

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

TOWN OF MERRILLVILLE
LAKE COUNTY, INDIANA

January 1, 2013 to December 31, 2013



FILED
07/25/2014

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Eugene M. Guernsey	01-01-12 to 12-31-15
President of the Town Council	Carol Miano	01-01-13 to 12-31-14
Town Manager	Howard Fink Bruce Spires	01-01-13 to 04-08-13 04-09-13 to 12-31-14
Director of Public Works	Bruce Spires	01-01-13 to 12-31-14
Executive Director of Stormwater Management	Matt Lake	01-01-13 to 12-31-14



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying financial statement of the Town of Merrillville (Town), which comprises the financial position and results of operations for the year ended December 31, 2013, 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, 2013.

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, 2013, 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 June 10, 2014, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.


Accompanying Information

Supplementary Information

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

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


Paul D. Joyce, CPA
State Examiner

June 10, 2014



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the Town of Merrillville (Town), which comprises the financial position and results of operations for the year ended December 31, 2013, and the related notes to the financial statement, and have issued our report thereon dated June 10, 2014, wherein we noted the Town followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2013-001 and 2013-002 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

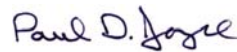
As part of obtaining reasonable assurance about whether the Town's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 items 2013-001 and 2013-002.

Town of Merrillville's Response to Findings

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

Purpose of This Report

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


Paul D. Joyce, CPA
State Examiner

June 10, 2014

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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

TOWN OF MERRILLVILLE
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended December 31, 2013

Fund	Cash and Investments 01-01-13	Receipts	Disbursements	Cash and Investments 12-31-13
GENERAL	\$ 1,117,358	\$ 12,605,913	\$ 11,241,117	\$ 2,482,154
MOTOR VEHICLE	125,684	1,058,259	867,556	316,387
LOCAL ROADS & STREET	42,579	391,303	350,333	83,549
HRA INSURANCE DEDUCTIBLES	1,842	-	1,238	604
RENTAL REGISTRATIONS	374,700	19,850	80,900	313,650
COMPUTER TRAINING CENTER	-	30,000	-	30,000
PD CONTINUING ED	98,401	51,180	78,698	70,883
CASINO GAMING FUND	312,015	446,866	541,356	217,525
RAINY DAY FUND	216	-	-	216
LEVY EXCESS	22,252	-	-	22,252
MERR. FIRE TERRITORY	1,168,997	2,249,983	2,108,015	1,310,965
CERTIFIED TECHNOLOGY PARK	-	408,035	408,035	-
CUM'L CAPITAL DEVELOPMENT	959,099	321,701	517,140	763,660
PARKS NON-REVERTING	21,538	40,237	44,975	16,800
POLICE EQUIPMENT	26,185	249,682	254,248	21,619
2013 FIRE PROJECT BOND	-	3,300,000	2,845,541	454,459
CUM'L FIRE EQUIPMENT	646,904	601,236	465,635	782,505
CUM. CAPITAL IMPROVEMENT	116,233	94,618	43,569	167,282
FIREFIGHTERS EQUIPMENT	14,007	17,259	13,162	18,104
PARK IMPACT FEES	42,974	49,225	40,615	51,584
FIRE PENSION-PERF	(9,624)	49,956	40,403	(71)
TOWN COURT TRACKING	283,030	956,576	980,109	259,497
NOXIOUS WEEDS NON-REVERT	37,585	12,816	17,786	32,615
U.S. CABLE ESCROW	195,451	188	195,639	-
HEALTH INSURANCE ESCROW	-	25,121	25,121	-
EMPLOYEE INS. BENEFITS	52,215	25,287	25,121	52,381
COURT PROBATION	16,246	35,602	27,555	24,293
PUBLIC DEFENDER FEES	4,909	5,079	9,355	633
RECORD PERPETUATION	587	5,823	4,215	2,195
VETERANS MEMORIAL	3,252	350	488	3,114
ENGINEERING FEES	31,932	24,056	5,465	50,523
POLICE DONATION	6,681	63,323	13,039	56,965
FIRE & HAZMAT	139,050	174,470	122,185	191,335
POLICE SPECIAL GRANT	4,454	28,285	26,926	5,813
RECYCLING GRANT FUND	72,948	196,780	169,550	100,178
TOURISM	10,078	4,725	4,306	10,497
PROPERTY SEIZURE	30,154	2,687	20,127	12,714
O.T.B. DONATION	7,178	-	-	7,178
PARK DONATION	7,583	-	-	7,583
COUNTY REIMB/WELFARE	109	-	-	109
G.O.BOND DEBT SERVICE	271,795	605,498	643,461	233,832
TIF DEBT SERV RESERVES	197,869	304	110	198,063
MERR. RD. TIF PROJECT	599,911	1,110,110	591,358	1,118,663
MERR. RD. TIF DEBT SVC.	3,079,966	47,000	1,280,550	1,846,416
BROADWAY TIF	575,825	211,175	702,237	84,763
MISS. ST. TIF DEBT SVC.	4,782,502	46,000	1,982,038	2,846,464
MISS. ST. TIF PROJECT	3,362,376	1,294,604	1,707,304	2,949,676
MS ST. DEBT SVC. RESERVE	1,234,101	-	-	1,234,101
AMERIPLEX AT CROSSROADS	564,400	942,869	946,400	560,869
STORMWATER RESERVES	59,414	59,414	-	118,828
2012 BDWY PROJECT BOND	1,035,355	6,860	927,522	114,693
2012 BDWY PROJECT BOND DS	-	357,938	87,450	270,488
MERR RD TIF TAX DEPOSITS	-	872,282	-	872,282
MISS ST TIF TAX DEPOSITS	-	2,492,927	-	2,492,927
BDWY TIF TAX DEPOSITS	-	1,042,956	569,113	473,843
TOWN DONATIONS	12,785	25,676	23,606	14,855
2011 JUDGMNT BND DS-EMS	17,526	50,432	48,462	19,496
RDC BONDS 2005 DEBT SVC.	706,747	870,290	868,740	708,297
2010 JUDGMNT BND DS-ST LT	36,588	63,286	68,232	31,642
2012 G.O. BOND PROCEEDS	15,001	-	14,520	481
2012 G.O. BOND DS-PAVING	-	471,125	237,519	233,606
2013 G.O. BOND PROCEEDS	-	1,995,000	1,041,754	953,246
STORM WATER OPER./MAINT	916,414	1,166,502	1,429,371	653,545
STORMWATER CONSTRUCTION	1,322,992	453,720	1,738,927	37,785
STORMWATER GRANTS	-	11,902	-	11,902
PAYROLL	202,262	6,726,726	6,781,923	147,065
POLICE PENSION-25	(8,055)	498,857	447,838	42,964
POLICE PENSION-PERF	(69,314)	219,131	146,310	3,507
LANDSCAPING ESCROW	5,000	22,053	24,553	2,500
Totals	<u>\$ 24,906,262</u>	<u>\$ 45,211,108</u>	<u>\$ 43,898,821</u>	<u>\$ 26,218,549</u>

