

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

TOWN OF MERRILLVILLE  
LAKE COUNTY, INDIANA

January 1, 2012 to December 31, 2012



**FILED**  
11/14/2013



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SCHEDULE OF OFFICIALS

| <u>Office</u>                                    | <u>Official</u>                | <u>Term</u>                                  |
|--|--------------------------------|--|
| Clerk-Treasurer                                  | Eugene M. Guernsey             | 01-01-12 to 12-31-15                         |
| President of the Town Council                    | Shawn M. Pettit<br>Carol Miano | 01-01-12 to 12-31-12<br>01-01-13 to 12-31-13 |
| Town Manager                                     | Howard Fink<br>Bruce Spires    | 01-01-12 to 04-08-13<br>04-09-13 to 12-31-13 |
| Director of Public Works                         | Bruce Spires                   | 01-01-12 to 12-31-13                         |
| Executive Director of the<br>Storm Water Utility | Matt Lake                      | 01-01-12 to 12-31-13                         |



## INDEPENDENT AUDITOR'S REPORT

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

### ***Report on the Financial Statement***

We have audited the accompanying financial statement of the Town of Merrillville (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.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

***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.

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 October 9, 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 records 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.

  
Paul D. Joyce, CPA  
State Examiner

October 9, 2013



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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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 MERRILLVILLE, 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 Merrillville (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 October 9, 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 items 2012-1 and 2012-2 to be material weaknesses.

***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

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)

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 2012-2.

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

The Town's response to the findings identified in our audit is described in the accompanying 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.

  
Paul D. Joyce, CPA  
State Examiner

October 9, 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 MERRILLVILLE  
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                   | \$ 1,364,608                        | \$ 13,865,110        | \$ 14,112,360        | \$ 1,117,358                        |
| MOTOR VEHICLE             | 98,206                              | 915,507              | 888,029              | 125,684                             |
| LOCAL ROADS & STREET      | 53,144                              | 369,121              | 379,686              | 42,579                              |
| HRA INSURANCE DEDUCTIBLES | -                                   | 3,000                | 1,158                | 1,842                               |
| RENTAL REGISTRATIONS      | -                                   | 374,900              | 200                  | 374,700                             |
| PD CONTINUING ED          | 91,498                              | 50,095               | 43,192               | 98,401                              |
| CASINO GAMING FUND        | 295,897                             | 546,211              | 530,093              | 312,015                             |
| PARKS & RECREATION        | 116,223                             | -                    | 116,223              | -                                   |
| RAINY DAY FUND            | 216                                 | -                    | -                    | 216                                 |
| LEVY EXCESS               | 22,252                              | -                    | -                    | 22,252                              |
| MERR. FIRE TERRITORY      | 21,336                              | 3,203,581            | 2,055,920            | 1,168,997                           |
| CERTIFIED TECHNOLOGY PARK | -                                   | 420,821              | 420,821              | -                                   |
| CUM'L CAPITAL DEVELOPMENT | 499,728                             | 647,565              | 188,194              | 959,099                             |
| PARKS NON-REVERTING       | 19,693                              | 33,549               | 31,704               | 21,538                              |
| POLICE EQUIPMENT          | 53,352                              | 237,752              | 264,919              | 26,185                              |
| CUM'L FIRE EQUIPMENT      | 7,041                               | 1,357,383            | 717,520              | 646,904                             |
| 2012 BDWY PROJECT BOND    | -                                   | 1,494,500            | 459,145              | 1,035,355                           |
| CUM. CAPITAL IMPROVEMENT  | 47,691                              | 438,481              | 369,939              | 116,233                             |
| FIREFIGHTERS EQUIPMENT    | 21,160                              | 15,870               | 23,023               | 14,007                              |
| PARK IMPACT FEES          | 47,769                              | 35,578               | 40,373               | 42,974                              |
| FIRE PENSION-PERF         | -                                   | 1,055                | 10,679               | (9,624)                             |
| TOWN COURT TRACKING       | 256,511                             | 1,059,697            | 1,033,178            | 283,030                             |
| NOXIOUS WEEDS NON-REVERT  | 1,783                               | 48,908               | 13,106               | 37,585                              |
| U. S. CABLE ESCROW        | 195,256                             | 195                  | -                    | 195,451                             |
| HEALTH INSURANCE ESCROW   | 184,963                             | 412,555              | 597,518              | -                                   |
| EMPLOYEE INS. BENEFITS    | 29,574                              | 417,827              | 395,186              | 52,215                              |
| COURT PROBATION           | 10,099                              | 38,484               | 32,337               | 16,246                              |
| PUBLIC DEFENDER FEES      | 13,702                              | 1,290                | 10,083               | 4,909                               |
| RECORD PERPETUATION       | 3,300                               | 7,438                | 10,151               | 587                                 |
| VETERANS MEMORIAL         | 1,597                               | 2,413                | 758                  | 3,252                               |
| ENGINEERING FEES          | 22,009                              | 15,626               | 5,703                | 31,932                              |
| POLICE DONATION           | 6,857                               | 8,167                | 8,343                | 6,681                               |
| FIRE & HAZMAT             | 95,932                              | 162,790              | 119,672              | 139,050                             |
| POLICE SPECIAL GRANT      | 397                                 | 146,970              | 142,913              | 4,454                               |
| RECYCLING GRANT FUND      | 64,894                              | 196,780              | 188,726              | 72,948                              |
| TOURISM                   | 4,178                               | 9,450                | 3,550                | 10,078                              |
| PROPERTY SEIZURE          | 50,634                              | 29,947               | 50,427               | 30,154                              |
| O.T.B. DONATION           | 7,178                               | -                    | -                    | 7,178                               |
| PARK DONATION             | 7,504                               | 79                   | -                    | 7,583                               |
| BRIDGEWOOD ESTATES PH.II  | 939                                 | -                    | 939                  | -                                   |
| COUNTY REIMB/WELFARE      | 109                                 | -                    | -                    | 109                                 |
| G.O.BOND DEBT SERVICE     | 304,340                             | 602,024              | 634,569              | 271,795                             |
| TIF DEBT SERV RESERVES    | 197,639                             | 230                  | -                    | 197,869                             |
| MERR. RD. TIF PROJECT     | 188,407                             | 1,243,514            | 832,010              | 599,911                             |
| MERR. RD. TIF DEBT SVC.   | 2,736,492                           | 2,262,687            | 1,919,213            | 3,079,966                           |
| BROADWAY TIF              | 1,305,488                           | 721,241              | 1,450,904            | 575,825                             |
| MISS. ST. TIF DEBT SVC.   | 3,566,574                           | 2,368,497            | 1,152,569            | 4,782,502                           |
| MISS. ST. TIF PROJECT     | 103,958                             | 3,759,610            | 501,192              | 3,362,376                           |
| MS ST. DEBT SVC. RESERVE  | 756,338                             | 477,763              | -                    | 1,234,101                           |
| AMERIPLEX AT CROSSROADS   | 369,752                             | 1,387,655            | 1,193,007            | 564,400                             |
| MISS. ST.-PROJECT 2       | -                                   | 52,222               | 52,222               | -                                   |
| STORMWATER RESERVES       | -                                   | 59,414               | -                    | 59,414                              |
| TOWN DONATIONS            | 17,936                              | 18,465               | 23,616               | 12,785                              |
| 2011 JUDGMNT BND PROCEEDS | 7,620                               | -                    | 7,620                | -                                   |
| 2011 JUDGMNT BND DS-EMS   | -                                   | 35,583               | 18,057               | 17,526                              |
| RDC BONDS 2005 DEBT SVC.  | 1,133,145                           | 1,711,642            | 2,138,040            | 706,747                             |
| 2010 JUDGMNT BND PROCEEDS | 4,670                               | -                    | 4,670                | -                                   |
| 2010 JUDGMNT BND DS-ST LT | 36,565                              | 199,442              | 199,419              | 36,588                              |
| 2012 G.O. BOND PROCEEDS   | -                                   | 1,884,763            | 1,869,762            | 15,001                              |
| STORM WATER OPER./MAINT   | 696,874                             | 1,687,783            | 1,468,243            | 916,414                             |
| STORMWATER CONSTRUCTION   | 731,211                             | 3,439,282            | 2,847,501            | 1,322,992                           |
| PAYROLL                   | 152,775                             | 6,314,642            | 6,265,155            | 202,262                             |
| POLICE PENSION-25         | 6,812                               | 441,609              | 456,476              | (8,055)                             |
| POLICE PENSION-PERF       | 33,857                              | 70,360               | 173,531              | (69,314)                            |
| LANDSCAPING ESCROW        | 10,000                              | 5,000                | 10,000               | 5,000                               |
| <b>Totals</b>             | <b>\$ 16,077,683</b>                | <b>\$ 55,312,123</b> | <b>\$ 46,483,544</b> | <b>\$ 24,906,262</b>                |

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

TOWN OF MERRILLVILLE  
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, storm water, trash, and urban redevelopment and housing.

