sheets. Due to the lack of proper approvals, there is insufficient evidence that employees actually performed the services for which they were paid; therefore, the validity of payroll disbursements could not always be determined.

2. The Town Manager, who is also the Park Director for the Town, approved the time sheets and/or cards for Central Services, Information Services, the Town Engineer, Director of Operations, Utilities Supervisor, Park and Recreation Administrative Assistant and Secretary, Recreation Supervisors, Superintendent of Recreation, Park Maintenance Supervisor, Pool (lifeguard, concessions, etc), and the Centennial Park restaurant. Due to the volume of responsibilities and duties placed upon the Town Manager, the Town Manager's verification of the time worked for non-supervisory employees was determined to not be an effective control. In addition, the certification signature for the Town Manager was a signature stamp. The use of the signature stamp was determined to not be effective as a control to document the actual certification of the time sheets or cards.

TOWN OF MUNSTER  
AUDIT RESULTS AND COMMENTS  
(Continued)

3. The Accounts Payable Voucher Register provided to the Town Council for approval of the bi-weekly payroll includes the totals for the net payroll and civil town vouchers. The total vouchers that are confirmed are the totals that are posted and paid through the payroll fund. The Accounts Payable Voucher Register does not include a report to substantiate the net payroll amount, nor is that amount detailed by fund and account.

The governing boards of the Town, Park Department, and Redevelopment Department did not approve the amount of gross payroll and employer taxes and benefit costs that were disbursed by fund and account. The disbursement of gross payroll and related costs from the operating funds of the Town is the funding source for the payroll fund from which payments are made to the proper federal, state, and local agencies and other benefit providers.

4. The payroll fund disbursements are approved by the Town Council for the Town's bi-weekly payroll. The amounts approved include all departments of the Town including the park and redevelopment departments. However, the bi-weekly gross payroll and related taxes and benefits for the park and redevelopment departments should be approved by the Park Board and Redevelopment Commission, respectively.

Indiana Code 5-1-10-1.6 states in part:

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

- (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. . . ."

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

***PUBLIC WORKS PROJECT***

The Town, during 2011, contracted with Olthoff, Inc., for modifications of the gas well at the landfill and the construction of the Community Park infrastructure. The original costs of the projects were \$193,700 and \$833,372, respectively. Change orders made during the completion of these projects totaled \$45,997 and \$207,682, or 24 and 25 percent of the original project, respectively.

The Town, during 2012, contracted with Walsh & Kelly, Inc., for the construction of the Community Park roadway and parking. The original cost of the project was \$709,960. Change orders made during the completion of the project totaled \$167,536, or 24 percent of the original project.

Indiana Code 36-1-12-18(d) states: "The total of all change orders issued that increase the scope of the project may not exceed twenty percent (20%) of the amount of the original contract."

TOWN OF MUNSTER  
AUDIT RESULTS AND COMMENTS  
(Continued)

***TIF ALLOCATION FUND USES***

The Town disbursed \$91,252 and \$58,567 from the TIF Allocation Fund for 2011 and 2012, respectively, for operating expenses such as travel and Centennial Park maintenance expenses. These disbursements should have been made from either the General or Park Funds. The disbursements from the TIF Allocation Fund are restricted to the uses identified in Indiana Code 36-7-14-39(b)(3).

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

***PARK BOARD MINUTES MISSING***

The minutes of the meetings of the Park Board were not presented for all meetings. Minutes or cancellation notices for three scheduled and three actual meetings in 2011 were not presented for review. In addition, meeting minutes for the December 28, 2012 and January 15, 2013 scheduled meetings were not presented for review.

Indiana Code 5-14-1.5-4(b) states:

"As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes taken, by individual members if there is a roll call.
- (5) Any additional information required under IC 5-1.5-2-2.5."

SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

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

***Report on Compliance for Each Major Federal Program***

We have audited the Town of Munster's (Town) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2012. The Town's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the Town's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Town's compliance.

***Basis for Qualified Opinion on the Renewable Energy Research & Development Program***

As described in items 2012-03, 2012-04, 2012-05, and 2012-06 in the accompanying Schedule of Findings and Questioned Costs, the Town did not comply with requirements regarding Equipment, Procurement and Suspension and Debarment, and Reporting that are applicable to its Renewable Energy Research & Development Program. Compliance with such requirements is necessary, in our opinion, for the Town to comply with requirements applicable to that program.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
(Continued)

***Qualified Opinion on the Renewable Energy Research & Development Program***

In our opinion, except for the noncompliance described in the "Basis for Qualified Opinion" paragraph, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Renewable Energy Research & Development Program for the year ended December 31, 2012.

***Other Matters***

The Town's response to the noncompliance findings identified in our audit is described in the accompanying Official Response and Corrective Action Plan. The Town's response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the response.

