

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

TOWN OF SCHERERVILLE
LAKE COUNTY, INDIANA

January 1, 2012 to December 31, 2012



FILED
12/16/2013

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Janice M. Malinowski	01-01-12 to 12-31-15
President of the Town Council	Thomas Schmitt Rob Guetzloff	01-01-12 to 12-31-12 01-01-13 to 12-31-13
Town Manager	Robert Volkman	01-01-12 to 12-31-13
Superintendent of Water Utility	Jeff Huet	01-01-12 to 12-31-13
Superintendent of Wastewater Utility	Jim Gorman	01-01-12 to 12-31-13
Town Judge	Kenneth Anderson	01-01-12 to 12-31-15



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying financial statement of the Town of Schererville (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 21, 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.

Other Information

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


Paul D. Joyce, CPA
State Examiner

October 21, 2013



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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 SCHERERVILLE, 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 Schererville (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 21, 2013, wherein we noted the Town followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

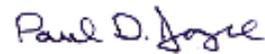
As part of obtaining reasonable assurance about whether the Town's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect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

Town of Schererville's Response to Findings

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

Purpose of This Report

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


Paul D. Joyce, CPA
State Examiner

October 21, 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 SCHERERVILLE
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2012

Fund	Cash and Investments		Cash and Investments	
	01-01-12	Receipts	Disbursements	12-31-12
General	\$ 1,051,981	\$ 10,467,634	\$ 10,657,056	\$ 862,559
Motor Vehicle Highway	222,722	1,268,355	1,064,691	426,386
Local Road And Street	250,489	283,097	218,857	314,729
Law Enforcement Continuing Ed	55,910	50,035	47,049	58,896
Parks And Recreation	147,821	769,693	767,826	149,688
Major Moves Construction	187,962	-	400	187,562
Excess Welfare Distribution	127,913	12,882	63,288	77,507
Cumulative Capital Improvement Cigarette Tax	259,829	77,559	69,317	268,071
Cumulative Capital Development	1,348,678	700,440	761,080	1,288,038
Town Promotion Fund Non-Reverting	-	82,303	65,719	16,584
Perry Ferrini Dog Park Non-Reverting	-	6,316	1,150	5,166
Shops on Main TIF District	-	204,803	-	204,803
Schererville Parks Community Center Const Fund	-	931,819	719,628	212,191
INPRS	-	340,031	322,479	17,552
Lake County Gaming Tax	431,663	450,503	314,144	568,022
Pennsy/Greenwy Bike Trail	98,195	20,999	56,232	62,962
HIDTA Revenue Non-Reverting Fund	28,036	-	28,036	-
Farmers' Market Non-Reverting Fund	4,233	7,408	4,920	6,721
Kennedy TIF District Debt Service	10,712,960	4,042,755	1,580,059	13,175,656
Schererville Newspaper Fund	-	2,100	2,040	60
Donation Fund	83,058	32,713	45,338	70,433
U.S. Postage Stamp Fund	382	3,969	4,140	211
Central Purchasing Fund	8,430	-	145	8,285
Deposits Non-Reverting Escrow Fund	970	1,890	1,965	895
Clerk's Perpetuation Fund	10,192	4,263	2,777	11,678
Spec Deferral Program Fund	14,373	37,122	37,041	14,454
Adult Probation Service Fund	20,671	35,067	55,738	-
Public Defender Fund	10,665	8,961	14,647	4,979
Cable TV	556,256	491,293	406,989	640,560
Stormwater Permit Fee Non-Reverting	67,349	33,770	-	101,119
Ambulance Service	48,962	873,632	893,220	29,374
Spec. Ambulance Equipment Non-Reverting	33,304	8,815	14,113	28,006
Fire Equipment Fund	16,327	2,938	11,067	8,198
EMT Fund	1,130	240	-	1,370
Police Equipment Fund	40,679	41,413	26,500	55,592
Asset Forfeiture-Federal	75,294	38,787	47,746	66,335
Asset Seizure	366	1	-	367
Asset Forfeiture-State	3,088	-	999	2,089
Police Training Fund	31,383	2,850	-	34,233
Park Impact Fee Fund	94,409	50,643	13,387	131,665
Park Non-Reverting Fund	58,370	170,221	177,298	51,293
Park District Bonds Of 2004	17,000	7	2,500	14,507
Drainage Fund	99,819	34,391	31,676	102,534
Police Grants Fund	9,092	33,422	20,644	21,870
Schererville Safe Kids Chapter	1,158	4,532	3,160	2,530
Video Fund	25,531	2,650	-	28,181
Impact Fees Fund	21,789	-	-	21,789
Solid Waste Management	979,791	1,818,448	1,620,451	1,177,788
Improvement Inspection Fee Non-Reverting	1,786	33,258	19,659	15,385