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 Indiana 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), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income 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 MERRILLVILLE  
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, 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).

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.

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.

TOWN OF MERRILLVILLE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*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.

**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.

TOWN OF MERRILLVILLE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

*Funding Policy and Annual Pension Cost*

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

TOWN OF MERRILLVILLE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*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

*Funding Policy*

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

TOWN OF MERRILLVILLE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 7. Cash Balance Deficits**

The financial statement contains some funds with deficits in cash. This is a result of uncorrected errors, expenditures charged to funds with insufficient cash balances, and funds with insufficient current revenues to cover current expenditures.

**Note 8. Subsequent Events**

On April 9, 2013, the Town Council awarded the bid for two trucks to Truck City of Gary for \$327,108.

On July 2, 2013, the Town Council awarded the bid for the 77<sup>th</sup> Avenue Project to Rex Construction for \$349,457.

On July 9, 2013, the Town Council awarded the bid for the Storm Water Building to Pangere Corporation for \$849,410.

On July 31, 2013, the Town issued \$3,300,000 in Merrillville Fire Protection Territory Bonds of 2013 for the purpose of purchasing pumper trucks, a tanker, and certain breathing and personal protection equipment, together with all necessary appurtenances, related improvements and equipment.

On September 24, 2013, the Town issued \$1,995,000 in General Obligation Bonds of 2013 for various road improvements in the Town, including but not limited to, general road and sidewalk construction, road repaving, and other infrastructure projects.

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

|  | GENERAL             | MOTOR<br>VEHICLE  | LOCAL<br>ROADS<br>&<br>STREET | HRA<br>INSURANCE<br>DEDUCTIBLES | RENTAL<br>REGISTRATIONS | PD<br>CONTINUING<br>ED | CASINO<br>GAMING<br>FUND |
|--|---------------------|-------------------|-------------------------------|---------------------------------|-------------------------|------------------------|--------------------------|
| Cash and investments - beginning                   | \$ 1,364,608        | \$ 98,206         | \$ 53,144                     | \$ -                            | \$ -                    | \$ 91,498              | \$ 295,897               |
| Receipts:  |                     |                   |                               |                                 |                         |                        |                          |
| Taxes  | 5,638,399           | -                 | -                             | -                               | -                       | -                      | -                        |
| Licenses and permits                               | 931,343             | -                 | -                             | -                               | 374,900                 | 15,150                 | -                        |
| Intergovernmental                                  | 594,638             | 915,357           | 363,998                       | -                               | -                       | -                      | 503,164                  |
| Charges for services                               | 388,237             | -                 | -                             | -                               | -                       | 27,907                 | -                        |
| Fines and forfeits                                 | 294,117             | -                 | -                             | -                               | -                       | 7,038                  | -                        |
| Other receipts                                     | 6,018,376           | 150               | 5,123                         | 3,000                           | -                       | -                      | 43,047                   |
| Total receipts                                     | <u>13,865,110</u>   | <u>915,507</u>    | <u>369,121</u>                | <u>3,000</u>                    | <u>374,900</u>          | <u>50,095</u>          | <u>546,211</u>           |
| Disbursements:                                     |                     |                   |                               |                                 |                         |                        |                          |
| Personal services                                  | 6,118,955           | 810,434           | 24,822                        | 1,158                           | -                       | 3,436                  | -                        |
| Supplies   | 223,121             | 77,595            | 253,334                       | -                               | -                       | 8,210                  | -                        |
| Other services and charges                         | 1,465,788           | -                 | 101,530                       | -                               | -                       | 31,546                 | -                        |
| Debt service - principal and interest              | 4,228,177           | -                 | -                             | -                               | -                       | -                      | -                        |
| Capital outlay                                     | -                   | -                 | -                             | -                               | -                       | -                      | 530,093                  |
| Other disbursements                                | 2,076,319           | -                 | -                             | -                               | 200                     | -                      | -                        |
| Total disbursements                                | <u>14,112,360</u>   | <u>888,029</u>    | <u>379,686</u>                | <u>1,158</u>                    | <u>200</u>              | <u>43,192</u>          | <u>530,093</u>           |
| Excess (deficiency) of receipts over disbursements | <u>(247,250)</u>    | <u>27,478</u>     | <u>(10,565)</u>               | <u>1,842</u>                    | <u>374,700</u>          | <u>6,903</u>           | <u>16,118</u>            |
| Cash and investments - ending                      | <u>\$ 1,117,358</u> | <u>\$ 125,684</u> | <u>\$ 42,579</u>              | <u>\$ 1,842</u>                 | <u>\$ 374,700</u>       | <u>\$ 98,401</u>       | <u>\$ 312,015</u>        |

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

|  | PARKS<br>&<br>RECREATION | RAINY<br>DAY<br>FUND | LEVY<br>EXCESS | MERR.<br>FIRE<br>TERRITORY | CERTIFIED<br>TECHNOLOGY<br>PARK | CUM'L<br>CAPITAL<br>DEVELOPMENT | PARKS<br>NON-REVERTING |
|--|--------------------------|----------------------|----------------|----------------------------|---------------------------------|---------------------------------|------------------------|
| Cash and investments - beginning                   | \$ 116,223               | \$ 216               | \$ 22,252      | \$ 21,336                  | \$ -                            | \$ 499,728                      | \$ 19,693              |
| Receipts:  |                          |                      |                |                            |                                 |                                 |                        |
| Taxes  | -                        | -                    | -              | 1,645,214                  | -                               | 294,709                         | -                      |
| Licenses and permits                               | -                        | -                    | -              | -                          | -                               | -                               | -                      |
| Intergovernmental                                  | -                        | -                    | -              | 102,658                    | -                               | 17,856                          | -                      |
| Charges for services                               | -                        | -                    | -              | 340                        | -                               | -                               | 33,549                 |
| Fines and forfeits                                 | -                        | -                    | -              | -                          | -                               | -                               | -                      |
| Other receipts                                     | -                        | -                    | -              | 1,455,369                  | 420,821                         | 335,000                         | -                      |
| Total receipts                                     | -                        | -                    | -              | 3,203,581                  | 420,821                         | 647,565                         | 33,549                 |
| Disbursements:                                     |                          |                      |                |                            |                                 |                                 |                        |
| Personal services                                  | -                        | -                    | -              | 647,248                    | -                               | -                               | 12,726                 |
| Supplies   | -                        | -                    | -              | 32,478                     | -                               | -                               | 195                    |
| Other services and charges                         | -                        | -                    | -              | 289,806                    | -                               | 112,343                         | 16,718                 |
| Debt service - principal and interest              | -                        | -                    | -              | 1,085,043                  | -                               | 75,851                          | -                      |
| Capital outlay                                     | -                        | -                    | -              | 1,345                      | -                               | -                               | -                      |
| Other disbursements                                | 116,223                  | -                    | -              | -                          | 420,821                         | -                               | 2,065                  |
| Total disbursements                                | 116,223                  | -                    | -              | 2,055,920                  | 420,821                         | 188,194                         | 31,704                 |
| Excess (deficiency) of receipts over disbursements | (116,223)                | -                    | -              | 1,147,661                  | -                               | 459,371                         | 1,845                  |
| Cash and investments - ending                      | \$ -                     | \$ 216               | \$ 22,252      | \$ 1,168,997               | \$ -                            | \$ 959,099                      | \$ 21,538              |