***Report on Internal Control Over Compliance***

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the type of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2012-02 to be material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
(Continued)

The Town's response to the internal control over compliance findings identified in our audit is described in the accompanying Official Response and Corrective Action Plan. The Town's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Bruce Hartman  
State Examiner

May 16, 2013

#### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Schedule of Expenditures of Federal Awards and accompanying note presented were approved by management of the Town. The schedule and note are presented as intended by the Town.

TOWN OF MUNSTER  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended December 31, 2012

| Federal Grantor Agency<br>Cluster Title/Program Title/Project Title                    | Pass-Through Entity or Direct Grant | Federal<br>CFDA<br>Number | Pass-Through<br>Entity (or Other)<br>Identifying<br>Number | Total<br>Federal Awards<br>Expended |
|--|-------------------------------------|---------------------------|--|-------------------------------------|
| <u>U.S. Department of Justice</u>  |                                     |                           |  |                                     |
| Bulletproof Vest Partnership Program<br>Bulletproof Vest Replacement Program           | Direct Grant                        | 16.607                    |  | \$ 1,764                            |
| Total - U.S. Department of Justice   |                                     |                           |  | <u>1,764</u>                        |
| <u>National Endowment for the Arts</u>   |                                     |                           |  |                                     |
| Promotion of the Arts Partnership Agreements<br>2012 Indiana Regional Arts Partnership | South Shore Arts                    | 45.025                    | 11-6100-2026 APS-120                                       | <u>3,254</u>                        |
| Total - National Endowment for the Arts  |                                     |                           |  | <u>3,254</u>                        |
| <u>U.S. Department of Energy</u>   |                                     |                           |  |                                     |
| Renewable Energy Research and Development<br>2008 Waste-to-Energy Cogeneration Project | Direct Grant                        | 81.087                    | DE-FG36-08GO88042  | <u>2,492,818</u>                    |
| Total - U.S. Department of Energy  |                                     |                           |  | <u>2,492,818</u>                    |
| <u>U.S. Department of Homeland Security</u>  |                                     |                           |  |                                     |
| Assistance to Firefighters Grant<br>2010 Firefighters Grant                            | Direct Grant                        | 97.044                    | EMW-2010-FR-00269  | <u>3,389</u>                        |
| Total - U.S. Department of Homeland Security   |                                     |                           |  | <u>3,389</u>                        |
| Total federal awards expended  |                                     |                           |  | <u>\$ 2,501,225</u>                 |

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

TOWN OF MUNSTER  
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

***Basis of Presentation***

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town of Munster (Town) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

TOWN OF MUNSTER  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Section I – Summary of Auditor's Results**

Financial Statement:

|  |   |
|--|---|
| Type of auditor's report issued:                     | Adverse as to GAAP;<br>Unqualified as to Regulatory Basis |
| Internal control over financial reporting:           |   |
| Material weaknesses identified?                      | yes   |
| Significant deficiencies identified?                 | none reported   |
| Noncompliance material to financial statement noted? | yes   |

Federal Awards:

|  |               |
|--|---------------|
| Internal control over major program:   |               |
| Material weaknesses identified?  | yes           |
| Significant deficiencies identified?   | none reported |
| Type of auditor's report issued on compliance for major program:   | Qualified     |
| Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? | yes           |

Identification of Major Program:

| CFDA<br>Number | Name of Federal Program or Cluster      |
|----------------|---|
| 81.087         | Renewable Energy Research & Development |

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? no

**Section II – Financial Statement Findings**

**FINDING 2012-01 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

*Master Equipment Leases/Purchase Agreements*

The Town approved the purchase of police vehicles, generators, and equipment for the Gas to Energy Facility to be financed through three separate Master Equipment Leases/Purchase Agreements with Public-Finance.com, Inc. Per the Escrow Agreement between the Town and Public-Finance.com, Inc., the Town agreed to have three separate special escrow accounts established for each Master Equipment Lease/Purchase Agreement for the deposit of the lease proceeds and disbursement of the acquisition costs of the equipment.

TOWN OF MUNSTER  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 (Continued)

Once the escrow account received the initial deposit of the lease proceeds, the Town Manager's office prepared "Payment Request Forms." The Payment Request Forms included a duplicate copy of the invoice documenting the order, delivery and acceptance of the equipment purchased. The Payment Request Forms directed the escrow account agent to pay the acquisition costs to the vendor specified therein.

Neither the accounting records, financial statement, or annual report of the Town included the Master Equipment Leases/Purchase Agreements deposits, disbursements, or balances noted above. Since the Town's records did not include the Master Equipment Leases/Purchase Agreements deposits, disbursements, and balances, the invoices submitted for payment were not properly supported by a completed accounts payable voucher, approved by the fiscal officer, or approved by the proper governing board. The dollar amounts which bypassed the Town's recordkeeping process are considered material to the financial statement and the omission results from a lack of internal controls over the Town's recordkeeping process.