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

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

Fund	Cash and Investments 01-01-12	Receipts	Disbursements	Cash and Investments 12-31-12
Subdivision Revenue Prof. Fee Non-Reverting	40,923	51,800	91,300	1,423
Park Grant Fund Non-Reverting	13,552	3,104	5,266	11,390
Schererville 2010 Park Bond	1,315,436	85,558	290,182	1,110,812
Waterworks Bond Debt Service	27,144	-	27,144	-
Park District Bond Debt Service	103,753	164,611	160,588	107,776
G.O. Bond/Bridge Debt Service	105,920	305,932	299,400	112,452
Redevelopment District Bond Debt Service	245,164	264,875	265,975	244,064
Building Corporation Lease	533,847	1,334,066	1,382,500	485,413
Storm Sewer Bond Debt Service	38,801	-	-	38,801
Park Dist. Bond 2010 Debt Service	145,251	417,121	415,529	146,843
Employee Benefit Fund	910,700	2,296,207	2,684,497	522,410
Health Claims Account	-	2,267,799	2,264,671	3,128
Police Pension #2	20,064	216,664	215,307	21,421
Payroll	3,167	9,169,971	9,166,353	6,785
Payroll Withholding - Federal	9,349	1,028,389	1,037,738	-
Payroll Withholding - State	6,219	277,372	283,591	-
Payroll Withholding - Insurance	444	233,010	212,759	20,695
Payroll Withholdings - Union Dues	259	6,424	6,683	-
Payroll Withholding - Uniforms	138	681	588	231
Payroll Withholding - Fica/Medicare	11,284	702,531	713,815	-
Payroll Withholding - Perf	33,101	96,947	130,048	-
Payroll Withholding - I S P P	78,278	70,035	148,313	-
Payroll Withholding - I S F P	24,705	25,038	49,743	-
Payroll Withholding - C.U.#2-Employee	-	1,300	1,300	-
Payroll Withholding - Garnishee	219	130,028	130,030	217
Payroll Withholding - Deferred Sav	1,017	138,456	138,476	997
Payroll Withholding - Cagit	140	3,943	3,848	235
Payroll Withholding - Aflac	2,215	92,531	89,423	5,323
Schererville Town Court	290,300	701,451	712,909	278,842
Wastewater O&M	14,708	3,854,388	3,334,229	534,867
Wastewater Bond & Interest	239,276	455,349	430,619	264,006
Wastewater Deposits	15,100	300	150	15,250
Wastewater Improvement	1,017,017	6,564,814	3,258,024	4,323,807
Wastewater Bond and Interest Reserve	3,585	-	-	3,585
Wastewater O&M Reserve	3,536,835	4,310	3,030,745	510,400
Southeast Sewer Intercep. Ban	36,516	6	36,522	-
SRF Debt Service Reserve #2	473,726	361,319	-	835,045
SRF Bond and Interest	562,939	434,998	615,076	382,861
Wastewater Revenue	-	4,925,957	4,925,957	-
SRF-Schererville Construction Fund	142,976	1	142,977	-
Water Works O&M	314,011	5,844,232	5,400,630	757,613
Water Bond and Interest	231,372	271,821	262,650	240,543
Water Meter Deposit	388,451	42,350	66,525	364,276
Water Improvement	3,486,009	1,868,288	1,853,538	3,500,759
Water Debt Service Reserve	270,401	-	1	270,400
Water Revenue	-	5,918,074	5,918,074	-
Totals	\$ 31,954,328	\$ 74,116,079	\$ 70,398,864	\$ 35,671,543

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

TOWN OF SCHERERVILLE
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

E. Disbursements

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

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

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

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

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

TOWN OF SCHERERVILLE
NOTES TO FINANCIAL STATEMENT
(Continued)

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

F. Interfund Transfers

The Town may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the Town. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the Town. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the Town in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the Town submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the Town in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

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 SCHERERVILLE
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 SCHERERVILLE
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 SCHERERVILLE
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 7. Subsequent Events

On September 12, 2013, the Town of Schererville issued the 2013A Economic Development Revenue Bonds for \$17,500,000 for the "Shops on Main Project." The bond proceeds will be used for project costs (soft included) related to the development of the Shops on Main Project. The debt will be repaid by TIF Increment revenues from the Shops on Main Economic Development Area.

The par amount of the Series 2013 B bonds is \$3.5 million and this Series of Bonds have been issued as a draw bond. The Series B Bonds are not outstanding as of yet; not until the Developer meets certain benchmarks that they have to meet and document to the Town and to the Trustee.

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

	General	Motor Vehicle Highway	Local Road And Street	Law Enforcement Continuing Ed	Parks And Recreation	Major Moves Construction
Cash and investments - beginning	\$ 1,051,981	\$ 222,722	\$ 250,489	\$ 55,910	\$ 147,821	\$ 187,962
Receipts:						
Taxes	5,874,192	473,014	-	-	534,192	-
Licenses and permits	812,011	-	-	13,010	-	-
Intergovernmental	951,907	784,313	283,097	-	44,416	-
Charges for services	156,250	1,990	-	19,675	61,547	-
Fines and forfeits	120,054	-	-	5,490	-	-
Utility fees	-	-	-	-	-	-
Other receipts	2,553,220	9,038	-	11,860	129,538	-
Total receipts	<u>10,467,634</u>	<u>1,268,355</u>	<u>283,097</u>	<u>50,035</u>	<u>769,693</u>	<u>-</u>
Disbursements:						
Personal services	6,892,829	682,700	-	-	471,529	-
Supplies	271,140	117,002	19,432	-	43,957	-
Other services and charges	865,559	264,589	199,425	47,049	126,804	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	3,062	400	-	-	-	400
Other disbursements	2,624,466	-	-	-	125,536	-
Total disbursements	<u>10,657,056</u>	<u>1,064,691</u>	<u>218,857</u>	<u>47,049</u>	<u>767,826</u>	<u>400</u>
Excess (deficiency) of receipts over disbursements	<u>(189,422)</u>	<u>203,664</u>	<u>64,240</u>	<u>2,986</u>	<u>1,867</u>	<u>(400)</u>
Cash and investments - ending	<u>\$ 862,559</u>	<u>\$ 426,386</u>	<u>\$ 314,729</u>	<u>\$ 58,896</u>	<u>\$ 149,688</u>	<u>\$ 187,562</u>

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

	Excess Welfare Distribution	Cumulative Capital Improvement Cigarette Tax	Cumulative Capital Development	Town Promotion Fund Non-Reverting	Perry Ferrini Dog Park Non-Reverting	Shops on Main TIF District
Cash and investments - beginning	\$ 127,913	\$ 259,829	\$ 1,348,678	\$ -	\$ -	\$ -
Receipts:						
Taxes	-	-	644,547	-	-	35,538
Licenses and permits	-	-	-	-	6,316	-
Intergovernmental	-	77,559	53,643	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	12,882	-	2,250	82,303	-	169,265
Total receipts	<u>12,882</u>	<u>77,559</u>	<u>700,440</u>	<u>82,303</u>	<u>6,316</u>	<u>204,803</u>
Disbursements:						
Personal services	-	38,260	17,100	-	-	-
Supplies	19,701	-	7,752	2,601	324	-
Other services and charges	23,160	19,951	28,179	63,118	826	-
Debt service - principal and interest	-	-	689,472	-	-	-
Capital outlay	20,427	11,106	18,577	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	<u>63,288</u>	<u>69,317</u>	<u>761,080</u>	<u>65,719</u>	<u>1,150</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(50,406)</u>	<u>8,242</u>	<u>(60,640)</u>	<u>16,584</u>	<u>5,166</u>	<u>204,803</u>
Cash and investments - ending	<u>\$ 77,507</u>	<u>\$ 268,071</u>	<u>\$ 1,288,038</u>	<u>\$ 16,584</u>	<u>\$ 5,166</u>	<u>\$ 204,803</u>