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

TOWN OF MERRILLVILLE
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The Town was established under the laws of the State of Indiana. The Town operates under a Town Council form of government and provides some or all of the following services: public safety (police and fire), highways and streets, culture and recreation, public improvements, planning and zoning, general administrative services, storm water, 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. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

C. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment

D. Receipts

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts include the following sources:

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

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

TOWN OF MERRILLVILLE
NOTES TO FINANCIAL STATEMENT
(Continued)

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

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

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

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.

TOWN OF MERRILLVILLE
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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

F. Interfund Transfers

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

G. Fund Accounting

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

Note 2. Budgets

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

Note 3. Property Taxes

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

TOWN OF MERRILLVILLE
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 4. *Deposits and Investments*

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statutes authorize the Town to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Note 5. *Risk Management*

The Town may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the Town to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

Note 6. *Pension Plans*

A. Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give the Town authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

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

TOWN OF MERRILLVILLE
NOTES TO FINANCIAL STATEMENT
(Continued)

Funding Policy and Annual Pension Cost

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

B. 1925 Police Officers' Pension Plan

Plan Description

The 1925 Police Officers' Pension Plan is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-6). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy

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

On Behalf Payments

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

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

Plan Description

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

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting, and requirements for contributions by employers and by employees. Covered employees may retire at age 52 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 52. The plan also provides for death and disability benefits.

INPRS issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

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

TOWN OF MERRILLVILLE
NOTES TO FINANCIAL STATEMENT
(Continued)

Funding Policy

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

Note 7. Cash Balance Deficit

The financial statement contains a deficit in cash for the Fire Pension-PERF fund. This is a result of a shortage of collection from a new firefighter that was hired in 2013. The correct amount was remitted to the Indiana Public Employees' Retirement Fund (PERF) and the deficit will be collected from the firefighter in 2014 to rectify the negative amount.

Note 8. Subsequent Event

On April 10, 2014, the Town issued a General Obligation Bond with a par value of \$1,970,000 for various road improvements in the Town.

SUPPLEMENTARY INFORMATION - UNAUDITED

For additional financial information, the Town's Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Annual Report of the Town which is referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The supplementary information presented was approved by management of the Town. It is presented as intended by the Town.

TOWN OF MERRILLVILLE
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2013

	GENERAL	MOTOR VEHICLE	LOCAL ROADS & STREET	HRA INSURANCE DEDUCTIBLES	RENTAL REGISTRATIONS
Cash and investments - beginning	\$ 1,117,358	\$ 125,684	\$ 42,579	\$ 1,842	\$ 374,700
Receipts:					
Taxes	6,181,337	-	-	-	-
Licenses and permits	1,115,290	-	-	-	19,850
Intergovernmental	463,933	1,058,259	373,236	-	-
Charges for services	264,930	-	-	-	-
Fines and forfeits	300,096	-	-	-	-
Other receipts	4,280,327	-	18,067	-	-
Total receipts	12,605,913	1,058,259	391,303	-	19,850
Disbursements:					
Personal services	5,648,811	802,556	50,998	1,238	16,546
Supplies	207,588	65,000	211,284	-	-
Other services and charges	1,120,925	-	88,051	-	36,762
Debt service - principal and interest	2,612,418	-	-	-	-
Capital outlay	-	-	-	-	27,342
Other disbursements	1,651,375	-	-	-	250
Total disbursements	11,241,117	867,556	350,333	1,238	80,900
Excess (deficiency) of receipts over disbursements	1,364,796	190,703	40,970	(1,238)	(61,050)
Cash and investments - ending	\$ 2,482,154	\$ 316,387	\$ 83,549	\$ 604	\$ 313,650

TOWN OF MERRILLVILLE
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2013
(Continued)

	COMPUTER TRAINING CENTER	PD CONTINUING ED	CASINO GAMING FUND	RAINY DAY FUND	LEVY EXCESS
Cash and investments - beginning	\$ -	\$ 98,401	\$ 312,015	\$ 216	\$ 22,252
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	16,350	-	-	-
Intergovernmental	-	-	420,999	-	-
Charges for services	-	27,866	-	-	-
Fines and forfeits	-	6,964	-	-	-
Other receipts	<u>30,000</u>	<u>-</u>	<u>25,867</u>	<u>-</u>	<u>-</u>
Total receipts	<u>30,000</u>	<u>51,180</u>	<u>446,866</u>	<u>-</u>	<u>-</u>
Disbursements:					
Personal services	-	11,945	-	-	-
Supplies	-	19,574	-	-	-
Other services and charges	-	47,149	-	-	-
Debt service - principal and interest	-	-	-	-	-
Capital outlay	-	-	541,356	-	-
Other disbursements	<u>-</u>	<u>30</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total disbursements	<u>-</u>	<u>78,698</u>	<u>541,356</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>30,000</u>	<u>(27,518)</u>	<u>(94,490)</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 30,000</u>	<u>\$ 70,883</u>	<u>\$ 217,525</u>	<u>\$ 216</u>	<u>\$ 22,252</u>