The total transactions of these three Leases/Purchase Agreements not recorded in the Town's accounting records or reported in the Town's financial statement and annual report were \$3,302,772 in receipts and \$2,968,934 in disbursements, resulting in the omission of \$333,838 in ending balances. The Clerk-Treasurer has approved an adjustment to the financial statement presented herein to reflect the activity of the Master Equipment Leases/Purchase Agreements to the following funds:

| <u>Fund</u>                | <u>Receipts</u>     | <u>Disbursements</u> | <u>Balance</u>    |
|----------------------------|---------------------|----------------------|-------------------|
| TIF Allocation Fund        | \$ 2,493,000        | \$ 2,493,000         | \$ -              |
| Escrow Fund                | <u>809,272</u>      | <u>475,434</u>       | <u>333,838</u>    |
| Total Approved Adjustments | <u>\$ 3,302,272</u> | <u>\$ 2,968,434</u>  | <u>\$ 333,838</u> |

*Economic Development Revenue Bonds Disbursements*

The Munster Economic Development Commission issued Revenue Bonds in 2010 and 2011. The proceeds of the bonds are used for the financing of economic development projects such as the Munster Shops, the Lake Business Center Redevelopment Project, Town land acquisition, and other permissible projects connected to the Ridge Road/Calumet Avenue Economic Development Area. The revenue bonds will be repaid from TIF (Tax Increment Financing) revenues.

The proceeds were placed in a trust account at a local bank and the Town Manager's office prepared "Certificate of Town of Munster Approving Expense and Recommending Payment." The Certificate included a duplicate copy of the invoice supporting the amount of the disbursement. Upon receipt of the Certification and duplicate invoice, the local bank drew from the trust account the amount specified therein. A copy of the Certification is also remitted to the Clerk-Treasurer's office.

Subsequent to the payments, the Clerk-Treasurer's office receives quarterly trust statements. Once the trust statement is received, the Clerk-Treasurer's office verifies the Certifications obtained to the trust statements, prepares an Accounts Payable Voucher, posts the disbursements to the Town's accounting records, and prepares an Accounts Payable Voucher Register for the Clerk-Treasurer certification and governing board confirmation.

TOWN OF MUNSTER  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

The procedures in place did not provide for proper reviews and oversight of \$12,807,125 of disbursements recorded and reported. The invoices submitted for payment to the trustee were not properly supported by a completed accounts payable voucher, approved by the fiscal officer, or approved by the proper governing board before the actual disbursement occurred. The Clerk-Treasurer and governing board did not confirm some of the disbursements from the EDC Bond Proceeds Fund until four to five months after the disbursement occurred.

Indiana Code 5-11-10-1.6(c) states in part:

"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."

Indiana Code 5-11-1-2 states in part:

"The state board of accounts shall formulate, prescribe, and install a system of accounting and reporting in conformity with this chapter, which must comply with the following:

- (1) Be uniform for every public office and every public account of the same class and contain written standards that an entity that is subject to audit must observe.
- (2) Exhibit true accounts and detailed statements of funds collected, received, obligated, and expended for or on account of the public for any and every purpose whatever, and by all public officers, employees, or other individuals.
- (3) Show the receipt, use, and disposition of all public property and the income, if any, derived from the property.
- (4) Show all sources of public income and the amounts due and received from each source.
- (5) Show all receipts, vouchers, contracts, obligations, and other documents kept, or that may be required to be kept, to prove the validity of every transaction."

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF MUNSTER  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

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)

We recommended officials establish policies and procedures to ensure that all financial transactions, including the financial transactions through all escrow accounts, be recorded in the records of the Town. By establishing the appropriate policies and procedures, appropriate purchase orders, accounts payable vouchers and accounts payable voucher registers will be produced, so disbursements can be properly reviewed and approved by the appropriate department head, certified by the fiscal officer, and approved by the appropriate governing board prior to payments being made.

***Section III – Federal Award Findings and Questioned Costs***

***FINDING 2012-02 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO RENEWABLE ENERGY RESEARCH AND DEVELOPMENT***

Federal Agency: U.S. Department of Energy  
Federal Program: Renewable Energy Research and Development  
CFDA Number: 81.087  
Federal Award Number: DE-FG36-08GO88042/006

Management of the Town has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and some of the compliance requirements that have a direct and material effect to the program. This includes the following compliance requirements: Activities Allowed/Allowable Costs, Equipment, Procurement and Suspension and Debarment and Reporting. The failure to establish an effective internal control system places the Town at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the grant.