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

	Schererville Parks Community Center Const Fund	INPRS	Lake County Gaming Tax	Pennsy/Greenwy Bike Trail	HIDTA Revenue Non-Reverting Fund	Farmers' Market Non-Reverting Fund
Cash and investments - beginning	\$ -	\$ -	\$ 431,663	\$ 98,195	\$ 28,036	\$ 4,233
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	431,819	-	415,332	-	-	-
Charges for services	-	-	-	20,999	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	500,000	340,031	35,171	-	-	7,408
Total receipts	<u>931,819</u>	<u>340,031</u>	<u>450,503</u>	<u>20,999</u>	<u>-</u>	<u>7,408</u>
Disbursements:						
Personal services	-	-	-	-	-	87
Supplies	-	-	-	-	-	429
Other services and charges	47,505	-	278,093	56,232	13,246	3,892
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	672,123	-	36,051	-	14,790	-
Other disbursements	-	322,479	-	-	-	512
Total disbursements	<u>719,628</u>	<u>322,479</u>	<u>314,144</u>	<u>56,232</u>	<u>28,036</u>	<u>4,920</u>
Excess (deficiency) of receipts over disbursements	<u>212,191</u>	<u>17,552</u>	<u>136,359</u>	<u>(35,233)</u>	<u>(28,036)</u>	<u>2,488</u>
Cash and investments - ending	<u>\$ 212,191</u>	<u>\$ 17,552</u>	<u>\$ 568,022</u>	<u>\$ 62,962</u>	<u>\$ -</u>	<u>\$ 6,721</u>

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

	Kennedy TIF District Debt Service	Scherererville Newspaper Fund	Donation Fund	U.S. Postage Stamp Fund	Central Purchasing Fund	Deposits Non-Reverting Escrow Fund
Cash and investments - beginning	\$ 10,712,960	\$ -	\$ 83,058	\$ 382	\$ 8,430	\$ 970
Receipts:						
Taxes	3,847,265	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	167,026	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	28,464	2,100	32,713	3,969	-	1,890
Total receipts	<u>4,042,755</u>	<u>2,100</u>	<u>32,713</u>	<u>3,969</u>	<u>-</u>	<u>1,890</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	45,338	-	145	-
Other services and charges	190,663	2,040	-	4,140	-	-
Debt service - principal and interest	557,769	-	-	-	-	-
Capital outlay	162,362	-	-	-	-	-
Other disbursements	669,265	-	-	-	-	1,965
Total disbursements	<u>1,580,059</u>	<u>2,040</u>	<u>45,338</u>	<u>4,140</u>	<u>145</u>	<u>1,965</u>
Excess (deficiency) of receipts over disbursements	<u>2,462,696</u>	<u>60</u>	<u>(12,625)</u>	<u>(171)</u>	<u>(145)</u>	<u>(75)</u>
Cash and investments - ending	<u>\$ 13,175,656</u>	<u>\$ 60</u>	<u>\$ 70,433</u>	<u>\$ 211</u>	<u>\$ 8,285</u>	<u>\$ 895</u>

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

	Clerk's Perpetuation Fund	Spec Deferral Program Fund	Adult Probation Service Fund	Public Defender Fund	Cable TV	Stormwater Permit Fee Non-Reverting
Cash and investments - beginning	\$ 10,192	\$ 14,373	\$ 20,671	\$ 10,665	\$ 556,256	\$ 67,349
Receipts:						
Taxes	-	-	-	-	9,450	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	33,770
Fines and forfeits	4,263	37,122	35,067	8,411	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	-	550	481,843	-
Total receipts	<u>4,263</u>	<u>37,122</u>	<u>35,067</u>	<u>8,961</u>	<u>491,293</u>	<u>33,770</u>
Disbursements:						
Personal services	106	36,927	55,738	14,647	-	-
Supplies	2,671	114	-	-	-	-
Other services and charges	-	-	-	-	326,989	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Other disbursements	-	-	-	-	80,000	-
Total disbursements	<u>2,777</u>	<u>37,041</u>	<u>55,738</u>	<u>14,647</u>	<u>406,989</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>1,486</u>	<u>81</u>	<u>(20,671)</u>	<u>(5,686)</u>	<u>84,304</u>	<u>33,770</u>
Cash and investments - ending	<u>\$ 11,678</u>	<u>\$ 14,454</u>	<u>\$ -</u>	<u>\$ 4,979</u>	<u>\$ 640,560</u>	<u>\$ 101,119</u>

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

	Ambulance Service	Spec. Ambulance Equipment Non-Reverting	Fire Equipment Fund	EMT Fund	Police Equipment Fund	Asset Forfeiture-Federal
Cash and investments - beginning	\$ 48,962	\$ 33,304	\$ 16,327	\$ 1,130	\$ 40,679	\$ 75,294
Receipts:						
Taxes	235,641	-	-	-	-	-
Licenses and permits	-	-	-	-	15,719	-
Intergovernmental	34,243	-	-	-	-	38,775
Charges for services	448,849	8,361	1,500	240	-	-
Fines and forfeits	-	-	-	-	16,011	-
Utility fees	-	-	-	-	-	-
Other receipts	154,899	454	1,438	-	9,683	12
Total receipts	<u>873,632</u>	<u>8,815</u>	<u>2,938</u>	<u>240</u>	<u>41,413</u>	<u>38,787</u>
Disbursements:						
Personal services	674,949	-	-	-	-	-
Supplies	18,169	-	-	-	-	47,746
Other services and charges	30,996	10,266	-	-	19,299	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	552	3,847	11,067	-	7,201	-
Other disbursements	168,554	-	-	-	-	-
Total disbursements	<u>893,220</u>	<u>14,113</u>	<u>11,067</u>	<u>-</u>	<u>26,500</u>	<u>47,746</u>
Excess (deficiency) of receipts over disbursements	<u>(19,588)</u>	<u>(5,298)</u>	<u>(8,129)</u>	<u>240</u>	<u>14,913</u>	<u>(8,959)</u>
Cash and investments - ending	<u>\$ 29,374</u>	<u>\$ 28,006</u>	<u>\$ 8,198</u>	<u>\$ 1,370</u>	<u>\$ 55,592</u>	<u>\$ 66,335</u>