TOWN OF MERRILLVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	MERR. FIRE TERRITORY	CERTIFIED TECHNOLOGY PARK	CUM'L CAPITAL DEVELOPMENT	PARKS NON-REVERTING
Cash and investments - beginning	\$ 1,168,997	\$ -	\$ 959,099	\$ 21,538
Receipts:				
Taxes	1,603,693	-	301,496	252
Licenses and permits	-	-	-	-
Intergovernmental	110,439	-	20,205	-
Charges for services	10,637	-	-	39,985
Fines and forfeits	-	-	-	-
Other receipts	<u>525,214</u>	<u>408,035</u>	<u>-</u>	<u>-</u>
Total receipts	<u>2,249,983</u>	<u>408,035</u>	<u>321,701</u>	<u>40,237</u>
Disbursements:				
Personal services	1,210,024	-	300,000	11,495
Supplies	42,484	-	-	541
Other services and charges	346,484	-	119,698	19,960
Debt service - principal and interest	505,667	-	97,442	-
Capital outlay	3,356	-	-	-
Other disbursements	<u>-</u>	<u>408,035</u>	<u>-</u>	<u>12,979</u>
Total disbursements	<u>2,108,015</u>	<u>408,035</u>	<u>517,140</u>	<u>44,975</u>
Excess (deficiency) of receipts over disbursements	<u>141,968</u>	<u>-</u>	<u>(195,439)</u>	<u>(4,738)</u>
Cash and investments - ending	<u>\$ 1,310,965</u>	<u>\$ -</u>	<u>\$ 763,660</u>	<u>\$ 16,800</u>

TOWN OF MERRILLVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	POLICE EQUIPMENT	2013 FIRE PROJECT BOND	CUM'L FIRE EQUIPMENT	CUM. CAPITAL IMPROVEMENT
Cash and investments - beginning	\$ 26,185	\$ -	\$ 646,904	\$ 116,233
Receipts:				
Taxes	-	-	549,552	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	37,845	94,618
Charges for services	30,391	-	-	-
Fines and forfeits	128,824	-	-	-
Other receipts	90,467	3,300,000	13,839	-
Total receipts	249,682	3,300,000	601,236	94,618
Disbursements:				
Personal services	-	-	-	-
Supplies	12,497	-	-	-
Other services and charges	303	105,730	23,841	8,335
Debt service - principal and interest	-	-	-	-
Capital outlay	241,448	2,739,811	441,794	35,234
Other disbursements	-	-	-	-
Total disbursements	254,248	2,845,541	465,635	43,569
Excess (deficiency) of receipts over disbursements	(4,566)	454,459	135,601	51,049
Cash and investments - ending	\$ 21,619	\$ 454,459	\$ 782,505	\$ 167,282

TOWN OF MERRILLVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	FIREFIGHTERS EQUIPMENT	PARK IMPACT FEES	FIRE PENSION-PERF	TOWN COURT TRACKING
Cash and investments - beginning	\$ 14,007	\$ 42,974	\$ (9,624)	\$ 283,030
Receipts:				
Taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	17,259	-	-	-
Fines and forfeits	-	-	-	956,576
Other receipts	-	49,225	49,956	-
Total receipts	17,259	49,225	49,956	956,576
Disbursements:				
Personal services	-	-	-	-
Supplies	-	-	-	-
Other services and charges	-	344	-	-
Debt service - principal and interest	-	-	-	-
Capital outlay	13,162	40,271	-	-
Other disbursements	-	-	40,403	980,109
Total disbursements	13,162	40,615	40,403	980,109
Excess (deficiency) of receipts over disbursements	4,097	8,610	9,553	(23,533)
Cash and investments - ending	\$ 18,104	\$ 51,584	\$ (71)	\$ 259,497

TOWN OF MERRILLVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	NOXIOUS WEEDS NON-REVERT	U.S. CABLE ESCROW	HEALTH INSURANCE ESCROW	EMPLOYEE INS. BENEFITS
Cash and investments - beginning	\$ 37,585	\$ 195,451	\$ -	\$ 52,215
Receipts:				
Taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	12,816	-	-	-
Fines and forfeits	-	-	-	-
Other receipts	-	188	25,121	25,287
Total receipts	12,816	188	25,121	25,287
Disbursements:				
Personal services	17,217	-	-	-
Supplies	569	-	-	-
Other services and charges	-	-	-	-
Debt service - principal and interest	-	-	-	-
Capital outlay	-	-	-	-
Other disbursements	-	195,639	25,121	25,121
Total disbursements	17,786	195,639	25,121	25,121
Excess (deficiency) of receipts over disbursements	(4,970)	(195,451)	-	166
Cash and investments - ending	\$ 32,615	\$ -	\$ -	\$ 52,381

TOWN OF MERRILLVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	COURT PROBATION	PUBLIC DEFENDER FEES	RECORD PERPETUATION	VETERANS MEMORIAL
Cash and investments - beginning	\$ 16,246	\$ 4,909	\$ 587	\$ 3,252
Receipts:				
Taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	35,602	5,079	5,823	-
Other receipts	-	-	-	350
Total receipts	35,602	5,079	5,823	350
Disbursements:				
Personal services	13,160	-	4,215	-
Supplies	2,145	-	-	-
Other services and charges	12,250	9,355	-	488
Debt service - principal and interest	-	-	-	-
Capital outlay	-	-	-	-
Other disbursements	-	-	-	-
Total disbursements	27,555	9,355	4,215	488
Excess (deficiency) of receipts over disbursements	8,047	(4,276)	1,608	(138)
Cash and investments - ending	\$ 24,293	\$ 633	\$ 2,195	\$ 3,114