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

|  | POLICE<br>EQUIPMENT | CUM'L<br>FIRE<br>EQUIPMENT | 2012<br>BDWY<br>PROJECT<br>BOND | CUM.<br>CAPITAL<br>IMPROVEMENT | FIREFIGHTERS<br>EQUIPMENT | PARK<br>IMPACT<br>FEES | FIRE<br>PENSION-PERF |
|--|---------------------|----------------------------|---------------------------------|--------------------------------|---------------------------|------------------------|----------------------|
| Cash and investments - beginning                   | \$ 53,352           | \$ 7,041                   | \$ -                            | \$ 47,691                      | \$ 21,160                 | \$ 47,769              | \$ -                 |
| Receipts:  |                     |                            |                                 |                                |                           |                        |                      |
| Taxes  | -                   | 538,122                    | -                               | -                              | -                         | -                      | -                    |
| Licenses and permits                               | -                   | -                          | -                               | -                              | -                         | -                      | -                    |
| Intergovernmental                                  | 200                 | 33,578                     | -                               | 93,481                         | -                         | -                      | -                    |
| Charges for services                               | 25,664              | 28,114                     | -                               | -                              | 15,870                    | -                      | -                    |
| Fines and forfeits                                 | 130,325             | -                          | -                               | -                              | -                         | -                      | -                    |
| Other receipts                                     | 81,563              | 757,569                    | 1,494,500                       | 345,000                        | -                         | 35,578                 | 1,055                |
| Total receipts                                     | 237,752             | 1,357,383                  | 1,494,500                       | 438,481                        | 15,870                    | 35,578                 | 1,055                |
| Disbursements:                                     |                     |                            |                                 |                                |                           |                        |                      |
| Personal services                                  | -                   | -                          | -                               | -                              | -                         | -                      | -                    |
| Supplies   | 4,201               | -                          | -                               | -                              | -                         | -                      | -                    |
| Other services and charges                         | 7,329               | -                          | 459,145                         | 24,939                         | -                         | -                      | -                    |
| Debt service - principal and interest              | -                   | 434,434                    | -                               | -                              | -                         | -                      | -                    |
| Capital outlay                                     | 253,389             | 283,086                    | -                               | -                              | 23,023                    | 40,000                 | -                    |
| Other disbursements                                | -                   | -                          | -                               | 345,000                        | -                         | 373                    | 10,679               |
| Total disbursements                                | 264,919             | 717,520                    | 459,145                         | 369,939                        | 23,023                    | 40,373                 | 10,679               |
| Excess (deficiency) of receipts over disbursements | (27,167)            | 639,863                    | 1,035,355                       | 68,542                         | (7,153)                   | (4,795)                | (9,624)              |
| Cash and investments - ending                      | \$ 26,185           | \$ 646,904                 | \$ 1,035,355                    | \$ 116,233                     | \$ 14,007                 | \$ 42,974              | \$ (9,624)           |

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

|  | TOWN<br>COURT<br>TRACKING | NOXIOUS<br>WEEDS<br>NON-REVERT | U.S.<br>CABLE<br>ESCROW | HEALTH<br>INSURANCE<br>ESCROW | EMPLOYEE<br>INS.<br>BENEFITS | COURT<br>PROBATION | PUBLIC<br>DEFENDER<br>FEES |
|--|---------------------------|--------------------------------|-------------------------|-------------------------------|------------------------------|--------------------|----------------------------|
| Cash and investments - beginning                   | \$ 256,511                | \$ 1,783                       | \$ 195,256              | \$ 184,963                    | \$ 29,574                    | \$ 10,099          | \$ 13,702                  |
| Receipts:  |                           |                                |                         |                               |                              |                    |                            |
| Taxes  | -                         | -                              | -                       | -                             | -                            | -                  | -                          |
| Licenses and permits                               | -                         | -                              | -                       | -                             | -                            | -                  | -                          |
| Intergovernmental                                  | -                         | -                              | -                       | -                             | -                            | -                  | -                          |
| Charges for services                               | -                         | 48,908                         | -                       | -                             | -                            | -                  | -                          |
| Fines and forfeits                                 | 1,059,697                 | -                              | -                       | -                             | -                            | 38,484             | 1,290                      |
| Other receipts                                     | -                         | -                              | 195                     | 412,555                       | 417,827                      | -                  | -                          |
| Total receipts                                     | <u>1,059,697</u>          | <u>48,908</u>                  | <u>195</u>              | <u>412,555</u>                | <u>417,827</u>               | <u>38,484</u>      | <u>1,290</u>               |
| Disbursements:                                     |                           |                                |                         |                               |                              |                    |                            |
| Personal services                                  | -                         | 12,669                         | -                       | -                             | -                            | 15,227             | -                          |
| Supplies   | -                         | -                              | -                       | -                             | -                            | 4,282              | -                          |
| Other services and charges                         | -                         | 437                            | -                       | -                             | -                            | 12,828             | 10,083                     |
| Debt service - principal and interest              | -                         | -                              | -                       | -                             | -                            | -                  | -                          |
| Capital outlay                                     | -                         | -                              | -                       | -                             | -                            | -                  | -                          |
| Other disbursements                                | 1,033,178                 | -                              | -                       | 597,518                       | 395,186                      | -                  | -                          |
| Total disbursements                                | <u>1,033,178</u>          | <u>13,106</u>                  | <u>-</u>                | <u>597,518</u>                | <u>395,186</u>               | <u>32,337</u>      | <u>10,083</u>              |
| Excess (deficiency) of receipts over disbursements | <u>26,519</u>             | <u>35,802</u>                  | <u>195</u>              | <u>(184,963)</u>              | <u>22,641</u>                | <u>6,147</u>       | <u>(8,793)</u>             |
| Cash and investments - ending                      | <u>\$ 283,030</u>         | <u>\$ 37,585</u>               | <u>\$ 195,451</u>       | <u>\$ -</u>                   | <u>\$ 52,215</u>             | <u>\$ 16,246</u>   | <u>\$ 4,909</u>            |

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

|  | RECORD<br>PERPETUATION | VETERANS<br>MEMORIAL | ENGINEERING<br>FEES | POLICE<br>DONATION | FIRE<br>&<br>HAZMAT | POLICE<br>SPECIAL<br>GRANT | RECYCLING<br>GRANT<br>FUND |
|--|------------------------|----------------------|---------------------|--------------------|---------------------|----------------------------|----------------------------|
| Cash and investments - beginning                   | \$ 3,300               | \$ 1,597             | \$ 22,009           | \$ 6,857           | \$ 95,932           | \$ 397                     | \$ 64,894                  |
| Receipts:  |                        |                      |                     |                    |                     |                            |                            |
| Taxes  | -                      | -                    | -                   | -                  | -                   | -                          | -                          |
| Licenses and permits                               | -                      | -                    | 15,626              | -                  | 162,515             | -                          | -                          |
| Intergovernmental                                  | -                      | -                    | -                   | -                  | -                   | 146,970                    | 196,764                    |
| Charges for services                               | -                      | -                    | -                   | -                  | -                   | -                          | -                          |
| Fines and forfeits                                 | 7,438                  | -                    | -                   | -                  | 275                 | -                          | -                          |
| Other receipts                                     | -                      | 2,413                | -                   | 8,167              | -                   | -                          | 16                         |
| Total receipts                                     | <u>7,438</u>           | <u>2,413</u>         | <u>15,626</u>       | <u>8,167</u>       | <u>162,790</u>      | <u>146,970</u>             | <u>196,780</u>             |
| Disbursements:                                     |                        |                      |                     |                    |                     |                            |                            |
| Personal services                                  | 10,151                 | -                    | -                   | -                  | 81,652              | 32,599                     | 145,581                    |
| Supplies   | -                      | -                    | -                   | 7,917              | 3,352               | -                          | 21,555                     |
| Other services and charges                         | -                      | 758                  | 5,703               | 426                | 33,893              | 110,314                    | 16,590                     |
| Debt service - principal and interest              | -                      | -                    | -                   | -                  | -                   | -                          | -                          |
| Capital outlay                                     | -                      | -                    | -                   | -                  | -                   | -                          | 5,000                      |
| Other disbursements                                | -                      | -                    | -                   | -                  | 775                 | -                          | -                          |
| Total disbursements                                | <u>10,151</u>          | <u>758</u>           | <u>5,703</u>        | <u>8,343</u>       | <u>119,672</u>      | <u>142,913</u>             | <u>188,726</u>             |
| Excess (deficiency) of receipts over disbursements | <u>(2,713)</u>         | <u>1,655</u>         | <u>9,923</u>        | <u>(176)</u>       | <u>43,118</u>       | <u>4,057</u>               | <u>8,054</u>               |
| Cash and investments - ending                      | <u>\$ 587</u>          | <u>\$ 3,252</u>      | <u>\$ 31,932</u>    | <u>\$ 6,681</u>    | <u>\$ 139,050</u>   | <u>\$ 4,454</u>            | <u>\$ 72,948</u>           |