1. **Activities Allowed/Allowable Costs:** The Town does not have policies or procedures in place to ensure that disbursements for equipment purchases that were financed through a Master Equipment Lease/Purchase Agreement were properly documented, posted, and approved before submitting for payment. The Town Manager's office submitted \$2,493,500 of contractor invoices for the construction of the Gas to Energy Facility at the landfill to the equipment lease's escrow account agent for payment without the invoices being processed through the Town's established procedures for the payment of vendor invoices. These disbursements were not supported by an approved accounts payable voucher by the Town Manager, were not posted to the Town's financial system, were not certified by the fiscal officer or allowed by the governing board.

TOWN OF MUNSTER  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

2. **Equipment:** The Town does not have effective policies and procedures in place to ensure that equipment purchased either in full or partially with federal funds that has a useful life of more than one year and an acquisition cost of \$5,000 or more per unit are properly inventoried as required. The Town secured a Master Equipment Lease/Purchase Equipment to finance the Town's share of the project, thus defining that the Town did purchase equipment as part of the project. The Gas to Energy Facility was completed by November 2012 and an equipment inventory was not prepared at that time. The Town did not inventory the equipment purchased as part of the Gas to Energy Facility until the Department of Energy started inquiring about the SF-428 & SF428B Final Property Report that was due 90 calendar days after the expiration of the award. The Town had Energy Systems Group, LLC., the construction services contractor, complete an equipment inventory during March 2013. The equipment inventory provided noted the equipment name and a serial number. Required components of the equipment inventory such as acquisition date, condition of equipment, and acquisition cost were not included in the Town's inventory listing.
3. **Procurement and Suspension and Debarment:** The Town does not have an effective system in place to ensure that contracts, addendums to contracts, or change orders comply with federal and statutory procurement requirements. In addition, the Town does not have policies or procedures in place to ensure that contracts are not made to suspended or debarred parties.
4. **Reporting:** The Assistant Town Manager was responsible for preparing and submitting the required reports. The submitted reports were not reviewed or monitored by those in management or governance. The lack of oversight controls does not allow for the prevention, detection and correction of noncompliance, on a timely basis, with the compliance requirement.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 (b) states:

"The auditee shall: (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could enable material noncompliance to go undetected. Non-compliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the Town.

We recommended that the Town's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements that have a direct and material effect to the program.

TOWN OF MUNSTER  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

**FINDING 2012-03 - NONCOMPLIANCE OF EQUIPMENT REQUIREMENTS**

Federal Agency: U.S. Department of Energy  
Federal Program: Renewable Energy Research and Development  
CFDA Number: 81.087  
Federal Award Number: DE-FG36-08GO88042

The U.S. Department of Energy required the Town to maintain inventory records of the equipment purchased associated with the construction of the Gas to Energy Facility. The Town purchased equipment as part of the Gas to Energy Facility with the Town and federal award, each participating 50 percent of the equipment costs. The Gas to Energy Facility was completed in the fall of 2012.

A SF-428 and SF-428B Final Property Report was due 90 calendar days after the expiration of the award. The Town's federal award expired as of December 31, 2012, thus, the Final Property Report was due by March 31, 2013.

The Town did submit the Annual Inventory of Federally Owned Property on March 22, 2013. However, the equipment list submitted, as a supplemental schedule to the report, did not contain all the information required by 10 CFR 600.232(d)(1) or the Tangible Personal Property Report – Supplemental Sheet SF-428S. The Town's supplemental schedule did not include the federal award number, acquisition dates, condition code for the equipment, or acquisition costs associated with the equipment.

10 CFR § 600.232 Equipment, states in part:

"(d) Management requirements. Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years."

The Town was not in compliance with equipment requirements for this program. The failure to maintain proper equipment records could result in the withholding of future payments, suspension or termination of the current award, and withholding of future awards.

We recommended that officials review and develop procedures to ensure that all equipment acquired with federal awards is properly inventoried in accordance with the equipment maintenance requirements.

TOWN OF MUNSTER  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

**FINDING 2012-04 - NONCOMPLIANCE OF PROCUREMENT REQUIREMENTS**

Federal Agency: U.S. Department of Energy  
Federal Program: Renewable Energy Research and Development  
CFDA Number: 81.087  
Federal Award Number: DE-FG36-08GO88042

The U.S. Department of Energy required the Town to use the Town's procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law and standards.

The following procurement transactions occurred that did not conform to either the Town's procurement procedures or State laws and regulations:

1. The engineers determined the specifications for the purchase of a new Gas Flare/Blower for the Gas to Energy Facility at the landfill. On January 19, 2012, the Redevelopment Commission awarded the proposal for the equipment purchase to John Zink Co., LLC for \$172,500. A written determination for the basis of obtaining proposals and not formal bids was not provided for audit. No formal bids were noted in the minutes of the Redevelopment Commission, or on file in the Clerk-Treasurer's office as required by the Town's purchasing policy.