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

	Asset Seizure	Asset Forfeiture-State	Police Training Fund	Park Impact Fee Fund	Park Non-Reverting Fund	Park District Bonds Of 2004
Cash and investments - beginning	\$ 366	\$ 3,088	\$ 31,383	\$ 94,409	\$ 58,370	\$ 17,000
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	169,144	-
Fines and forfeits	-	-	2,850	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	1	-	-	50,643	1,077	7
Total receipts	<u>1</u>	<u>-</u>	<u>2,850</u>	<u>50,643</u>	<u>170,221</u>	<u>7</u>
Disbursements:						
Personal services	-	-	-	-	80,535	-
Supplies	-	-	-	-	19,551	-
Other services and charges	-	999	-	-	73,700	2,500
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	13,387	3,450	-
Other disbursements	-	-	-	-	62	-
Total disbursements	<u>-</u>	<u>999</u>	<u>-</u>	<u>13,387</u>	<u>177,298</u>	<u>2,500</u>
Excess (deficiency) of receipts over disbursements	<u>1</u>	<u>(999)</u>	<u>2,850</u>	<u>37,256</u>	<u>(7,077)</u>	<u>(2,493)</u>
Cash and investments - ending	<u>\$ 367</u>	<u>\$ 2,089</u>	<u>\$ 34,233</u>	<u>\$ 131,665</u>	<u>\$ 51,293</u>	<u>\$ 14,507</u>

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

	Drainage Fund	Police Grants Fund	Schererville Safe Kids Chapter	Video Fund	Impact Fees Fund	Solid Waste Management
Cash and investments - beginning	\$ 99,819	\$ 9,092	\$ 1,158	\$ 25,531	\$ 21,789	\$ 979,791
Receipts:						
Taxes	31,188	-	-	-	-	-
Licenses and permits	-	-	-	2,650	-	-
Intergovernmental	2,594	32,755	-	-	-	171,904
Charges for services	-	-	-	-	-	1,645,979
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	609	667	4,532	-	-	565
Total receipts	<u>34,391</u>	<u>33,422</u>	<u>4,532</u>	<u>2,650</u>	<u>-</u>	<u>1,818,448</u>
Disbursements:						
Personal services	400	-	-	-	-	-
Supplies	99	-	3,160	-	-	40,650
Other services and charges	17,080	-	-	-	-	1,578,068
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	14,097	20,644	-	-	-	1,733
Other disbursements	-	-	-	-	-	-
Total disbursements	<u>31,676</u>	<u>20,644</u>	<u>3,160</u>	<u>-</u>	<u>-</u>	<u>1,620,451</u>
Excess (deficiency) of receipts over disbursements	<u>2,715</u>	<u>12,778</u>	<u>1,372</u>	<u>2,650</u>	<u>-</u>	<u>197,997</u>
Cash and investments - ending	<u>\$ 102,534</u>	<u>\$ 21,870</u>	<u>\$ 2,530</u>	<u>\$ 28,181</u>	<u>\$ 21,789</u>	<u>\$ 1,177,788</u>

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

	Improvement Inspection Fee Non-Reverting	Subdivision Revenue Prof. Fee Non-Reverting	Park Grant Fund Non-Reverting	Scherville 2010 Park Bond	Waterworks Bond Debt Service	Park District Bond Debt Service
Cash and investments - beginning	\$ 1,786	\$ 40,923	\$ 13,552	\$ 1,315,436	\$ 27,144	\$ 103,753
Receipts:						
Taxes	-	-	-	-	-	126,484
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	3,104	-	-	10,527
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	33,258	51,800	-	85,558	-	27,600
Total receipts	<u>33,258</u>	<u>51,800</u>	<u>3,104</u>	<u>85,558</u>	<u>-</u>	<u>164,611</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	2,858	-	-
Other services and charges	19,659	33,940	5,266	250,268	-	400
Debt service - principal and interest	-	-	-	-	-	135,988
Capital outlay	-	-	-	37,056	-	-
Other disbursements	-	57,360	-	-	27,144	24,200
Total disbursements	<u>19,659</u>	<u>91,300</u>	<u>5,266</u>	<u>290,182</u>	<u>27,144</u>	<u>160,588</u>
Excess (deficiency) of receipts over disbursements	<u>13,599</u>	<u>(39,500)</u>	<u>(2,162)</u>	<u>(204,624)</u>	<u>(27,144)</u>	<u>4,023</u>
Cash and investments - ending	<u>\$ 15,385</u>	<u>\$ 1,423</u>	<u>\$ 11,390</u>	<u>\$ 1,110,812</u>	<u>\$ -</u>	<u>\$ 107,776</u>

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

	G.O. Bond/Bridge Debt Service	Redevelopment District Bond Debt Service	Building Corporation Lease	Storm Sewer Bond Debt Service	Park Dist. Bond 2010 Debt Service	Employee Benefit Fund
Cash and investments - beginning	\$ 105,920	\$ 245,164	\$ 533,847	\$ 38,801	\$ 145,251	\$ 910,700
Receipts:						
Taxes	192,324	233,908	-	-	252,967	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	16,008	19,467	951,566	-	21,054	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	97,600	11,500	382,500	-	143,100	2,296,207
Total receipts	<u>305,932</u>	<u>264,875</u>	<u>1,334,066</u>	<u>-</u>	<u>417,121</u>	<u>2,296,207</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	400	-	-	-	450	2,684,497
Debt service - principal and interest	210,200	262,975	982,000	-	291,179	-
Capital outlay	-	-	-	-	-	-
Other disbursements	88,800	3,000	400,500	-	123,900	-
Total disbursements	<u>299,400</u>	<u>265,975</u>	<u>1,382,500</u>	<u>-</u>	<u>415,529</u>	<u>2,684,497</u>
Excess (deficiency) of receipts over disbursements	<u>6,532</u>	<u>(1,100)</u>	<u>(48,434)</u>	<u>-</u>	<u>1,592</u>	<u>(388,290)</u>
Cash and investments - ending	<u>\$ 112,452</u>	<u>\$ 244,064</u>	<u>\$ 485,413</u>	<u>\$ 38,801</u>	<u>\$ 146,843</u>	<u>\$ 522,410</u>