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

|   | TOURISM          | PROPERTY<br>SEIZURE | O.T.B.<br>DONATION | PARK<br>DONATION | BRIDGEWOOD<br>ESTATES<br>PH.II | COUNTY<br>REIMB/WELFARE | G.O.BOND<br>DEBT<br>SERVICE |
|---|------------------|---------------------|--------------------|------------------|--------------------------------|-------------------------|-----------------------------|
| Cash and investments - beginning                      | \$ 4,178         | \$ 50,634           | \$ 7,178           | \$ 7,504         | \$ 939                         | \$ 109                  | \$ 304,340                  |
| Receipts:   |                  |                     |                    |                  |                                |                         |                             |
| Taxes   | 9,450            | -                   | -                  | -                | -                              | -                       | 557,236                     |
| Licenses and permits                                  | -                | -                   | -                  | -                | -                              | -                       | -                           |
| Intergovernmental                                     | -                | -                   | -                  | -                | -                              | -                       | 33,763                      |
| Charges for services                                  | -                | -                   | -                  | -                | -                              | -                       | -                           |
| Fines and forfeits                                    | -                | -                   | -                  | -                | -                              | -                       | -                           |
| Other receipts  | -                | 29,947              | -                  | 79               | -                              | -                       | 11,025                      |
| Total receipts  | <u>9,450</u>     | <u>29,947</u>       | <u>-</u>           | <u>79</u>        | <u>-</u>                       | <u>-</u>                | <u>602,024</u>              |
| Disbursements:  |                  |                     |                    |                  |                                |                         |                             |
| Personal services                                     | -                | -                   | -                  | -                | -                              | -                       | -                           |
| Supplies  | -                | -                   | -                  | -                | -                              | -                       | -                           |
| Other services and charges                            | 3,550            | -                   | -                  | -                | 939                            | -                       | -                           |
| Debt service - principal and interest                 | -                | -                   | -                  | -                | -                              | -                       | 571,263                     |
| Capital outlay  | -                | 50,427              | -                  | -                | -                              | -                       | -                           |
| Other disbursements                                   | -                | -                   | -                  | -                | -                              | -                       | 63,306                      |
| Total disbursements                                   | <u>3,550</u>     | <u>50,427</u>       | <u>-</u>           | <u>-</u>         | <u>939</u>                     | <u>-</u>                | <u>634,569</u>              |
| Excess (deficiency) of receipts over<br>disbursements | <u>5,900</u>     | <u>(20,480)</u>     | <u>-</u>           | <u>79</u>        | <u>(939)</u>                   | <u>-</u>                | <u>(32,545)</u>             |
| Cash and investments - ending                         | <u>\$ 10,078</u> | <u>\$ 30,154</u>    | <u>\$ 7,178</u>    | <u>\$ 7,583</u>  | <u>\$ -</u>                    | <u>\$ 109</u>           | <u>\$ 271,795</u>           |

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

|  | TIF<br>DEBT<br>SERV<br>RESERVES | MERR.<br>RD.<br>TIF<br>PROJECT | MERR.<br>RD.<br>TIF<br>DEBT<br>SVC. | BROADWAY<br>TIF | MISS.<br>ST.<br>TIF<br>DEBT<br>SVC. | MISS.<br>ST.<br>TIF<br>PROJECT |
|--|---------------------------------|--------------------------------|-------------------------------------|-----------------|-------------------------------------|--------------------------------|
| Cash and investments - beginning                   | \$ 197,639                      | \$ 188,407                     | \$ 2,736,492                        | \$ 1,305,488    | \$ 3,566,574                        | \$ 103,958                     |
| Receipts:  |                                 |                                |                                     |                 |                                     |                                |
| Taxes  | -                               | -                              | 832,687                             | 721,241         | 2,368,497                           | -                              |
| Licenses and permits                               | -                               | -                              | -                                   | -               | -                                   | -                              |
| Intergovernmental                                  | -                               | -                              | -                                   | -               | -                                   | -                              |
| Charges for services                               | -                               | -                              | -                                   | -               | -                                   | -                              |
| Fines and forfeits                                 | -                               | -                              | -                                   | -               | -                                   | -                              |
| Other receipts                                     | 230                             | 1,243,514                      | 1,430,000                           | -               | -                                   | 3,759,610                      |
| Total receipts                                     | 230                             | 1,243,514                      | 2,262,687                           | 721,241         | 2,368,497                           | 3,759,610                      |
| Disbursements:                                     |                                 |                                |                                     |                 |                                     |                                |
| Personal services                                  | -                               | -                              | -                                   | -               | -                                   | -                              |
| Supplies   | -                               | -                              | -                                   | -               | -                                   | -                              |
| Other services and charges                         | -                               | 616,681                        | 5,000                               | -               | -                                   | 477,181                        |
| Debt service - principal and interest              | -                               | -                              | -                                   | -               | -                                   | -                              |
| Capital outlay                                     | -                               | 215,329                        | -                                   | -               | -                                   | 24,011                         |
| Other disbursements                                | -                               | -                              | 1,914,213                           | 1,450,904       | 1,152,569                           | -                              |
| Total disbursements                                | -                               | 832,010                        | 1,919,213                           | 1,450,904       | 1,152,569                           | 501,192                        |
| Excess (deficiency) of receipts over disbursements | 230                             | 411,504                        | 343,474                             | (729,663)       | 1,215,928                           | 3,258,418                      |
| Cash and investments - ending                      | \$ 197,869                      | \$ 599,911                     | \$ 3,079,966                        | \$ 575,825      | \$ 4,782,502                        | \$ 3,362,376                   |

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

|  | MS<br>ST.<br>DEBT<br>SVC.<br>RESERVE | AMERIPLEX<br>AT<br>CROSSROADS | MISS.<br>ST.-PROJECT<br>2 | STORMWATER<br>RESERVES | TOWN<br>DONATIONS | 2011<br>JUDGMNT<br>BND<br>PROCEEDS |
|--|--------------------------------------|-------------------------------|---------------------------|------------------------|-------------------|------------------------------------|
| Cash and investments - beginning                   | \$ 756,338                           | \$ 369,752                    | \$ -                      | \$ -                   | \$ 17,936         | \$ 7,620                           |
| Receipts:  |                                      |                               |                           |                        |                   |                                    |
| Taxes  | -                                    | 1,387,655                     | -                         | -                      | -                 | -                                  |
| Licenses and permits                               | -                                    | -                             | -                         | -                      | -                 | -                                  |
| Intergovernmental                                  | -                                    | -                             | -                         | -                      | -                 | -                                  |
| Charges for services                               | -                                    | -                             | -                         | 59,414                 | -                 | -                                  |
| Fines and forfeits                                 | -                                    | -                             | -                         | -                      | -                 | -                                  |
| Other receipts                                     | <u>477,763</u>                       | <u>-</u>                      | <u>52,222</u>             | <u>-</u>               | <u>18,465</u>     | <u>-</u>                           |
| Total receipts                                     | <u>477,763</u>                       | <u>1,387,655</u>              | <u>52,222</u>             | <u>59,414</u>          | <u>18,465</u>     | <u>-</u>                           |
| Disbursements:                                     |                                      |                               |                           |                        |                   |                                    |
| Personal services                                  | -                                    | -                             | -                         | -                      | -                 | -                                  |
| Supplies   | -                                    | -                             | -                         | -                      | -                 | -                                  |
| Other services and charges                         | -                                    | -                             | 52,222                    | -                      | 23,616            | -                                  |
| Debt service - principal and interest              | -                                    | -                             | -                         | -                      | -                 | -                                  |
| Capital outlay                                     | -                                    | -                             | -                         | -                      | -                 | -                                  |
| Other disbursements                                | <u>-</u>                             | <u>1,193,007</u>              | <u>-</u>                  | <u>-</u>               | <u>-</u>          | <u>7,620</u>                       |
| Total disbursements                                | <u>-</u>                             | <u>1,193,007</u>              | <u>52,222</u>             | <u>-</u>               | <u>23,616</u>     | <u>7,620</u>                       |
| Excess (deficiency) of receipts over disbursements | <u>477,763</u>                       | <u>194,648</u>                | <u>-</u>                  | <u>59,414</u>          | <u>(5,151)</u>    | <u>(7,620)</u>                     |
| Cash and investments - ending                      | <u>\$ 1,234,101</u>                  | <u>\$ 564,400</u>             | <u>\$ -</u>               | <u>\$ 59,414</u>       | <u>\$ 12,785</u>  | <u>\$ -</u>                        |