TOWN OF MERRILLVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	ENGINEERING FEES	POLICE DONATION	FIRE & HAZMAT	POLICE SPECIAL GRANT
Cash and investments - beginning	\$ 31,932	\$ 6,681	\$ 139,050	\$ 4,454
Receipts:				
Taxes	-	-	-	-
Licenses and permits	24,056	-	172,320	-
Intergovernmental	-	-	-	28,285
Charges for services	-	-	-	-
Fines and forfeits	-	-	2,150	-
Other receipts	-	63,323	-	-
Total receipts	24,056	63,323	174,470	28,285
Disbursements:				
Personal services	-	-	71,618	26,926
Supplies	-	11,847	3,745	-
Other services and charges	4,855	1,192	46,097	-
Debt service - principal and interest	-	-	-	-
Capital outlay	-	-	-	-
Other disbursements	610	-	725	-
Total disbursements	5,465	13,039	122,185	26,926
Excess (deficiency) of receipts over disbursements	18,591	50,284	52,285	1,359
Cash and investments - ending	\$ 50,523	\$ 56,965	\$ 191,335	\$ 5,813

TOWN OF MERRILLVILLE
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2013
(Continued)

	RECYCLING GRANT FUND	TOURISM	PROPERTY SEIZURE	O.T.B. DONATION
Cash and investments - beginning	\$ 72,948	\$ 10,078	\$ 30,154	\$ 7,178
Receipts:				
Taxes	-	4,725	-	-
Licenses and permits	-	-	-	-
Intergovernmental	196,764	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Other receipts	16	-	2,687	-
Total receipts	196,780	4,725	2,687	-
Disbursements:				
Personal services	137,883	-	-	-
Supplies	28,810	-	-	-
Other services and charges	2,857	4,306	-	-
Debt service - principal and interest	-	-	-	-
Capital outlay	-	-	20,127	-
Other disbursements	-	-	-	-
Total disbursements	169,550	4,306	20,127	-
Excess (deficiency) of receipts over disbursements	27,230	419	(17,440)	-
Cash and investments - ending	\$ 100,178	\$ 10,497	\$ 12,714	\$ 7,178

TOWN OF MERRILLVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	PARK DONATION	COUNTY REIMB/WELFARE	G.O.BOND DEBT SERVICE	TIF DEBT SERV RESERVES
Cash and investments - beginning	\$ 7,583	\$ 109	\$ 271,795	\$ 197,869
Receipts:				
Taxes	-	-	466,247	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	31,246	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Other receipts	-	-	108,005	304
Total receipts	-	-	605,498	304
Disbursements:				
Personal services	-	-	-	-
Supplies	-	-	-	-
Other services and charges	-	-	-	-
Debt service - principal and interest	-	-	578,463	-
Capital outlay	-	-	-	-
Other disbursements	-	-	64,998	110
Total disbursements	-	-	643,461	110
Excess (deficiency) of receipts over disbursements	-	-	(37,963)	194
Cash and investments - ending	\$ 7,583	\$ 109	\$ 233,832	\$ 198,063

TOWN OF MERRILLVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	MERR. RD. TIF PROJECT	MERR. RD. TIF DEBT SVC.	BROADWAY TIF	MISS. ST. TIF DEBT SVC.
Cash and investments - beginning	<u>\$ 599,911</u>	<u>\$ 3,079,966</u>	<u>\$ 575,825</u>	<u>\$ 4,782,502</u>
Receipts:				
Taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Other receipts	<u>1,110,110</u>	<u>47,000</u>	<u>211,175</u>	<u>46,000</u>
Total receipts	<u>1,110,110</u>	<u>47,000</u>	<u>211,175</u>	<u>46,000</u>
Disbursements:				
Personal services	-	-	-	-
Supplies	-	-	-	-
Other services and charges	294,792	-	-	-
Debt service - principal and interest	-	-	-	-
Capital outlay	296,566	-	-	-
Other disbursements	<u>-</u>	<u>1,280,550</u>	<u>702,237</u>	<u>1,982,038</u>
Total disbursements	<u>591,358</u>	<u>1,280,550</u>	<u>702,237</u>	<u>1,982,038</u>
Excess (deficiency) of receipts over disbursements	<u>518,752</u>	<u>(1,233,550)</u>	<u>(491,062)</u>	<u>(1,936,038)</u>
Cash and investments - ending	<u>\$ 1,118,663</u>	<u>\$ 1,846,416</u>	<u>\$ 84,763</u>	<u>\$ 2,846,464</u>

TOWN OF MERRILLVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	MISS. ST. TIF PROJECT	MS ST. DEBT SVC. RESERVE	AMERIPLEX AT CROSSROADS	STORMWATER RESERVES
Cash and investments - beginning	\$ 3,362,376	\$ 1,234,101	\$ 564,400	\$ 59,414
Receipts:				
Taxes	-	-	942,869	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	59,414
Fines and forfeits	-	-	-	-
Other receipts	1,294,604	-	-	-
Total receipts	1,294,604	-	942,869	59,414
Disbursements:				
Personal services	-	-	-	-
Supplies	-	-	-	-
Other services and charges	1,648,160	-	-	-
Debt service - principal and interest	-	-	-	-
Capital outlay	59,144	-	-	-
Other disbursements	-	-	946,400	-
Total disbursements	1,707,304	-	946,400	-
Excess (deficiency) of receipts over disbursements	(412,700)	-	(3,531)	59,414
Cash and investments - ending	\$ 2,949,676	\$ 1,234,101	\$ 560,869	\$ 118,828