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

	Health Claims Account	Police Pension #2	Payroll	Payroll Withholding - Federal	Payroll Withholding - State	Payroll Withholding - Insurance
Cash and investments - beginning	\$ -	\$ 20,064	\$ 3,167	\$ 9,349	\$ 6,219	\$ 444
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	158,664	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	2,267,799	58,000	9,169,971	1,028,389	277,372	233,010
Total receipts	<u>2,267,799</u>	<u>216,664</u>	<u>9,169,971</u>	<u>1,028,389</u>	<u>277,372</u>	<u>233,010</u>
Disbursements:						
Personal services	-	156,135	-	-	-	-
Supplies	-	51	-	-	-	-
Other services and charges	-	1,121	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Other disbursements	2,264,671	58,000	9,166,353	1,037,738	283,591	212,759
Total disbursements	<u>2,264,671</u>	<u>215,307</u>	<u>9,166,353</u>	<u>1,037,738</u>	<u>283,591</u>	<u>212,759</u>
Excess (deficiency) of receipts over disbursements	<u>3,128</u>	<u>1,357</u>	<u>3,618</u>	<u>(9,349)</u>	<u>(6,219)</u>	<u>20,251</u>
Cash and investments - ending	<u>\$ 3,128</u>	<u>\$ 21,421</u>	<u>\$ 6,785</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,695</u>

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

	Payroll Withholdings - Union Dues	Payroll Withholding - Uniforms	Payroll Withholding - Fica/Medicare	Payroll Withholding - Perf	Payroll Withholding - I S P P	Payroll Withholding - I S F P
Cash and investments - beginning	\$ 259	\$ 138	\$ 11,284	\$ 33,101	\$ 78,278	\$ 24,705
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	6,424	681	702,531	96,947	70,035	25,038
Total receipts	<u>6,424</u>	<u>681</u>	<u>702,531</u>	<u>96,947</u>	<u>70,035</u>	<u>25,038</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Other disbursements	6,683	588	713,815	130,048	148,313	49,743
Total disbursements	<u>6,683</u>	<u>588</u>	<u>713,815</u>	<u>130,048</u>	<u>148,313</u>	<u>49,743</u>
Excess (deficiency) of receipts over disbursements	<u>(259)</u>	<u>93</u>	<u>(11,284)</u>	<u>(33,101)</u>	<u>(78,278)</u>	<u>(24,705)</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 231</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

	Payroll Withholding -	Payroll Withholding -	Payroll Withholding -	Payroll Withholding -	Payroll Withholding -	Schererville Town Court
	C.U.#2-Employee	Garnishee	Deferred Sav	Cagit	Aflac	
Cash and investments - beginning	\$ -	\$ 219	\$ 1,017	\$ 140	\$ 2,215	\$ 290,300
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	1,300	130,028	138,456	3,943	92,531	701,451
Total receipts	<u>1,300</u>	<u>130,028</u>	<u>138,456</u>	<u>3,943</u>	<u>92,531</u>	<u>701,451</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Other disbursements	1,300	130,030	138,476	3,848	89,423	712,909
Total disbursements	<u>1,300</u>	<u>130,030</u>	<u>138,476</u>	<u>3,848</u>	<u>89,423</u>	<u>712,909</u>
Excess (deficiency) of receipts over disbursements	-	(2)	(20)	95	3,108	(11,458)
Cash and investments - ending	<u>\$ -</u>	<u>\$ 217</u>	<u>\$ 997</u>	<u>\$ 235</u>	<u>\$ 5,323</u>	<u>\$ 278,842</u>

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

	Wastewater O&M	Wastewater Bond & Interest	Wastewater Deposits	Wastewater Improvement	Wastewater Bond and Interest Reserve	Wastewater O&M Reserve
Cash and investments - beginning	\$ 14,708	\$ 239,276	\$ 15,100	\$ 1,017,017	\$ 3,585	\$ 3,536,835
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	3,854,388	455,349	300	6,564,814	-	4,310
Total receipts	<u>3,854,388</u>	<u>455,349</u>	<u>300</u>	<u>6,564,814</u>	<u>-</u>	<u>4,310</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	169,533	-	-
Other disbursements	3,334,229	430,619	150	3,088,491	-	3,030,745
Total disbursements	<u>3,334,229</u>	<u>430,619</u>	<u>150</u>	<u>3,258,024</u>	<u>-</u>	<u>3,030,745</u>
Excess (deficiency) of receipts over disbursements	<u>520,159</u>	<u>24,730</u>	<u>150</u>	<u>3,306,790</u>	<u>-</u>	<u>(3,026,435)</u>
Cash and investments - ending	<u>\$ 534,867</u>	<u>\$ 264,006</u>	<u>\$ 15,250</u>	<u>\$ 4,323,807</u>	<u>\$ 3,585</u>	<u>\$ 510,400</u>

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

	Southeast Sewer Intercep. Ban	SRF Debt Service Reserve #2	SRF Bond and Interest	Wastewater Revenue	SRF-Schererville Construction Fund	Water Works O&M
Cash and investments - beginning	\$ 36,516	\$ 473,726	\$ 562,939	\$ -	\$ 142,976	\$ 314,011
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	4,909,946	-	-
Other receipts	6	361,319	434,998	16,011	1	5,844,232
Total receipts	<u>6</u>	<u>361,319</u>	<u>434,998</u>	<u>4,925,957</u>	<u>1</u>	<u>5,844,232</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Other disbursements	36,522	-	615,076	4,925,957	142,977	5,400,630
Total disbursements	<u>36,522</u>	<u>-</u>	<u>615,076</u>	<u>4,925,957</u>	<u>142,977</u>	<u>5,400,630</u>
Excess (deficiency) of receipts over disbursements	<u>(36,516)</u>	<u>361,319</u>	<u>(180,078)</u>	<u>-</u>	<u>(142,976)</u>	<u>443,602</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 835,045</u>	<u>\$ 382,861</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 757,613</u>