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

|  | 2011<br>JUDGMNT<br>BND<br>DS-EMS | RDC<br>BONDS<br>2005<br>DEBT<br>SVC. | 2010<br>JUDGMNT<br>BND<br>PROCEEDS | 2010<br>JUDGMNT<br>BND<br>DS-ST<br>LT | 2012<br>G.O.<br>BOND<br>PROCEEDS | STORM<br>WATER<br>OPER./MAINT |
|--|----------------------------------|--------------------------------------|------------------------------------|---------------------------------------|----------------------------------|-------------------------------|
| Cash and investments - beginning                   | \$ -                             | \$ 1,133,145                         | \$ 4,670                           | \$ 36,565                             | \$ -                             | \$ 696,874                    |
| Receipts:  |                                  |                                      |                                    |                                       |                                  |                               |
| Taxes  | 16,937                           | 1,000,993                            | -                                  | 62,668                                | -                                | -                             |
| Licenses and permits                               | -                                | -                                    | -                                  | -                                     | -                                | -                             |
| Intergovernmental                                  | 1,026                            | 60,649                               | -                                  | 3,797                                 | -                                | -                             |
| Charges for services                               | -                                | -                                    | -                                  | -                                     | -                                | -                             |
| Fines and forfeits                                 | -                                | -                                    | -                                  | -                                     | -                                | -                             |
| Other receipts                                     | <u>17,620</u>                    | <u>650,000</u>                       | <u>-</u>                           | <u>132,977</u>                        | <u>1,884,763</u>                 | <u>1,687,783</u>              |
| Total receipts                                     | <u>35,583</u>                    | <u>1,711,642</u>                     | <u>-</u>                           | <u>199,442</u>                        | <u>1,884,763</u>                 | <u>1,687,783</u>              |
| Disbursements:                                     |                                  |                                      |                                    |                                       |                                  |                               |
| Personal services                                  | -                                | -                                    | -                                  | -                                     | -                                | 275,171                       |
| Supplies   | -                                | -                                    | -                                  | -                                     | -                                | 78,887                        |
| Other services and charges                         | 18,057                           | -                                    | -                                  | -                                     | 1,815,383                        | 785,564                       |
| Debt service - principal and interest              | -                                | 838,040                              | -                                  | 69,419                                | -                                | 125,032                       |
| Capital outlay                                     | -                                | -                                    | -                                  | -                                     | 54,379                           | 203,589                       |
| Other disbursements                                | <u>-</u>                         | <u>1,300,000</u>                     | <u>4,670</u>                       | <u>130,000</u>                        | <u>-</u>                         | <u>-</u>                      |
| Total disbursements                                | <u>18,057</u>                    | <u>2,138,040</u>                     | <u>4,670</u>                       | <u>199,419</u>                        | <u>1,869,762</u>                 | <u>1,468,243</u>              |
| Excess (deficiency) of receipts over disbursements | <u>17,526</u>                    | <u>(426,398)</u>                     | <u>(4,670)</u>                     | <u>23</u>                             | <u>15,001</u>                    | <u>219,540</u>                |
| Cash and investments - ending                      | <u>\$ 17,526</u>                 | <u>\$ 706,747</u>                    | <u>\$ -</u>                        | <u>\$ 36,588</u>                      | <u>\$ 15,001</u>                 | <u>\$ 916,414</u>             |

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

|  | STORMWATER<br>CONSTRUCTION | PAYROLL    | POLICE<br>PENSION-25 | POLICE<br>PENSION-PERF | LANDSCAPING<br>ESCROW | Totals        |
|--|----------------------------|------------|----------------------|------------------------|-----------------------|---------------|
| Cash and investments - beginning                   | \$ 731,211                 | \$ 152,775 | \$ 6,812             | \$ 33,857              | \$ 10,000             | \$ 16,077,683 |
| Receipts:  |                            |            |                      |                        |                       |               |
| Taxes  | -                          | -          | 18,631               | -                      | -                     | 15,092,439    |
| Licenses and permits                               | -                          | -          | -                    | -                      | -                     | 1,499,534     |
| Intergovernmental                                  | -                          | -          | 1,129                | -                      | -                     | 3,069,028     |
| Charges for services                               | -                          | -          | 421,072              | -                      | -                     | 1,049,075     |
| Fines and forfeits                                 | -                          | -          | -                    | -                      | -                     | 1,538,664     |
| Other receipts                                     | 3,439,282                  | 6,314,642  | 777                  | 70,360                 | 5,000                 | 33,063,383    |
| Total receipts                                     | 3,439,282                  | 6,314,642  | 441,609              | 70,360                 | 5,000                 | 55,312,123    |
| Disbursements:                                     |                            |            |                      |                        |                       |               |
| Personal services                                  | -                          | 4,422,191  | 456,351              | -                      | -                     | 13,070,371    |
| Supplies   | -                          | -          | -                    | -                      | -                     | 715,127       |
| Other services and charges                         | -                          | -          | 125                  | -                      | 10,000                | 6,508,494     |
| Debt service - principal and interest              | -                          | -          | -                    | -                      | -                     | 7,427,259     |
| Capital outlay                                     | 1,847,501                  | -          | -                    | -                      | -                     | 3,531,172     |
| Other disbursements                                | 1,000,000                  | 1,842,964  | -                    | 173,531                | -                     | 15,231,121    |
| Total disbursements                                | 2,847,501                  | 6,265,155  | 456,476              | 173,531                | 10,000                | 46,483,544    |
| Excess (deficiency) of receipts over disbursements | 591,781                    | 49,487     | (14,867)             | (103,171)              | (5,000)               | 8,828,579     |
| Cash and investments - ending                      | \$ 1,322,992               | \$ 202,262 | \$ (8,055)           | \$ (69,314)            | \$ 5,000              | \$ 24,906,262 |

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

| <u>Government or Enterprise</u> | <u>Accounts Payable</u> | <u>Accounts Receivable</u> |
|---------------------------------|-------------------------|----------------------------|
| Governmental activities         | <u>\$ 1,561,262</u>     | <u>\$ -</u>                |