TOWN OF MERRILLVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	2012 BDWY PROJECT BOND	2012 BDWY PROJECT BOND DS	MERR RD TIF TAX DEPOSITS	MISS ST TIF TAX DEPOSITS
Cash and investments - beginning	\$ 1,035,355	\$ -	\$ -	\$ -
Receipts:				
Taxes	-	-	872,282	2,492,927
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Other receipts	6,860	357,938	-	-
Total receipts	6,860	357,938	872,282	2,492,927
Disbursements:				
Personal services	-	-	-	-
Supplies	-	-	-	-
Other services and charges	927,522	-	-	-
Debt service - principal and interest	-	-	-	-
Capital outlay	-	-	-	-
Other disbursements	-	87,450	-	-
Total disbursements	927,522	87,450	-	-
Excess (deficiency) of receipts over disbursements	(920,662)	270,488	872,282	2,492,927
Cash and investments - ending	\$ 114,693	\$ 270,488	\$ 872,282	\$ 2,492,927

TOWN OF MERRILLVILLE
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2013
(Continued)

	BDWY TIF TAX DEPOSITS	TOWN DONATIONS	2011 JUDGMNT BND DS-EMS	RDC BONDS 2005 DEBT SVC.
Cash and investments - beginning	\$ -	\$ 12,785	\$ 17,526	\$ 706,747
Receipts:				
Taxes	1,042,956	-	37,893	787,513
Licenses and permits	-	-	-	-
Intergovernmental	-	-	2,539	52,777
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Other receipts	-	25,676	10,000	30,000
Total receipts	<u>1,042,956</u>	<u>25,676</u>	<u>50,432</u>	<u>870,290</u>
Disbursements:				
Personal services	-	-	-	-
Supplies	-	-	-	-
Other services and charges	-	23,606	28,462	-
Debt service - principal and interest	-	-	-	838,740
Capital outlay	-	-	-	-
Other disbursements	569,113	-	20,000	30,000
Total disbursements	<u>569,113</u>	<u>23,606</u>	<u>48,462</u>	<u>868,740</u>
Excess (deficiency) of receipts over disbursements	<u>473,843</u>	<u>2,070</u>	<u>1,970</u>	<u>1,550</u>
Cash and investments - ending	<u>\$ 473,843</u>	<u>\$ 14,855</u>	<u>\$ 19,496</u>	<u>\$ 708,297</u>

TOWN OF MERRILLVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	2010 JUDGMNT BND DS-ST LT	2012 G.O. BOND PROCEEDS	2012 G.O. BOND DS-PAVING	2013 G.O. BOND PROCEEDS
Cash and investments - beginning	\$ 36,588	\$ 15,001	\$ -	\$ -
Receipts:				
Taxes	59,311	-	441,535	-
Licenses and permits	-	-	-	-
Intergovernmental	3,975	-	29,590	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Other receipts	-	-	-	1,995,000
Total receipts	<u>63,286</u>	<u>-</u>	<u>471,125</u>	<u>1,995,000</u>
Disbursements:				
Personal services	-	-	-	-
Supplies	-	-	-	-
Other services and charges	-	12,520	237,519	1,041,754
Debt service - principal and interest	68,232	-	-	-
Capital outlay	-	2,000	-	-
Other disbursements	-	-	-	-
Total disbursements	<u>68,232</u>	<u>14,520</u>	<u>237,519</u>	<u>1,041,754</u>
Excess (deficiency) of receipts over disbursements	<u>(4,946)</u>	<u>(14,520)</u>	<u>233,606</u>	<u>953,246</u>
Cash and investments - ending	<u>\$ 31,642</u>	<u>\$ 481</u>	<u>\$ 233,606</u>	<u>\$ 953,246</u>

TOWN OF MERRILLVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	STORM WATER OPER./MAINT	STORMWATER CONSTRUCTION	STORMWATER GRANTS	PAYROLL
Cash and investments - beginning	\$ 916,414	\$ 1,322,992	\$ -	\$ 202,262
Receipts:				
Taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	11,902	-
Charges for services	-	-	-	-
Fines and forfeits	2,800	-	-	-
Other receipts	1,163,702	453,720	-	6,726,726
Total receipts	1,166,502	453,720	11,902	6,726,726
Disbursements:				
Personal services	358,565	-	-	4,792,262
Supplies	48,464	-	-	-
Other services and charges	519,691	-	-	-
Debt service - principal and interest	275,769	-	-	-
Capital outlay	214,153	1,738,927	-	-
Other disbursements	12,729	-	-	1,989,661
Total disbursements	1,429,371	1,738,927	-	6,781,923
Excess (deficiency) of receipts over disbursements	(262,869)	(1,285,207)	11,902	(55,197)
Cash and investments - ending	\$ 653,545	\$ 37,785	\$ 11,902	\$ 147,065

TOWN OF MERRILLVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	POLICE PENSION-25	POLICE PENSION-PERF	LANDSCAPING ESCROW	Totals
Cash and investments - beginning	\$ (8,055)	\$ (69,314)	\$ 5,000	\$ 24,906,262
Receipts:				
Taxes	46,130	-	-	15,830,718
Licenses and permits	-	-	-	1,347,866
Intergovernmental	3,092	-	-	2,939,704
Charges for services	449,035	-	-	912,333
Fines and forfeits	-	-	-	1,443,914
Other receipts	600	219,131	22,053	22,736,573
Total receipts	498,857	219,131	22,053	45,211,108
Disbursements:				
Personal services	447,738	-	-	13,923,197
Supplies	-	-	-	654,548
Other services and charges	100	-	24,553	6,757,661
Debt service - principal and interest	-	-	-	4,976,731
Capital outlay	-	-	-	6,414,691
Other disbursements	-	146,310	-	11,171,993
Total disbursements	447,838	146,310	24,553	43,898,821
Excess (deficiency) of receipts over disbursements	51,019	72,821	(2,500)	1,312,287
Cash and investments - ending	\$ 42,964	\$ 3,507	\$ 2,500	\$ 26,218,549