Town Ordinance 1107, Section 1. Purchases in Excess of \$75,000, states: "All purchases of supplies, materials, and/or equipment whose costs will exceed \$75,000 must be awarded through a competitive bid process, as prescribed in IC 5-22-7."

Town Ordinance 1107, Section 4. Special Purchases, states in part: "A purchasing agent(s) may make special purchase as prescribed in IC 5-22-10.

The purchasing agent must keep a record on file in the Clerk-Treasurer's office of all special purchases. The contract file for the special purchase must contain a written determination of the basis for (i) the special purchase; and (ii) the selection of the contractor."

2. The Town Council approved a \$3,407,240 Construction Services Contract with Energy Systems Group, LLC (ESG) on August 8, 2011 to engineer, procure and construct a Landfill Gas to Energy Facility. The Town properly approved three change orders in 2012 totaling \$205,265 that increased the contract price to \$3,612,505. However, the Town paid ESG a total of \$4,481,042 during 2012. The total paid ESG exceeded the approved adjusted contract amount by \$868,537.

The Town Manager's office provided an addendum to the contract, signed as of September 30, 2011, that increased the contract price by \$868,537. However, the minutes of the governing board did not reflect any action taken by the governing board to approve the addendum.

TOWN OF MUNSTER  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

Indiana Code 36-1-12-18(a) states in part:

"If, in the course of the construction, reconstruction, or repair of a public work project, it becomes necessary to change or alter the original specifications, a change order may be issued to add, delete, or change an item or items in the original contract. The change order becomes an addendum to the contract and must be approved and signed by the board and the contractor."

3. The \$193,700 contract for the gas well modifications had a \$32,331 change order approved on January 30, 2012, and another \$13,666 change order approved on March 26, 2012, by the Redevelopment Commission that increased the scope of the project. The net change orders totaled \$45,997, or 24 percent of the original contract amount. Change orders that increase the scope of the project may not exceed 20 percent of the amount of the original contract.

Indiana Code 36-1-12-18(d) states in part:

"The total of all change orders issued that increase the scope of the project may not exceed twenty percent (20%) of the amount of the original contract. A change order issued as a result of circumstances that could not have been reasonably foreseen does not increase the scope of the project."

10 CFR § 600.236 (b) states: "Procurement standards. (1) Grantees and subgrantees will use their own procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this section."

The Town was not in compliance with procurement requirements which could result in the withholding of future payments, suspension or termination of the current award, and withholding of future awards.

We recommended that officials review and develop procedures to ensure that all Town procurement transactions adhere to the appropriate applicable local, state, and federal laws.

***FINDING 2012-05 - NONCOMPLIANCE OF SUSPENSION AND DEBARMENT REQUIREMENTS***

Federal Agency: U.S. Department of Energy  
Federal Program: Renewable Energy Research and Development  
CFDA Number: 81.087  
Federal Award Number: DE-FG36-08GO88042

The U.S. Department of Energy required the Town to verify that awarded contracts were not with suspended or debarred entities. The Town failed to check the Excluded Parties List System (as of November 21, 2012 exclusions can be found through the System of Award Manager Center at [www.sam.gov](http://www.sam.gov)), collect a certification from the entity, or add a clause or condition to the contract.

10 CFR § 600.235 states:

"Grantees and subgrantees must not make any award or permit any award (subgrant or contract) at any tier to any party which is debarred or suspended or is otherwise excluded from or ineligible for participation in Federal assistance programs under Executive Order 12549, "Debarment and Suspension.""

TOWN OF MUNSTER  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

The Town was not in compliance with suspension and debarment requirements for this program and the Town's inaction could result in the withholding of future payments, suspension or termination of the current award, and withholding of future awards.

We recommended that officials establish policies and procedures to ensure that all contracts that will be financed with federal assistance are not awarded to an entity which has been suspended or debarred.

**FINDING 2012-06 NONCOMPLIANCE OF REPORTING REQUIREMENTS**

Federal Agency: U.S. Department of Energy  
Federal Program: Renewable Energy Research and Development  
CFDA Number: 81.087  
Federal Award Number: DE-FG36-08GO88042

The U.S. Department of Energy required the Town to submit quarterly Research Performance Progress Report (RPPR), as well as, quarterly Federal Financial Report SF-425 (this form replaced the Financial Status Report SF-269 as of September 30, 2009).

For 2012, the quarterly reports were due to the U.S. Department of Energy by April 30, 2012, July 30, 2012, October 30, 2012, and January 30, 2013. The Town failed to submit the first, second and fourth quarterly reports for both the Research Performance Progress Report (RPPR) and Federal Financial Report SF-425 as of March 19, 2013, as required.

10 CFR § 600.240(b) states in part:

"Nonconstruction performance reports. The Federal agency may, if it decides that performance information available from subsequent applications contains sufficient information to meet its programmatic needs, require the grantee to submit a performance report only upon expiration or termination of grant support. Unless waived by the Federal agency this report will be due on the same date as the final Financial Status Report.