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

| Lessor  | Purpose                 | Annual Lease Payment | Lease Beginning Date | Lease Ending Date |
|---|-------------------------|----------------------|----------------------|-------------------|
| Governmental activities:<br>BANC OF AMERICA PUBLIC CAPITAL CORP | EQUIPMENT & POLICE CARS | \$ 75,851            | 07-01-05             | 01-01-12          |
| Total of annual lease payments                                  |                         | <u>\$ 75,851</u>     |                      |                   |

| Type                     | Description of Debt                             | Purpose | Ending Principal Balance | Principal and Interest Due Within One Year |
|--------------------------|---|---------|--------------------------|--|
| Governmental activities: |   |         |                          |  |
| General obligation bonds | 2004 G.O. BOND DEBT SERVICE                     |         | \$ 2,410,000             | \$ 578,263                                 |
| General obligation bonds | 2005 RDC BOND DEBT SERVICE                      |         | 5,685,000                | 838,740                                    |
| General obligation bonds | 2010 JUDGMENT BOND-STREET LIGHTS                |         | 485,000                  | 67,781                                     |
| General obligation bonds | 2011 JUDGMENT BOND-EMS                          |         | 215,000                  | 28,063                                     |
| General obligation bonds | 2012 G.O. BOND-PAVING                           |         | 1,900,000                | 250,038                                    |
| Revenue bonds            | 2012 REVENUE BOND-STORMWATER                    |         | 3,405,000                | 275,769                                    |
| Revenue bonds            | 2012 REVENUE BOND-BDWY PROJECT                  |         | 1,500,000                | 94,923                                     |
| Revenue bonds            | MERRILLVILLE RD TIF DEBT SERVICE                |         | 1,885,000                | 189,101                                    |
| Revenue bonds            | MISSISSIPPI ST TIF DEBT SERVICE                 |         | 13,980,000               | 934,538                                    |
| Revenue bonds            | ECONOMIC DEVELOPMENT REVENUE BONDS, SERIES 2005 |         | <u>10,000,000</u>        | <u>1,232,000</u>                           |
| Totals                   |   |         | <u>\$ 41,465,000</u>     | <u>\$ 4,489,216</u>                        |

TOWN OF MERRILLVILLE  
 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                               | \$ 6,581,889      |
| Infrastructure                     | 70,657,852        |
| Buildings                          | 2,887,725         |
| Improvements other than buildings  | 2,401,399         |
| Machinery, equipment, and vehicles | 7,531,786         |
| Construction in progress           | 1,595,000         |
| <br>Total capital assets           | <br>\$ 91,655,651 |

TOWN OF MERRILLVILLE  
OTHER REPORT

The annual report presented herein was prepared in addition to the other official report prepared for the individual Town office listed below:

Town Court

TOWN OF MERRILLVILLE  
AUDIT RESULTS AND COMMENTS

**OVERDRAWN CASH BALANCES**

The financial statement presented in this report included the following funds with overdrawn cash balances at December 31, 2012:

| Fund                  | Amount   |
|-----------------------|----------|
| Fire Pension - PERF   | \$ 9,624 |
| Police Pension - 25   | 8,055    |
| Police Pension - PERF | 69,314   |

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

**PRESCRIBED FORMS - PARK DEPARTMENT**

The receipts issued by the Park Department are not prescribed or approved forms. Electronic receipts are generated from an offsite computer software program. The software sequentially numbers the receipts generated, but does not allow or maintain a record of voids. The receipts generated by this software are not in the prescribed format. The software is unable to process partial payment of fees due.

The Indiana State Board of Accounts is responsible for prescribing and/or approving the accounting forms/records for all governmental units. The Town of Merrillville's Park Department did not use the prescribed form (General Form 352, General Receipt) nor have they requested approval for an alternative form in lieu of the prescribed form.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

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

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

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

We have audited the Town of Merrillville'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 each of the Town's major federal programs 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 each major federal program. However, our audit does not provide a legal determination of the Town's compliance.

***Basis for Qualified Opinion on Public Safety  
Partnership and Community Policing Grants***

As described in item 2012-4, in the accompanying Schedule of Findings and Questioned Costs, the Town did not comply with requirements regarding Special Tests and Provisions for awards with ARRA funding that are applicable to its Public Safety Partnership and Community Policing Grants. 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 Public Safety Partnership and Community Policing Grants***

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 Public Safety Partnership and Community Policing Grants 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 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 the 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 types 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 2012-3, to be material weaknesses.

The Town's response to the internal control over compliance findings identified in our audit is described in the accompanying 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.

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

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.

  
Paul D. Joyce, CPA  
State Examiner

October 9, 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 MERRILLVILLE  
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<br>Awards<br>Expended |
|---|--------------------------------------|---------------------------|--|--|
| <u>Department of Justice</u>  |                                      |                           |  |  |
| Bulletproof Vest Partnership Program  | Direct grant                         |                           |  |  |
| Bulletproof Vest Partnership Program  |                                      | 16.607                    |  | \$ 1,795                               |
| ARRA - Public Safety Partnership and<br>Community Policy Grants - Recovery<br>COPS Hiring Recovery Program (CHRP) | Direct grant                         | 16.710                    | 2009-RK-WX-0346  | 207,064                                |
| Public Safety Partnership and Community Policing Grants<br>COPS Technology Program Grant                          | Direct grant                         | 16.710                    | 2010-CK-WX-0298  | 113,171                                |
| Equitable Sharing Program   | Direct grant                         | 16.922                    |  | 50,427                                 |
| Total - Department of Justice   |                                      |                           |  | <u>372,457</u>                         |
| <u>Department of Transportation</u>   |                                      |                           |  |  |
| Highway Planning and Construction Cluster   |                                      |                           |  |  |
| Highway Planning and Construction   | Indiana Department of Transportation | 20.205                    |  |  |
| US 30 from Taft ST (SR 55) to Broadway (SR 53)  |                                      |                           | DES #0501101   | 78,489                                 |
| 81st Ave (US 30) from Taft St (SR 55) to Broadway (SR 53)   |                                      |                           | DES #0901454   | 148,682                                |
| C&O Pedestrian Trail from Broadway to Mississippi   |                                      |                           | DES #1173706   | <u>14,339</u>                          |
| Total - Highway Planning and Construction Cluster   |                                      |                           |  | <u>241,510</u>                         |
| Highway Safety Cluster  |                                      |                           |  |  |
| State and Community Highway Safety  | Indiana Criminal Justice Institute   |                           |  |  |
| Big City/Big County Enforcement Program   |                                      | 20.600                    | PT-12-11-04-24   | <u>21,000</u>                          |
| Total - Department of Transportation  |                                      |                           |  | <u>262,510</u>                         |
| Total federal awards expended   |                                      |                           |  | <u>\$ 634,967</u>                      |

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

TOWN OF MERRILLVILLE  
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 Merrillville 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 MERRILLVILLE  
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>Unmodified 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                      |
|----------------|---|
| 16.710         | Public Safety Partnership and Community Policing Grants |

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 2012-1 - INTERNAL CONTROLS OVER FEDERAL GRANT SCHEDULE**

The Schedule of Expenditures of Federal Awards (SEFA) was prepared without any oversight or approval. The Deputy Clerk-Treasurer prepares the SEFA based upon grant information provided by various departments of the Town but it is not reviewed by prior to audit.

Controls have not been established by the Town to ensure complete and accurate reporting of the SEFA. Internal controls should be designed to prevent, detect, or correct errors in a timely manner. Without adequate controls, the Town cannot provide reasonable assurance that the SEFA is fairly presented.

The determination of which federal programs will be audited and the audit costs are affected by the accuracy of the SEFA. Failure to develop internal controls over reporting could jeopardize the Town's future federal funding and could result in inaccurate reporting of its financial information.

TOWN OF MERRILLVILLE  
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. (Accounting and Uniform Compliance Guidelines Manual for City and Towns, Chapter 7)

***FINDING 2012-2 - CONDITION OF RECORDS - TOWN COURT***

City and Town Courts are required to maintain a City/Town Cash Book Form 213CT (Cash Book), and a Register of Trust Funds, General Form 102 (Trust Register). These prescribed forms have been replaced by the Town Court with electronically generated ledger equivalents; however, the Town Court has opted to maintain the prescribed Cash Book and Trust Register manually and forgo updating the electronic ledger equivalents in Court View (computer software). Receipts were issued through the electronic software that generates the electronic cash book. The disbursement activity was not recorded in the electronic cash book because checks were handwritten; not processed electronically. Disbursements were manually recorded on individual defendant's electronic case files even though the Court View system has the capability of electronically issuing checks and posting disbursements to the electronic cash book and trust register. Officials did not use this feature of the software until May, 2013. At December 31, 2012, the manual Cash Book balance materially agreed to the depository balance; however, due to the incomplete use of the Court View financial system as described above, the cash balance in Court View (the official record of the Town Court) did not agree with the depository balance.