TOWN OF MERRILLVILLE
SCHEDULE OF PAYABLES AND RECEIVABLES
December 31, 2013

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 1,960,720</u>	<u>\$ -</u>

TOWN OF MERRILLVILLE
SCHEDULE OF LEASES AND DEBT
December 31, 2013

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities: CROSSROADS BANK	TRUCKS	\$ 68,714	11-01-13	11-01-17

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	2004 G.O. BOND DEBT SERVICE	\$ 1,920,000	\$ 580,163
General obligation bonds	2005 RDC BOND DEBT SERVICE	5,065,000	833,140
General obligation bonds	2010 JUDGMENT BOND-STREET LIGHTS	435,000	66,375
General obligation bonds	2011 JUDGMENT BOND-EMS	195,000	27,363
General obligation bonds	2012 G.O. BOND-PAVING	1,675,000	481,350
General obligation bonds	2013 G.O. BOND-RD IMPRV	1,995,000	267,744
General obligation bonds	2013 FIRE PROTECTION TERRITORY BOND	3,300,000	75,545
Revenue bonds	MERRILLVILLE RD TIF DEBT SERVICE	1,800,000	189,158
Revenue bonds	MISSISSIPPI ST TIF DEBT SERVICE	13,420,000	1,220,600
Revenue bonds	2012 REVENUE BOND-STORMWATER	3,215,000	281,919
Revenue bonds	2012 REVENUE BOND-BDWY PROJECT	1,440,000	181,502
Revenue bonds	ECONOMIC DEVELOPMENT REVENUE BONDS, SERIES 2005	9,550,000	1,215,200
Totals		\$ 44,010,000	\$ 5,420,059

TOWN OF MERRILLVILLE
SCHEDULE OF CAPITAL ASSETS
December 31, 2013

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	\$ 6,581,889
Infrastructure	70,967,572
Buildings	4,807,015
Improvements other than buildings	2,851,690
Machinery, equipment, and vehicles	10,243,952
Construction in progress	<u>1,595,000</u>
Total capital assets	<u><u>\$ 97,047,118</u></u>

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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

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

Report on Compliance for the Major Federal Program

We have audited the Town of Merrillville's (Town) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2013. The Town's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Basis for Qualified Opinion on Highway Planning and Construction Cluster

As described in item 2013-004 in the accompanying Schedule of Findings and Questioned Costs, the Town did not comply with requirements regarding Suspension and Debarment that are applicable to its Highway Planning and Construction Cluster. Compliance with such requirements is necessary, in our opinion, for the Town to comply with requirements applicable to that program.

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

Qualified Opinion on Highway Planning and Construction Cluster

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion* paragraph, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its Highway Planning and Construction Cluster for the year ended December 31, 2013.

Other Matters

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

Report on Internal Control Over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on 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 2013-003 to be material weaknesses.

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

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

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


Paul D. Joyce, CPA
State Examiner

June 10, 2014

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTE

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

TOWN OF MERRILLVILLE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2013

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 Agriculture</u>				
Urban and Community Forestry Program	Indiana Department of Natural Resources	10.675	300FR10GLRI2010	<u>\$ 11,902</u>
<u>Department of Justice</u>				
ARRA - Public Safety Partnership and Community Policing Grants, Recovery Act	Direct grant	16.710		
2009 COPS Hiring Recovery Program			2009RKWX0346	<u>5,098</u>
Equitable Sharing Program	Direct grant	16.922	FY 2013	<u>20,127</u>
Total - Department of Justice				<u>25,225</u>
<u>Department of Transportation</u>				
Highway Planning and Construction Cluster				
Highway Planning and Construction	Indiana Department of Transportation	20.205		
81st Avenue Right-of-Ways HES-9945 (00W)			DES #0901454	107,427
Miss. St. Right-of-Way			DES #0900067	222,360
C&O Trail PE			DES #1173706	67,678
Taft St. Drainage			DES #1173598	<u>352,793</u>
Total - Highway Planning and Construction Cluster				<u>750,258</u>
Highway Safety Cluster				
State and Community Highway Safety	Indiana Criminal Justice Institute	20.600		
IN Crim Justice OPO/DUI			PT11040426	17,465
OPO Banquet Equipment			18X9204020IN13	<u>1,998</u>
Total - Highway Safety Cluster				<u>19,463</u>
Total - Department of Transportation				<u>769,721</u>
Total federal awards expended				<u>\$ 806,848</u>

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

TOWN OF MERRILLVILLE
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

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

TOWN OF MERRILLVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

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

Federal Awards:

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

Identification of Major Program:

Name of Federal Program or Cluster

Highway Planning and Construction Cluster

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 2013-001 - INTERNAL CONTROLS AND COMPLIANCE OVER THE PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Schedule of Expenditures of Federal Awards (SEFA) was prepared without any oversight or approval. The Bookkeeper prepares the SEFA based upon grant information provided by various departments of the Town; however, the schedule is not reviewed by anyone other than the Bookkeeper.

The Town did not have a proper system of internal control in place to prevent, or detect and correct, errors on the SEFA. The Town should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal controls in place that operates effectively, material misstatements of the SEFA could remain undetected.

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

During the audit of the SEFA, we noted the following errors:

1. One federal program and two projects associated with two other federal programs were not included on the SEFA. The exclusion of these caused the federal expenditures reported on the SEFA to be understated by \$366,693.
2. The SEFA included two grants that were not federal grants. The inclusion of these grants resulted in the federal expenditures reported on the SEFA to be overstated by \$15,816.
3. An advance grant was improperly reported as a reimbursement grant, which resulted in the federal expenditures reported on the SEFA to be understated by \$18,190.
4. The Town failed to correctly identify the correct Catalog of Federal Domestic Assistance (CFDA) number for three federal programs.
5. The Town failed to properly identify the correct federal grantor agency for one of the federal programs, as well as the correct program name for another federal program.