- (1) Grantees shall submit annual performance reports unless the awarding agency requires quarterly or semi-annual reports. However, performance reports will not be required more frequently than quarterly. Annual reports shall be due 90 days after the grant year, quarterly or semi-annual reports shall be due 30 days after the reporting period. The final performance report will be due 90 days after the expiration or termination of grant support. If a justified request is submitted by a grantee, the Federal agency may extend the due date for any performance report. Additionally, requirements for unnecessary performance reports may be waived by the Federal agency. . . ."

10 CFR § 600.241(b) states:

"*Financial Status Report—(1) Form.* Grantees will use Standard Form 269 or 269A, Financial Status Report, to report the status of funds for all nonconstruction grants and for construction grants when required in accordance with § 600.241(e)(2)(iii).

- (2) *Accounting basis.* Each grantee will report program outlays and program income on a cash or accrual basis as prescribed by the awarding agency. If the Federal agency requires accrual information and the grantee's accounting records are not normally kept on the accrual basis, the grantee shall not be required to convert its accounting system but shall develop such accrual information through and analysis of the documentation on hand.

TOWN OF MUNSTER  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

- (3) *Frequency.* The Federal agency may prescribe the frequency of the report for each project or program. However, the report will not be required more frequently than quarterly. If the Federal agency does not specify the frequency of the report, it will be submitted annually. A final report will be required upon expiration or termination of grant support.
  
- (4) *Due date.* When reports are required on a quarterly or semiannual basis, they will be due 30 days after the reporting period. When required on an annual basis, they will be due 90 days after the grant year. Final reports will be due 90 days after the expiration or termination of grant support."

The Town was not in compliance with reporting requirements for this program. The failure to submit required reports could result in the withholding of future payments, suspension or termination of the current award, and withholding of future awards.

We recommended that officials review and develop procedures to ensure that all required reports are prepared accurately and on a timely basis, in accordance with the reporting requirements.



*At Your Service*

May 24, 2013

Mr. Bruce A. Hartman, CPA, State Examiner  
Indiana State Board of Accounts  
302 West Washington Street, Room E418  
Indianapolis, Indiana 46204

Re: Town of Munster  
Examination for the Year 2012  
CORRECTIVE ACTION PLANS

Dear Mr. Hartman:

Enclosed are Corrective Action Plans resulting from an examination of the Town of Munster for the year ending December 31, 2012.

Corrective Action Plan resulting from Finding of the Clerk-Treasurer's Office:

- Finding 2012-01, Internal Controls over Financial Transactions and Reporting

Corrective Action Plan resulting from Findings of the Town Manager's Office:

- Finding 2012-02, Internal Controls over Compliance Requirements that have a Direct and Material Effect to Renewable Energy Research and Development
- Finding 2012-03, Noncompliance of Equipment Requirements
- Finding 2012-04, Noncompliance of Procurement Requirements
- Finding 2012-05, Noncompliance of Suspension and Debarment Requirements
- Finding 2012-06, Noncompliance of Reporting Requirements

The Town began implementation of the Corrective Action Plans immediately and we now believe the Town is in compliance.

Sincerely,

David F. Shafer, IAMC, MMC, CMO  
Clerk-Treasurer, Town of Munster

cc: ✓ Ms. Patricia L. Abbott, IAMC, MMC, Accounting Supervisor  
Mr. Thomas F. DeGiulio, Town Mgr. and Director-Parks and Recreation  
Hon. Joseph A. Simonetto, Town Council President  
Mr. Eugene M. Feingold, Town Attorney  
Ms. Mary Jo Small, CPA, State Board of Accounts Field Supervisor

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## Corrective Action Plan

Finding Number 2012-02

**Fiscal Year:** FY2012  
**Auditee Contact/Title:** David F. Shafer/Clerk-Treasurer  
Thomas F. DeGiulio/Town Manager  
**Phone:** 219/836-6900

### Status of Finding:

---

*FINDING 2012-02 – INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO RENEWABLE ENERGY RESEARCH AND DEVELOPMENT*

**Federal Agency:** US Department of Energy  
**Federal Program:** Renewable Energy Research and Development  
**CFDA Number:** 81.087  
**Federal Award Number:** DE-FG36-08GO88042/006

Through our audit it was determined that the Town did not have in place acceptable internal controls in order to detect material noncompliance with conditions of the grant. During the course of this grant, the Assistant Town Manager was responsible for all requests for disbursements, reporting, and other functions as required.