Court View software is capable of applying trust funds (cash bonds) to pay court costs, by using a "bond applied" function. This process removes the bond amount from the trust register and applies the costs to the appropriate fee categories in the cash book. A receipt is generated noting that the bond was applied. Because disbursements were not processed electronically through Court View, the electronic Cash Book and Trust Register could not be used to determine the respective "Cash Bonds Trust" cash balance in the ledger. A complete and functional electronic cash book and trust ledger were not available for audit. Using electronic software to generate and record disbursements would reduce the potential for errors or the misapplication of costs and more efficiently use Court resources.

A manual "Register of Trust Funds" is maintained; however, the total of the detailed individual amounts does not reconcile with the corresponding trust cash balance in the Cash book. Management does not review or approve the Cash Book and Cash Bonds Trust reconcilements. One person prepares the reconcilements without proper segregation of duties such as an oversight and approval process.

Each city and town court is required to use official records and forms that are designated by the legislature or prescribed or approved by the State Board of Accounts or the State Court Administration office of the Supreme Court. (Accounting and Uniform Compliance Guidelines Manual for City and Town Courts, Chapter 1)

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.

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

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

We recommended that the Town establish controls to review and monitor the Town Court financial records and reconciliation process.

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

***FINDING 2012-3 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO PUBLIC SAFETY PARTNERSHIP AND COMMUNITY POLICING GRANTS***

Federal Agency: Department of Justice

Federal Programs: ARRA - Public Safety Partnership and Community Policing Grants –  
Recovery, Public Safety Partnership and Community Policing Grants

CFDA Number: 16.710

Federal Award Number and Year: 2009-RK-WX-0346 and 2010-CK-WX-0298

Management of the Town of Merrillville has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and all compliance requirements that have a direct and material effect on the Public Safety Partnership and Community Policing Grants: the ARRA - COPS Hiring Recovery Program (CHRP) and the COPS Technology Program Grant (Technology) that are administered and managed by the Town's Police Department. The Town lacks controls over the compliance requirements for Allowable Costs, Cash Management, Equipment Management, Suspension and Debarment, Reporting, and Special Tests and Provisions.

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.

*Allowable Costs*

Three police officer's salaries are being reimbursed by the ARRA CHRP grant. These salaries and benefits are paid out of the General Fund as part of the police department payroll. The Police Department's Operations Commander prepares the drawdown request for the CHRP grant. He uses the original approved estimate of the officer's salaries and benefits when requesting reimbursement from the Department of Justice. There is no segregation of duties or oversight for the reimbursement of CHRP salaries and benefits. No one besides the Operations Commander compares the drawdown request amount to actual salaries and benefits paid.

Purchase orders for Technology grant expenditures are approved by the Police Chief. The claims for the disbursement of grant funds and nongrant funds are listed on the Town's claim docket for approval. The Clerk-Treasurer and the Town Council members review and sign the claim docket to indicate their approval. However, there does not appear to be any oversight control to demonstrate a review of the grant claims for compliance with allowable costs. Documentation was not presented for audit to demonstrate that the Police

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

Chief, the Clerk-Treasurer, the Town Council members, or any other Town employee compares the grant claims for disbursement to the items listed on the federally approved grant budget for allowable costs for the Technology grant.

*Cash Management and Reporting*

There is no segregation of duties or oversight over drawdown requests or reporting for the COPS grants. The Town's management has delegated the drawdown request procedure for the COPS and Technology grants to the Police Department's Operations Commander. The Commander prepares and submits the drawdown requests and reports through the Department of Justice's website. There is no separate approval or review of the amounts requested for reimbursement or the quarterly reports prior to submission.

*Equipment Management*

The Operations Commander has properly prepared the equipment record for the Technology grant. However, there is no separate oversight or approval of the equipment records.

*Suspension and Debarment*

Documentation noting whether vendors have been suspended or debarred is maintained, but is not reviewed or approved for Technology grant expenditures.

*Special Tests and Provisions*

The Town does not have controls in place regarding the "Special Tests and Provisions" compliance requirements for the COPS COPS grant which is funded by the American Recovery and Reinvestment Act of 2009 (ARRA). Federal regulations for ARRA funds require that activity funded by ARRA be separately reported and be transparent. The Town did not comply with these federal regulations as described in Finding 2012-4.

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 the position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

"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. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect on the program could result in the loss of federal funds to the Town.

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

We recommended that the Town's management establish controls, including segregation of duties, and management's reviews that relate to the grant agreement and all compliance requirements that have a direct and material effect on the COPS programs.

***FINDING 2012-4 - COMPLIANCE RELATED TO ARRA - PUBLIC SAFETY PARTNERSHIP AND COMMUNITY POLICING GRANTS - RECOVERY COPS HIRING RECOVERY PROGRAM (CHRP) - SPECIAL TESTS AND PROVISIONS***

Federal Agency: Department of Justice  
Federal Program: ARRA - Public Safety Partnership and Community Policing Grants - Recovery  
CFDA Number: 16.710  
Federal Award Number and Year: 2009-RK-WX-0346

The Town received a three year COPS Hiring Recovery Program (CHRP) grant. This grant was to be used to rehire officers in 2009 that were designated to be laid off due to economic reasons. During the three year period, the Town did not establish a separate fund to account for all activity of the CHRP grant. All activity for this grant has been accounted for within the General Fund of the Town. The Town did separately identify the revenue source for the grant by using a separate revenue account line number; however, disbursements for the salaries and benefits for the three retained officers covered by the CHRP grant were commingled with the rest of the salaries and benefits of all patrolmen in the General Fund. The grant fund's cash balance is also not discernible in the general ledger. Transparency for this grant did not occur within the Town's ledger.

2 CFR 176.210(a) states in part:

"To maximize the transparency and accountability of funds authorized under the American Recovery and Reinvestment Act of 2009 (Pub. L. 111-5) (Recovery Act) as required by Congress and in accordance with 2 CFR 215.21 "Uniform Administrative Requirements for Grants and Agreements" and OMB Circular A-102 Common Rules provisions, recipients agree to maintain records that identify adequately the source and application of Recovery Act funds. . . ."

Failure to maintain records that separately identify the source (receipts) and application (disbursements) of each ARRA federal fund and Non-ARRA federal fund affected the Town's ability to provide transparency for federal awards.

We recommended that the Town comply with the ARRA Special Tests and Provisions to ensure accountability and transparency of ARRA funds.

Joseph Petruch  
Chief of Police

David Barron  
Operations Commander



James Donohue  
Assistant Chief of Police

Robert Wiley  
Detective Commander

## MERRILLVILLE POLICE DEPARTMENT

7820 Broadway, Merrillville, Indiana 46410  
219-769-3531 - Fax 219-769-3846

### SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number 2011-3 Special test and provisions

U.S. Department of Justice

ARRA-Public Safety Partnership and Community Policing Grants-Recovery

CFDA Number 16.710

Grant : 2009-RK-WX-0346

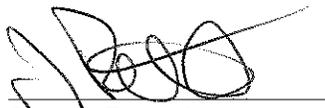
Year : 2012

Audit Contact person: Joseph Petruch

Title: Chief of Police

219-769-3722

The Merrillville Police Department has provided, and will continue to provide, any information necessary to the Merrillville Clerk's Office to ensure that the Clerk's Office separately identifies federal stimulus dollars in the Town's ledger.

  
\_\_\_\_\_  
Joseph Petruch

Chief of Police

Date 8-14-2013

Joseph Petruch  
Chief of Police



James Donohue  
Assistant Chief of Police

David Barron  
Operations Commander

Robert Wiley  
Detective Commander

## MERRILLVILLE POLICE DEPARTMENT

7820 Broadway, Merrillville, Indiana 46410

219-769-3531 - Fax 219-769-3846

### SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number 2011-4 Equipment and Real Property Management

U.S. Department of Justice

Public Safety Partnership and Community Policing Grants

CFDA Number 16.710

Grant : 2010-CK-WX-0298

Year : 2012

Audit Contact person: Joseph Petruch

Title: Chief of Police

219-769-3722

The Merrillville Police Department has improved our inventory of items purchased with funds from the Technology grant. The inventory now shows serial number, location, ownership, source, acquisition date, cost, % of federal funds, use, and condition of the property.