The combination of these errors resulted in the federal expenditures reported on the SEFA to be understated by a total of \$369,067.

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.

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 in part:

"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 MERRILLVILLE
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 in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available."

FINDING 2013-002 - CONDITION OF RECORDS - TOWN COURT

City and Town Courts are required to maintain a City/Town Cash Book Form 213CT (Cash Book), and a Register of Trust Funds, General Form 102 (Trust Register). These prescribed forms have been replaced with Court View (electronically generated ledger equivalents). However, the Town Court has opted to maintain the prescribed Cash Book and Trust Register manually and not fully utilize the electronic ledger equivalents in Court View.

Receipts issued through Court View generated the electronic Cash Book. The disbursement activity was not recorded in the electronic Cash Book because checks were handwritten and not processed electronically. Disbursements were manually recorded on the individual defendants' electronic case files even though the Court View system had the capability of electronically issuing checks and posting disbursements to the electronic Cash Book and Trust Register. Officials did not use this feature of the software until May 2013. At December 31, 2013, the manual Cash Book balance materially agreed to the depository balance; however, due to the incomplete use of the Court View financial system as described above, the cash balance in Court View (the official record of the Town Court) did not agree with the depository balance.

Court View software is capable of applying trust funds (cash bonds) to pay court costs by using a "bond applied" function. This process removes the bond amount from the Trust Register and applies the costs to the appropriate fee categories in the Cash Book. A receipt is generated noting that the bond was applied. Because disbursements were not processed electronically through Court View, the electronic Cash Book and Trust Register could not be used to determine the respective "Cash Bonds Trust" cash balance in the ledger. Neither a complete and functional electronic Cash Book nor a Trust Ledger was available for audit. A manual Trust Ledger was provided which did not contain all cash bond information. Using electronic software to generate and record disbursements would reduce the potential for errors or the misapplication of costs and more efficiently use Court resources.

A manual "Register of Trust Funds" is maintained; however, the total of the detailed individual amounts does not reconcile with the corresponding trust cash balance in the Cash Book. Management initials the Cash Book and Cash Bonds Trust reconciliation each month; however, the reconciled bank balance did not agree with the Cash Book balance during our audit. Review of the Cash Book disclosed the failure to include three days' worth of receipts in June. In addition, the amounts on multiple checks issued for the repayment of cash bonds were incorrect.

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

The Town Court collects funds for the State, County Treasurer, and Clerk-Treasurer of the Town. Collections are remitted to the Town and County on a monthly basis and to the State every six months. When we compared the monthly collections to the monthly and biannual remittances, we noted the Town Court failed to remit all collections. Amounts remitted were less than collections made by \$4,218; \$7,869; and \$3,999, to the State, County, and Town, respectively.

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

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for City and Town Courts, Chapter 4)

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2013-003 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE DIRECT AND MATERIAL EFFECT TO THE HIGHWAY PLANNING AND CONSTRUCTION PROGRAM

Federal Agency: Department of Transportation

Federal Program: Highway Planning and Construction

CFDA Number: 20.205

Federal Award Numbers: DES #0901454, DES #0900067, DES #1173706, DES #1173598

Pass-Through Entity: Indiana Department of Transportation

Management of the Town has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and some of the compliance requirements that have a direct and material effect on the program. This includes the following compliance requirements: Cash Management, Reporting, Suspension and Debarment, and the Davis-Bacon Act. 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 program.

Cash Management and Reporting

The Town has not designed or implemented adequate policies and procedures to ensure that all requests for reimbursement of grant expenditures are accurately prepared and timely submitted. Reimbursement requests were completed independently by the grant administrator without oversight or review by someone other than the grant administrator prior to submission. Segregation of duties, such as an adequate oversight or approval process to ensure that all reports were submitted accurately, has not been established.

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

Suspension and Debarment

The Town does not have policies or standard procedures in place for determining whether or not a vendor has been suspended or excluded from doing business with the federal government.

Davis-Bacon Act

The Town did not have controls or procedures in place to ensure that work performed by consultants complied with the requirements of the Davis-Bacon Act. The Town relied on consultant's to ensure that contractor's complied with prevailing wage provisions of the Davis-Bacon Act. An oversight, review, or approval process was not established.

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

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 on the program.

***FINDING 2013-004 - COMPLIANCE OVER SUSPENSION AND DEBARMENT
REQUIREMENTS RELATED TO HIGHWAY PLANNING AND CONSTRUCTION PROGRAM***

Federal Agency: Department of Transportation
Federal Program: Highway Planning and Construction
CFDA Number: 20.205
Federal Award Number: DES #1173598
Pass-Through Entity: Indiana Department of Transportation

The U.S. Department of Transportation required the Town to verify that contracts were not awarded to suspended or debarred entities. The Town was unaware of the Suspension and Debarment requirement and failed to do one of the following: (a) check the Excluded Parties List System (EPLS) through the System of Award Manager Center at www.sam.gov, (b) require a certification from the entity, or (c) add a clause or condition to the contracts awarded locally during the audit period.

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

Not verifying the status of a vendor could enable the Town to award federally funded contracts to vendors that are suspended or disbarred.

2 CFR 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

- (a) Checking the EPLS; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

The Town was not in compliance with Suspension and Debarment requirements for this program and the Town's inaction could result in the loss of federal funds to the Town.

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

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AUDITEE PREPARED DOCUMENTS

The subsequent documents were provided by management of the Town. The documents are presented as intended by the Town.