In order to improve internal controls, the Town will implement the following:

1. Once awarded a Principal Investigator will be identified as a project manager for the grant funds. The Principal Investigator will be responsible for reporting and recording keeping.
2. The Principal Investigator will submit all reports and requests for disbursement to the Town Manager (or his/her designee) for their approval.
3. In future projects requiring regular reporting, the Principal Investigator will provide their report to the Town Manager or their designee within ten (10) days of the report coming due.
4. The Principal Investigator will submit all requests to the awarding agency after approval by the Town Manager.
5. The Accounts Receivable Clerk will keep a record of all disbursements and a balance of the award.

## Corrective Action Plan

Finding Number 2012-03

**Fiscal Year:** FY2012  
**Auditee Contact/Title:** David F. Shafer/Clerk-Treasurer  
Thomas F. DeGiulio/Town Manager  
**Phone:** 219/836-6900

**Status of Finding:**

---

*FINDING 2012-03 – NONCOMPLIANCE OF EQUIPMENT REQUIREMENTS*

**Federal Agency:** US Department of Energy  
**Federal Program:** Renewable Energy Research and Development  
**CFDA Number:** 81.087  
**Federal Award Number:** DE-FG36-08GO88042/006

During the course of the Town of Munster's audit it was determined that the Town did not have in place, adequate procedures to develop an inventory of equipment.

In order to improve the inventory of equipment acquired by federal monies, the Town will implement the following:

1. The Town will establish, in instances where federal funds are secured and utilized, a master equipment list that will include (a) the type of equipment acquired, (b) its common description, (c) a serial and model number, (d) vendor name, (e) date of purchase/acquisition, (f) value of purchase/acquisition, and (g) condition of the equipment on the date of acquisition.
2. The vendor or contractor will be required to provide this information as part of their agreement to work for/in doing business with the Town of Munster for funds originating with the Federal government.

## Corrective Action Plan

Finding Number 2012-04

**Fiscal Year:** FY2012  
**Auditee Contact/Title:** David F. Shafer/Clerk-Treasurer  
Thomas F. DeGiulio/Town Manager  
**Phone:** 219/836-6900

**Status of Finding:**

---

*FINDING 2012-04 – NONCOMPLIANCE OF PROCUREMENT REQUIREMENTS*

**Federal Agency:** US Department of Energy  
**Federal Program:** Renewable Energy Research and Development  
**CFDA Number:** 81.087  
**Federal Award Number:** DE-FG36-08GO88042/006

During the course of the Town of Munster's audit it was determined that the Town did not adhere to procedures of procurement of equipment or services.

In order to improve our procedures, the Town will implement the following:

1. In cases of special procurement, the Town will specify in the minutes the purpose of the special purpose and recite the Indiana Code statute.
2. The Clerk-Treasurer's office will keep a record of all special purchases in accordance with state law that contains the reason for the special purchase and the selection of the contractor.
3. The Town will not request change orders in excess of 20% of the contract's original value unless the change order arises from a circumstance that could not have been reasonably foreseen.

## Corrective Action Plan

Finding Number 2012-05

**Fiscal Year:** FY2012

**Auditee Contact/Title:** David F. Shafer/Clerk-Treasurer  
Thomas F. DeGiulio/Town Manager

**Phone:** 219/836-6900

**Status of Finding:**

---

*FINDING 2012-05 – NONCOMPLIANCE OF SUSPENSION AND DEBARMENT REQUIREMENTS*

**Federal Agency:** US Department of Energy  
**Federal Program:** Renewable Energy Research and Development  
**CFDA Number:** 81.087  
**Federal Award Number:** DE-FG36-08GO88042/006

During the course of the Town of Munster's audit it was determined that the Town did not adhere to procedures of determining if a selected contractor or vendor has been suspended or debarred from doing work with the federal government.

In order to improve our procedures, the Town will implement the following:

1. Prior to construction and/or acquisition for work using federal monies, the Town of Munster will search the System for Award Management (SAM) for individuals and organizations that are contained within the list of "Exclusions." These are companies that have violated Executive Order 11246; Section 503 of the Rehabilitation Act of 1973, as amended 29 U.S.C. Sec. 793 ("Section 503"); and/or the affirmative action provisions of the Vietnam Era Veterans' Readjustment Assistance Act of 1974, as amended, 38 U.S.C. Sec. 4212 ("Section 4212"). The Principal Investigator or the person responsible for overseeing the usage of the Federal funds will continue to verify the "Exclusions" list if and when contractors or vendors are solicited during the course of a project.
2. All future contracts in which federal funds are used, will include a clause having vendors state if they are, or ever have been, on the federal exclusions list as provided by the US Department of Labor or the GSA. The contract will also include language requiring the vendor to notify the Town if they are placed on the list during the course of the project.