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

	Water Bond and Interest	Water Meter Deposit	Water Improvement	Water Debt Service Reserve	Water Revenue	Totals
Cash and investments - beginning	\$ 231,372	\$ 388,451	\$ 3,486,009	\$ 270,401	\$ -	\$ 31,954,328
Receipts:						
Taxes	-	-	-	-	-	12,490,710
Licenses and permits	-	-	-	-	-	849,706
Intergovernmental	-	-	-	-	-	4,669,773
Charges for services	-	-	-	-	-	2,568,304
Fines and forfeits	-	-	-	-	-	229,268
Utility fees	-	-	-	-	5,893,445	10,803,391
Other receipts	271,821	42,350	1,868,288	-	24,629	42,504,927
Total receipts	<u>271,821</u>	<u>42,350</u>	<u>1,868,288</u>	<u>-</u>	<u>5,918,074</u>	<u>74,116,079</u>
Disbursements:						
Personal services	-	-	-	-	-	9,121,942
Supplies	-	-	-	-	-	662,890
Other services and charges	-	-	-	-	-	7,290,369
Debt service - principal and interest	-	-	-	-	-	3,129,583
Capital outlay	-	-	38,540	-	-	1,260,405
Other disbursements	262,650	66,525	1,814,998	1	5,918,074	48,933,675
Total disbursements	<u>262,650</u>	<u>66,525</u>	<u>1,853,538</u>	<u>1</u>	<u>5,918,074</u>	<u>70,398,864</u>
Excess (deficiency) of receipts over disbursements	<u>9,171</u>	<u>(24,175)</u>	<u>14,750</u>	<u>(1)</u>	<u>-</u>	<u>3,717,215</u>
Cash and investments - ending	<u>\$ 240,543</u>	<u>\$ 364,276</u>	<u>\$ 3,500,759</u>	<u>\$ 270,400</u>	<u>\$ -</u>	<u>\$ 35,671,543</u>

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

Government or Enterprise	Accounts Payable	Accounts Receivable
Wastewater	\$ 62,703	\$ 107,094
Water	262,315	74,975
Governmental activities	878,372	36,503
Totals	\$ 1,203,390	\$ 218,572

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

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
First Financial Bank	Building Corporation Lease	\$ 971,500	08-01-11	02-01-22
Oshkosh Capital	Fire Truck Lease/Purchase	166,538	11-05-10	11-05-14
PNC Equipment Finance	HELP Lease 2012	187,582	03-19-12	03-19-16
PNC Equipment Finance	HELP Lease 2010	212,220	09-22-11	03-22-15
Regions Bank	HELP Lease 2008	<u>216,922</u>	03-02-09	08-02-14
Total governmental activities		<u>1,754,762</u>		
Total of annual lease payments		<u>\$ 1,754,762</u>		

Type	Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	Bridge Construction	\$ 700,000	\$ 213,813
General obligation bonds	Park District Bond of 2004	1,505,000	138,088
General obligation bonds	Park District Bond of 2010	1,626,000	294,918
General obligation bonds	Redevelopment Commission Bond	1,155,000	259,710
General obligation bonds	Kennedy Ave TIF/Redevelopment District	<u>5,460,000</u>	<u>560,269</u>
Total governmental activities		<u>10,446,000</u>	<u>1,466,798</u>
Wastewater:			
Revenue bonds	Sewage Works Revenue Bonds Series 2010	6,010,000	435,569
Revenue bonds	Combined Wastewater SRF	<u>7,060,000</u>	<u>472,332</u>
Total Wastewater		<u>13,070,000</u>	<u>907,901</u>
Water:			
Revenue bonds	Waterworks District Refunding Bonds Series 2010	<u>1,645,000</u>	<u>262,950</u>
Totals		<u>\$ 25,161,000</u>	<u>\$ 2,637,649</u>

TOWN OF SCHERERVILLE
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 Balance
Governmental activities:	
Land	\$ 3,576,410
Infrastructure	52,713,128
Buildings	11,075,009
Improvements other than buildings	15,681,720
Machinery, equipment, and vehicles	11,897,968
Construction in progress	7,811,546
Total governmental activities	102,755,781
Wastewater:	
Land	96,398
Infrastructure	32,486,766
Buildings	7,437,744
Improvements other than buildings	3,185,000
Machinery, equipment, and vehicles	3,366,501
Construction in progress	17,502,244
Total Wastewater	64,074,653
Water:	
Land	272,887
Infrastructure	2,886,444
Buildings	3,793,058
Improvements other than buildings	5,999,451
Machinery, equipment, and vehicles	966,999
Construction in progress	20,585,273
Total Water	34,504,112
Total capital assets	\$ 201,334,546

TOWN OF SCHERERVILLE
AUDIT RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS – COURT

Monthly reconcilements shall be prepared to verify the existence/occurrence and completeness of the Town Courts accounting records. Management has the responsibility to ensure a review of the monthly bank reconcilements to ensure the reconciled bank balances agree to the ledger balances and that reconciling items are appropriate and supported by underlying documentation. Reconciling items noted should be recorded timely to the ledgers, to ensure informed management decisions. Monthly reconcilements are required to be completed within the following month.

The following concerns were noted:

- A. The Courts' personnel attempted to reconcile the bank balance to the ledger balance at the end of each month. The cash long differences varied each month throughout the year and the net differences were not investigated further or resolved.
- B. Evidence was not provided that a review of the monthly bank reconcilements was conducted.
- C. The subsidiary (detail) ledger for cash bonds on hand has not been reconciled to the control account. A \$1,350 reconciling item continues to be included on the bank reconciliation and has not been resolved.
- D. The following errors were noted regarding the outstanding checklist at December 31, 2012:
 - 1. Two checks written in 2012 totaling \$2,196 cleared the bank in 2012. These checks were included in the outstanding check list as of December 31, 2012.
 - 2. Beginning in March 2011, the outstanding check list was prepared using the Court View software. The December 31, 2012 detail listing could not be verified as accurate for any checks issued before the Court View software was implemented by the Court in 2009, and still outstanding.

A similar comment appeared in the prior audit report.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

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)

TOWN OF SCHERERVILLE
AUDIT RESULTS AND COMMENTS
(Continued)

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

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for City and Town Courts, Chapter 4)

INTERNAL CONTROLS OVER LEDGER BALANCE – COURT

The Town Court collects various court costs and fees depending upon the charges filed. The various court costs and fees collected are then distributed to the Town Fiscal Officer, Auditor of Lake County, and the Auditor of State. The collections are remitted monthly to the Town Fiscal Officer and Auditor of Lake County. The amounts for the Auditor of State are remitted semiannually, in June and December of each year, for the collections made in the previous six months.

Based upon when the collections are distributed to the Town Fiscal Officer, Auditor of Lake County, and Auditor of State, the cash balance at the end of the year in each court costs and fees account should agree with the December collections. However, the Town Court's ending cash balances in the various court costs and fees accounts have consistently been \$4,311 greater than each December's collections since 2010. This amount represents court costs and fees that have not been distributed to the proper agency. There has been no attempt to determine which agency or agencies that may be entitled to the fees.

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

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for City and Town Courts, Chapter 4)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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

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

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, 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 its major federal program for the year ended December 31, 2012.