Joseph Petruch
Chief of Police

David Barron
Operations Commander



James Donohue
Assistant Chief of Police

Robert Wiley
Detective Commander

MERRILLVILLE POLICE DEPARTMENT

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

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

Federal Agency: U.S. Department of Justice

Pass Through: N/A

Federal program; Public Safety Partnership and Community Policing Grants

CFDA Number 16.710

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

Year: 2014

Audit Contact person: Joseph Petruch

Title: Chief of Police

219-769-3722

For similar future grants, the Chief of Police, or his review designee, will document the review of total purchases for each quarter by signing the request for reimbursement document as the reviewer. A copy of each reviewed request for reimbursement document will be kept on file.

Allowable costs:

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

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

Joseph Petruch
Chief of Police

David Barron
Operations Commander



James Donohue
Assistant Chief of Police

Robert Wiley
Detective Commander

MERRILLVILLE POLICE DEPARTMENT

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

Cash management and Reporting :

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

Equipment Management :

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

Suspension and Debarment :

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

Special Tests and Provisions :

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

There have been no further federal grants awarded since the previous audit.

A handwritten signature in black ink, appearing to be 'JP', written over a horizontal line.

Joseph Petruch

Chief of Police

Date 4-22-2014

Joseph Petruch
Chief of Police

David Barron
Operations Commander



James Donohue
Assistant Chief of Police

Robert Wiley
Detective Commander

MERRILLVILLE POLICE DEPARTMENT

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

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

Federal Agency: U.S. Department of Justice

Pass Through: N/A

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

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

Audit Contact person: Joseph Petruch

Year: 2014

Title: Chief of Police

219-769-3722

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

There have been no further federal grants awarded since the previous audit.

A handwritten signature in black ink, appearing to be "JP", written over a horizontal line.

Joseph Petruch

Chief of Police

Date 4-22-2014



Town of Merrillville

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



EUGENE M. GUERNSEY
CLERK - TREASURER

May 7, 2014

CORRECTIVE ACTION PLAN

Finding Number 2013-001 INTERNAL CONTROLS OVER FEDERAL GRANT SCHEDULE

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

As of May 7, 2014, the town will be more diligent in determining what type of funds we are receiving from the State of Indiana, be it federal or state monies. We will then be able to correctly follow all requirements to utilize federal funds.

Signature Eugene M. Guernsey
Title CLERK - TREASURER
Date 05-07-14



Town of Merrillville Court

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

JUDGE GINA L. JONES

Finding Number 2013-002
Condition of records – Town Court

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

Describe corrective action to taken:

As advised by the State Board of Accounts in the 2012 audit, we were instructed that the utilization of an excel spreadsheet as an alternative to the handwritten ledger was acceptable. Additionally, the Court has been fully functional in the utilization of Court View and has been diligent in our efforts to maintain all records through the Court View since 2012. There was a gap of using electronic checks while we waited for the blank checks in 2012. Since receipt, we have only electronic checks.

It is unfortunate that the prior theft of funds and the incomplete records will prevent the cash balance in Courtview from matching the manual cash balance. We have requested assistance from State Board of Accounts in developing a formula or a plan of action to fix the problem. As soon as we are advised of an answer, we will do our best to rectify the problem. We were able to locate many fraudulent transactions and corrected them, however as of right now, we can only correct them as we encounter them.

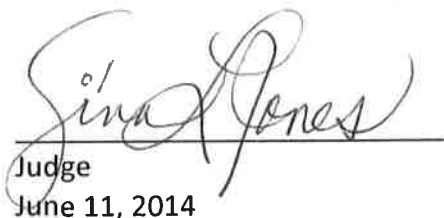
This administration began using the Courtview software in 2011 and endeavor to include all cash bonds noted into the system. Management did not begin to initial the cash book and the cash bonds trust reconciliation each month until the 2012 Audit which occurred in October of 2013.

State Board of Accounts was unable to determine where or how the error in remittances occurred. We plan to review the monthly collections and attempt to determine what is causing the error and will correct it immediately.

Signature

Title:

Date:


Judge
June 11, 2014



Town of Merrillville
7820 Broadway
Merrillville, Indiana 46410
(219) 769-5711 • Fax (219) 756-6170

May 7, 2014

CORRECTIVE ACTION PLAN

Finding Number 2013-03 INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO HWY PLANNING AND CONSTRUCTION PROGRAM

Contact Person Bruce Spires

Title of Contact Person Town Manager/Director of Municipal Operations

Phone Number 219-769-5711

As of May 7, 2014, the errors under these two findings occurred due to the fact that INDOT'S partial funding of this project was actual federal funds passed through them on to the town. Therefore, the Town wasn't aware of the type funding and that it had to follow the necessary federal guidelines. The Town will establish an effective internal control system which would include segregation of duties between the grant administrator, Town Manager, and Clerk Treasurer's Office. These controls will be in effect through all phases of a project.

Suspension and Disbarment-The Town did not do nor know that a verification of the contractor's status with INDOT was needed due to the above funding issue. In the future, this will be included in the bid packets for bidders to supply.

The Town will require in the future copies of the contractor's payroll to insure that wages paid reflect the current Davis-Bacon rate.

Signature

Bruce Spires

Title

TOWN MANAGER

Date

5/7/14



Town of Merrillville
7820 Broadway
Merrillville, Indiana 46410
(219) 769-5711 • Fax (219) 756-6170

May 7, 2014

CORRECTIVE ACTION PLAN

Finding Number 2013-04 NONCOMPLIANCE OVER SUSPENSION AND DEBARMENT REQUIREMENTS RELATING TO THE HIGHWAY PLANNING AND CONSTRUCTION PROGRAM.

Contact Person Bruce Spires

Title of Contact Person Town Manager/Director of Municipal Operations

Phone Number 219-769-5711

Suspension and Disbarment-The Town did not do nor know that a verification of the contractor's status with INDOT was needed due to the above funding issue. In the future, this will be included in the bid packets for bidders to supply.

Signature

B. Spires

Title

TOWN MANAGER

Date

5/7/14

OTHER REPORT

In addition to this report, a Supplemental Compliance Report has been issued for the Town. That report can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.