## Corrective Action Plan

### Finding Number 2012-06

**Fiscal Year:** FY2012

**Auditee Contact/Title:** David F. Shafer/Clerk-Treasurer  
Thomas F. DeGiulio/Town Manager

**Phone:** 219/836-6900

**Status of Finding:**

---

### *FINDING 2012-06 – NONCOMPLIANCE OF REPORTING REQUIREMENTS*

**Federal Agency:** US Department of Energy  
**Federal Program:** Renewable Energy Research and Development  
**CFDA Number:** 81.087  
**Federal Award Number:** DE-FG36-08GO88042/006

During the course of the Town of Munster's audit it was determined that the Town did not file the proper reports with DOE as required as a condition of the grant. While the Town posits that the DOE Internet portal notifying the principal investigator had ended due to the portal containing the incorrect end date of the project. The Town was not aware that it was missing required reports as they were no longer being notified of the need of reports by DOE.

Nonetheless, the Town will work to improve its reporting in the following manner:

1. Once awarded a Principal Investigator will be identified as a project manager for the grant funds. The Principal Investigator will be responsible for reporting and recording keeping.
2. In future projects requiring regular reporting, the person required to prepare the reports will provide their report to their supervisor/the principal investigator within ten (10) days of the report coming due.
3. All financial reports will be submitted to the Office of the Clerk-Treasurer for recordkeeping and tracking for purposes of the audit.

TOWN OF MUNSTER  
EXIT CONFERENCE

The contents of this report were discussed on May 16, 2013, with David F. Shafer, Clerk-Treasurer; Joseph A. Simonetto, President of the Town Council; Thomas F. DeGiulio, Town Manager; Patricia L. Abbott, Accounting Supervisor; Clay Johnson, Assistant Town Manager; and Eugene M. Feingold, Town Attorney. The Official Response has been made a part of this report and may be found on pages 58 through 60.



*At Your Service*

May 24, 2013

Mr. Bruce A. Hartman, CPA, State Examiner  
Indiana State Board of Accounts  
302 West Washington Street, Room E418  
Indianapolis, Indiana 46204

Re: Town of Munster  
Examination for the Year 2012  
OFFICIAL RESPONSE

Dear Mr. Hartman:

Following are our responses to comments resulting from an examination of the Town of Munster for the year ending December 31, 2012.

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

The State Board of Accounts found that transactions related to a master lease/purchase agreement were not recorded on either the Town's accounting records or the annual report.

The State Board of Accounts found that payments from the Economic Development Commission Revenue Bonds of 2010 and 2011 were not properly approved by the governing board.

Response: We concur. The Town has implemented procedures which require all payments from lease/purchase agreements to follow the standard payment procedure including the use of Town Form 39 (Accounts Payable Voucher), creation and presentation of a Voucher Register to the governing body prior to authorizing the paying agent to release the lease proceeds.

The Town has implemented identical procedures for the Economic Development Commission Revenue Bonds.

### INTERNAL CONTROLS OVER PAYROLL DISBURSEMENTS

The State Board of Accounts found that the Town did not use the Payroll Schedule and Voucher form, did not have appropriate signatures on time cards, did not provide adequate detail on the Payroll Accounts Payable Voucher Register, and did not have the appropriate governing body approve payroll expenditures.

Response: The Town received approval for use of an alternate form in April, 2001 and has been using it since that time. The Town will add certification language to their approved alternate form and seek approval from the State Board of Accounts. New procedures have been implemented to address the other issues raised.

### PUBLIC WORKS PROJECT

The State Board of Accounts found that IC 36-1-12-8(d) does not allow the total of change orders to exceed twenty percent (20%) of the original contract amount and that three separate public works projects exceeded this limit.

Response: We concur. The Town will monitor public works projects to ensure compliance with IC 36-1-12-8(d).

### TIF ALLOCATION FUND USES

The State Board of Accounts found that uses of TIF allocations, as recited in IC 36-7-14-39(b)(3), do not include maintenance and travel expenses and therefore are not permitted.

Response: The Town respectively disagrees with the finding of the State Board of Accounts. This matter has been discussed previously and the Town believes there is state statute that supports its position. The Town intends to formally petition the State Board of Accounts for an official audit position based on its attorney's opinion.

### PARK BOARD MINUTES MISSION

The State Board of Accounts found that minutes of the meetings of the Park Board were not presented for all meetings. In addition, cancellation notices were not presented for meetings that were rescheduled.

Response: We concur.

Mr. Bruce A. Hartman, CPA, State Examiner  
May 24, 2013

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Thank you for allowing us to comment on the results of the examination.

Sincerely,



David F. Shafer, IAMC, MMC, CMO  
Clerk-Treasurer, Town of Munster

cc: Ms. Patricia L. Abbott, IAMC, MMC, Accounting Supervisor  
Mr. Thomas F. DeGiulio, Town Mgr. and Director-Parks and Recreation  
Hon. Joseph A. Simonetto, Town Council President  
Mr. Eugene M. Feingold, Town Attorney  
Ms. Mary Jo Small, CPA, State Board of Accounts Field Supervisor