Other Matters

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

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

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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

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

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

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


Paul D. Joyce, CPA
State Examiner

October 21, 2013

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

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>Department of Commerce</u>				
Coastal Zone Management Administration Awards SCHERWOOD LANDSCAPE ENHANCEMENTS	Indiana Department of Natural Resources	11.419	NA09NOS4190079	\$ 7,557
Total - Department of Commerce				<u>7,557</u>
<u>Department of Housing and Urban Development</u>				
Economic Development Initiative Special Project, Neighborhood Initiative and Miscellaneous Grants SCHERWOOD COMMUNITY CENTER	Direct grant	14.251	B-05-SP-IN-0797	481,120
Total - Department of Housing and Urban Development				<u>481,120</u>
<u>Department of Justice</u>				
Bulletproof Vest Partnership Program BULLETPROOF VEST GRANT	Direct grant	16.607		6,585
Public Safety Partnership and Community Policing Grants TRI-TOWN TECHNOLOGY GRANT	Direct grant	16.710	2009CKWX0222	26,171
Equitable Sharing Program Asset Forfeiture - Federal	Direct grant	16.922		47,746
Total - Department of Justice				<u>80,502</u>
<u>Department of Transportation</u>				
Highway Planning and Construction Cluster Highway Planning and Construction	Indiana Department of Transportation			
PENNSY GREENWAY PHASE 1 CONSTRUCTION		20.205	A249-10-320111A	29,617
PENNSY GREENWAY R.O.W. ACQUISITION		20.205	A249-11-320077A	5,349
OAK ST EXTENSION		20.205	A249-11-320334	18,686
CLINE AVE/ROHRMAN RD TRAFFIC CIRCLE		20.205	A249-11-32-98	105,264
Total - HIGHWAY PLANNING & CONSTRUCTION				<u>158,916</u>
ARRA - Highway Planning and Construction	Indiana Department of Transportation			
SURFACE TREATMENT - KENNEDY AVENUE		20.205	DES #0900674	16,327
SURFACE TREATMENT - 77TH AVE		20.205	DES #0900675	11,216
SURFACE TREATMENT - LINCOLNWOOD AVE/OLD LINCOLN HWY		20.205	DES #0900676	7,628
Total - ARRA - HIGHWAY PLANNING & CONSTRUCTION				<u>35,171</u>
Total - Highway Planning and Construction Cluster				<u>194,087</u>
Highway Safety Cluster				
State and Community Highway Safety BIG CITY/BIG COUNTY ENFORCEMENT	Indiana Criminal Justice Institute	20.600	PT-12-11-04-27	16,172
Total - Highway Safety Cluster				<u>16,172</u>
Total - Department of Transportation				<u>210,259</u>
<u>Department of Homeland Security</u>				
Staffing For Adequate Fire and Emergency Response (SAFER) SAFER GRANT	Direct grant	97.083	EMW-2008-FF-01177	29,262
Total - Department of Homeland Security				<u>29,262</u>
Total federal awards expended				<u>\$ 808,700</u>

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

TOWN OF SCHERERVILLE
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 Schererville 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 SCHERERVILLE
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; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	no
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:	Unmodified
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 Number	Name of Federal Program
14.251	Economic Development Initiative Special Project, Neighborhood Initiative and Miscellaneous 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 2012-01 - INTERNAL CONTROLS OVER THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Management of the Town of Schererville has not established an effective internal control system to prevent or detect and correct errors on the Schedule of Expenditures of Federal Awards (SEFA). The Town should establish proper controls over the preparation of the SEFA to ensure accurate reporting of federal awards. The failure to establish an effective internal control system places the Town at risk of the occurrence of material misstatements of the SEFA that could remain undetected.

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

We noted the following deficiencies in the Town's SEFA initially presented for audit:

1. Two federal grants were not included in the SEFA. These grants were the Equitable Sharing Program (CFDA 16.922) \$47,746 and ARRA - Highway Planning and Construction grants (CFDA 20.205) \$35,171. The omission of these two grants resulted in the SEFA expenditures being understated by \$82,917 or 10 percent of the SEFA total.
2. Four Highway Planning and Construction Program grants were reported. However, the proper federal program title (or name) that coincided with the CFDA number was incorrectly reported on those grants. These grants are different than the ARRA - Highway Planning and Construction grants noted above.

The internal controls established by the Town over the preparation and review of the SEFA report were not effective. Although one person prepared the SEFA report and another person reviewed the SEFA report, errors on the SEFA report were not prevented, or detected and corrected, by the Town officials. The combination of these errors is considered a significant deficiency.

Audit adjustments were proposed, accepted by the Town, and made to the SEFA presented in this report. These adjustments resulted in a presentation of the SEFA that is materially correct in relation to the financial statement.

An internal control system should be designed and operate effectively to provide reasonable assurance that material noncompliance with Circular A-133 for the preparation of the SEFA will be prevented, or detected and corrected, on a timely basis.

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

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OMB Circular A-133, Subpart C, section. 300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section.310."

OMB Circular A-133, Subpart C, section. 310(b) states:

"Schedule of expenditures of Federal awards: The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

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

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision I the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and indentifying number assigned by the pass-through entity shall be included.
- (3) Provide the total Federal awards expended for each individual Federal program and the CFDA number or other indentifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

Section III – Federal Award Findings and Questioned Costs

FINDING 2012-02 – INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO ECONOMIC DEVELOPMENT INITIATIVE SPECIAL PROJECT, NEIGHBORHOOD INITIATIVE AND MISCELLANEOUS GRANTS

Federal Agency: Department of Housing and Urban Development
Federal Program: Economic Development Initiative Special Project,
Neighborhood Initiative and Miscellaneous Grants
CFDA Number: 14.251
Federal Award Number: B-05-SP-IN-0797

Management of the Town of Schererville has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and some of the compliance requirements that have a direct and material effect to the program. This includes the following compliance requirements: Cash Management; Suspension and Debarment; Earmarking; Reporting; and Special Tests and Provisions - Environmental Reviews. 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.