Joseph Petruch

Chief of Police

Date 8-14-2013

Joseph Petruch  
Chief of Police

David Barron  
Operations Commander



James Donohue  
Assistant Chief of Police

Robert Wiley  
Detective Commander

## MERRILLVILLE POLICE DEPARTMENT

7820 Broadway, Merrillville, Indiana 46410  
219-769-3531 - Fax 219-769-3846

### SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number 2011-5 Procurement

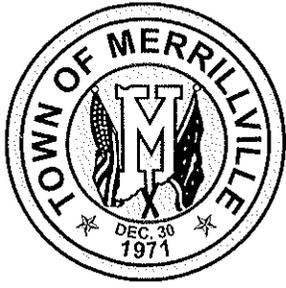
U.S. Department of Justice  
Public Safety Partnership and Community Policing Grants  
CFDA Number 16.710  
Grant : 2010-CK-WX-0298  
Year : 2012  
Audit Contact person: Joseph Petruch  
Title: Chief of Police  
219-769-3722

The Merrillville Police Department has established procurement procedures to ensure that purchases were awarded according to federal guidelines..

Joseph Petruch

Chief of Police

Date 8-14-2013



# Town of Merrillville

7820 BROADWAY  
MERRILLVILLE, INDIANA 46410  
(219) 769-3501  
FAX (219) 756-0542



**EUGENE M. GUERNSEY**  
CLERK - TREASURER

October 10, 2013

## CORRECTIVE ACTION PLAN

Finding Number 2012-1 INTERNAL CONTROLS OVER FEDERAL GRANT SCHEDULES

Auditee Contact Person DIANE PLIKUHN  
Title of Contact Person BOOKKEEPER  
Phone Number 219-769-3501

As of October 10, 2013, any future federal grants will now be reviewed and signed off by the Clerk-Treasurer.

Signature Eugene M. Guernsey  
Title CLERK-TREASURER  
Date 10-10-13



# Town of Merrillville Court

7820 BROADWAY  
MERRILLVILLE, INDIANA 46410  
(219) 756-6185 • Fax (219) 756-1775

JUDGE GINA L. JONES

October 31, 2013

## Corrective Action Plan

Finding Number 2012-2  
Condition of records – Town Court

|                         |               |
|-------------------------|---------------|
| Auditee Contact Person  | Gina L. Jones |
| Title of Contact Person | Judge         |
| Phone Number            | 219-756-6193  |

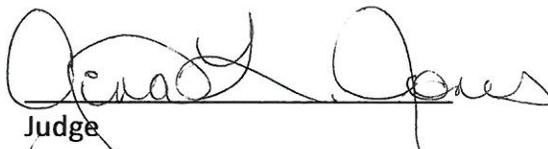
Describe corrective action to taken:

As advised by the State Board of Accounts, there needs to be a supervisory signature and review of the monthly bank reconciliation. I am reviewing and affixing my signature as instructed beginning September, 2013. Thank you.

Signature

Title:

Date:

  
Judge  
October 31, 2013

**Joseph Petruch**  
Chief of Police

**David Barron**  
Operations Commander



**James Donohue**  
Assistant Chief of Police

**Robert Wiley**  
Detective Commander

## **MERRILLVILLE POLICE DEPARTMENT**

7820 Broadway, Merrillville, Indiana 46410  
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### **CORRECTIVE ACTION PLAN**

**Finding Number 2012-3 INTERNAL CONTROLS OVER COMPLIANCE  
REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO PUBLIC  
SAFETY PARTNERSHIP AND COMMUNITY POLICING GRANTS.**

Federal Agency: U.S. Department of Justice

Pass Through: N/A

Federal program; Public Safety Partnership and Community Policing Grants

CFDA Number 16.710

Federal Award Number and Year: 2009-RK-WX-0346 and 2010-CK-WX-0298

Audit Contact person: Joseph Petruch

Title: Chief of Police

219-769-3722

The Chief of Police reviewed, and approved via his signature, the individual purchase orders for items purchased for the 2010 Technology Grant. For similar future grants, the Chief of Police, or his review designee, will document the review of total purchases for each quarter by signing the request for reimbursement document as the reviewer. A copy of each reviewed request for reimbursement document will be kept on file.

#### **Allowable costs:**

For future grants that provide reimbursement for a specific officer's salary, the Merrillville Police Department will provide the Clerk/Treasurer's office with instructions to provide notification of any employee benefit changes. Any change in pay or benefits will be compared to the approved amount of reimbursement, reviewed using the above review documentation method, and the requested amount of reimbursement will amended if appropriate.

For future grants that provide funding for equipment, the Chief of Police or his review designee, will review expenditures for allowability and document the review and approval on the purchase order.

Joseph Petruch  
Chief of Police

David Barron  
Operations Commander



James Donohue  
Assistant Chief of Police

Robert Wiley  
Detective Commander

## MERRILLVILLE POLICE DEPARTMENT

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### Cash management and Reporting :

For future grants, requests for reimbursement will be reviewed by management prior to submission.

### Equipment Management :

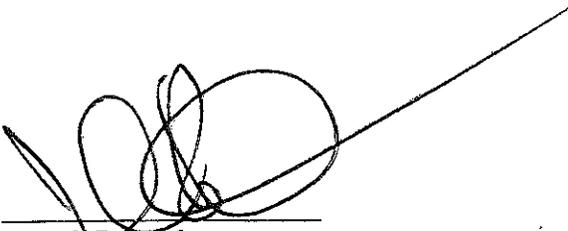
For future grants, management will review and approve equipment records.

### Suspension and Debarment :

For future grants, management will review inquiries of vendors through the Excluded parties List system.

### Special Tests and Provisions :

For future grants that require that the funded activity be reported separately, the Merrillville Police Department will provide the Clerk/Treasurer's office with separate payroll records for any officer(s) whose pay and benefits are reimbursed by such grant. The Merrillville Police Department will provide further instruction to the Clerk/Treasurer's office that the disbursement of the officer's pay and benefits be reported separately.

  
\_\_\_\_\_  
Joseph Petruch

Chief of Police

Date

9-25-2009

Joseph Petruch  
Chief of Police

David Barron  
Operations Commander



James Donohue  
Assistant Chief of Police

Robert Wiley  
Detective Commander

## MERRILLVILLE POLICE DEPARTMENT

7820 Broadway, Merrillville, Indiana 46410  
219-769-3531 - Fax 219-769-3846

### FINDING 2012- 4, COMPLIANCE RELATED TO ARRA - COPS HIRING RECOVERY PROGRAM (CHRP) - SPECIAL TESTS AND PROVISIONS

Federal Agency: U.S. Department of Justice

Pass Through: N/A

Federal program; ARRA - Public Safety Partnership and Community Policing Grants-Recovery  
CFDA Number 16.710

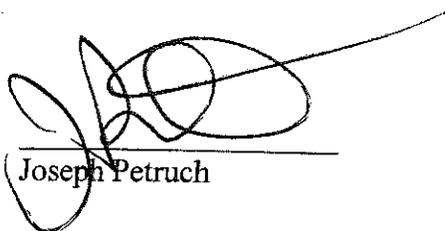
Federal Award Number and Year: 2009-RK-WX-0346

Audit Contact person: Joseph Petruch

Title: Chief of Police

219-769-3722

For future similar grants, the Merrillville Police Department will provide further instruction to the Clerk/Treasurer's office that the disbursement of the officer's pay and benefits be reported separately.



Joseph Petruch

Chief of Police

Date 9-25-2013

TOWN OF MERRILLVILLE  
EXIT CONFERENCE

The contents of this report were discussed on October 9, 2013, with Eugene M. Guernsey, Clerk-Treasurer; Carol Miano, President of the Town Council; Bruce Spires, Town Manager; Linda Burns, Office Manager; and Diane Plikuhn, Bookkeeper. The officials concurred with our audit findings.