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

The following describes the internal control issues related to the grant for the construction of the Park Department's Community Center:

1. **Cash Management, Earmarking, and Reporting:** The Park Superintendent was solely responsible for preparing and submitting the cash drawdowns and reports and ensuring that the amount submitted for planning did not exceed 20 percent (earmarking) in accordance with the grant requirements. The Town Council and the Park Board relied upon the Park Superintendent to perform all functions regarding compliance with the grant award. Oversight or review by the Town's management, or other Town employees was not evident. This sole responsibility of the Park Superintendent to handle grant functions created a lack of segregation of duties.
2. **Suspension and Debarment:** In 2012, the Town Council adopted Ordinance 1810 establishing a policy over suspension and debarment. Per the policy, the department receiving the grant is responsible for verification of possible suspension or debarment and is required to retain the hard copy verification. The Park Department did document performance of verification for suspension and debarment. The control would have been ineffective to prevent or detect noncompliance if the vendor had been suspended or disbarred, as the verifications were performed between 7 to 25 days after the disbursement of funds. The purpose of the compliance requirement is to prevent federal funds from being disbursed to suspended or debarred vendors.
3. **Special Tests and Provisions - Environmental Reviews:** An internal control system or management oversight over special tests and provisions - environmental reviews was not documented. A consultant engineering firm updated the determination of the need for an environmental impact statement based upon the environmental review. The firm also prepared and submitted the related legal notices to the local newspapers regarding the Finding of No Significant Impact for the Town. The Town relied on the consultant to ensure compliance and did not document the performance of oversight, if any.

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, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 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 to the program could result in the loss of federal funds to the Town.

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



TOWN OF SCHERERVILLE

Phone: (219) 322-2211
Fax: (219) 865-5572

10 E. Joliet St. • Schererville, IN 46375
Janice M. Malinowski, Clerk-Treasurer

CORRECTIVE ACTION PLAN

Section II – Financial Statement Findings

FINDING 2012-01 – INTERNAL CONTROLS OVER GRANT SCHEDULE

Auditee Contact Person: Janice M. Malinowski
Title of Contact Person: Clerk-Treasurer
Phone Number: 219-322-2211, Extension 318

The following corrective actions will be implemented immediately to establish internal controls for grant administration:

Identify the proper accounts of all Federal awards received and expended plus identify under which Federal Program the grant was received. All Federal Programs and award identification shall include, the CFDA title and number, award number and year, name of the Federal Agency, and the name of the pass-through entity. Upon notice of the grant, a complete review of the grant and contract will take place. Receipt amounts will be reviewed and reported for all the federal grants.

The Grant Recipient Shall maintain internal control over Federal programs that provides reasonable assurance the auditee is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that may have a material effect on each of its Federal programs.

Prepare appropriate financial statements, including the schedule of receipts for all Federal Awards. Both expenditures and receipts of the Federal Grant will be recorded in the financial statements of the Town of Schererville. This will allow for proper disclosure of the correct amounts being received and expended, and then compared with the total of the grant dollars allowed.

Implementation:

Implementation of the above stated internal controls shall be effective immediately.

Signed: Janice M. Malenau Title Clerk-Treasurer

Date: 10/21/13



TOWN OF SCHERERVILLE

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Fax: (219) 865-5572

10 E. Joliet St. • Schererville, IN 46375
Janice M. Malinowski, Clerk-Treasurer

CORRECTIVE ACTION PLAN

Section III – Federal Awards Findings and Questioned Costs

FINDING 2012-02.

Federal Agency: U.S. Department of Housing and Urban Development
Federal Program: Economic Development Initiative-Special Project,
Neighborhood Initiative and Miscellaneous Grants

CFDA Number: 14.251

Pass-Through: Direct Grant

Award Numbers: B-05-SP-IN-0797

Auditee Contact Person: Janice Malinowski

Title of Contact Person: Clerk-Treasurer, Town of Schererville

Phone Number: 219-322-2211

The following corrective actions will be implemented to establish internal controls for grant administration:

Cash Management, Earmarking, and Reporting

Determine that grant expenses are allowable expenses that meet the requirements of the grant and are earmarked for eligible budget categories by review and approval of the office of the Clerk-Treasurer prior to initiating any cash drawdowns. Forward draft copies of voucher requests for grant reimbursement signed off by Clerk-Treasurer prior to submittal by grant administrator. Distribute draft copies of any required grant reporting to Town Manager and Clerk-Treasurer for review and approval prior to submittal to grant agency. Copy Clerk-Treasurer and Town Manager on any final voucher requests and reports submitted. Present copies of grant and financial reports at regularly scheduled Park Board meetings.

Suspension and Debarment

State as a requirement in any agreements or contracts that vendors provide certification that it is not suspended or disbarred and listed on the Excluded Party List System.

Special Test and Provisions

Park Superintendent shall document any approvals of compliance related work products, findings, reports, or legal notices from outside consultants before final submittal or publication.

Implementation

Implementation of the above stated control measurements shall be effective immediately upon approval of the Town Manager.

Signed *Janice M. Madril* Title *clerk-Treasurer*
Date *10-21-13*

Approved *Rott Veleman* Title *Town Manager*
Date *10-21-13*

TOWN OF SCHERERVILLE
EXIT CONFERENCE

The contents of this report were discussed on October 21, 2013, with Janice M. Malinowski, Clerk-Treasurer, and Robert Volkman, Town Manager.

The contents of this report related to the Town Court were discussed on October 21, 2013, with Kenneth Anderson, Town Judge. The Official Response has been made a part of this report and may be found on page 57.



Judge Kenneth L. Anderson

Schererville Town Court

(219) 865-5579
Facsimile (219) 865-5525

25 East Joliet Street
Schererville, Indiana 46375

OFFICIAL RESPONSE TO AUDIT OF SCHERERVILLE TOWN COURT

October 22, 2013

Mr. Bruce Hartman, State Examiner
302 W. Washington Street
Room E 418
Indianapolis, Indiana 46204-2765

During 2012, we made an effort to reconcile and find the human clerical error in the past years. We found that the manpower to go back through the monthly statements to find errors was not cost effective, in that the hourly time/cost spent finding minor miscalculations was excessive. As a result of these efforts, the plan developed and implemented was to open a new account with all funds being taken in that account and slowly close the old account. We are six (6) months into the new account and everything seems to be on schedule, and the new account fully reconciled.

Regarding management, each month was reviewed although not signed and the incorrect totals over the last few years have remained stable. We are now on a multi-year plan to resolve differences in a cost effective manner and get totals reconciled. If we look at the issue, we will reconcile the \$4311.00 which has now been consistent for three (3) years immediately to state, county and town with a special disbursement and the other minor discrepancies caused by the transition from Key Court to Court View should be resolved under the roll-over plan, now implemented.

Respectfully submitted.

Kenneth L. Anderson, Judge
Schererville Town Court