

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

EXAMINATION REPORT  
OF  
TOWN OF MUNSTER  
LAKE COUNTY, INDIANA  
January 1, 2009 to December 31, 2009



**FILED**  
01/07/2011



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	David F. Shafer	01-01-08 to 12-31-11
President of the Town Council	Michael Mellon John W. Edington	01-01-09 to 12-31-09 01-01-10 to 12-31-10
Superintendent of Utilities	Thomas F. DeGiulio	01-01-09 to 12-31-10



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

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

INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial information presented herein of the Town of Munster (Town), for the period of January 1, 2009 to December 31, 2009. The Town's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the Town for the year ended December 31, 2009, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

October 7, 2010

TOWN OF MUNSTER  
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES  
As Of And For The Year Ended December 31, 2009

	Cash and Investments		Cash and Investments	
	01-01-09	Receipts	Disbursements	12-31-09
<b>Governmental Funds:</b>				
General	\$ 20,670	\$ 10,843,747	\$ 10,827,858	\$ 36,559
Motor Vehicle Highway	343,119	2,959,031	2,988,052	314,098
Local Road and Street	100,145	312,315	360,000	52,460
Park and Recreation	4,040	4,317,494	4,315,770	5,764
Donation	18,157	56,094	32,454	41,797
Economic Development	183,606	869	2,500	181,975
Federal Grants	-	1,088,153	1,088,153	-
Local Law Enforcement Continuing Education	27,608	35,174	35,167	27,615
State Grants	789,354	4,646	261,215	532,785
Technology	131,514	385,524	320,863	196,175
Excess Welfare Distribution	-	169,239	169,239	-
Sewer Maintenance	681,411	4,687,710	4,632,755	736,366
Special Asset Forfeiture Nonreverting	20,305	20,112	27,183	13,234
Municipal Bond and Interest	142,018	2,163,369	2,304,893	494
Redevelopment Bond and Interest	485,501	528,910	734,607	279,804
Park Bond and Interest	142,680	1,186,225	1,328,659	246
Municipal Complex Lease	12	1,503,276	1,398,680	104,608
Park Bond and Interest Exempt	-	1,612,192	1,574,855	37,337
Municipal Bond and Interest Exempt	-	2,058,724	1,570,295	488,429
Redevelopment Reserve	736,555	-	-	736,555
Cumulative Capital Improvement	72,516	72,341	42,398	102,459
Cumulative Capital Development	134,948	231,482	282,617	83,813
Redevelopment Operating	91,277	2,699,038	1,345,747	1,444,568
Municipal Bond Proceeds	227,789	7,631,750	7,581,171	278,368
Barrett Bond Proceeds	17,610	-	-	17,610
Redevelopment Capital Improvements	521,594	2,217	-	523,811
Park Bond Proceeds	1,236,825	4,090,981	3,594,847	1,732,959
Riverboat	369,455	793,446	537,327	625,574
Local Major Moves	558,743	2,947	83,060	478,630
Park Donation Non-Reverting	29,384	329,685	320,730	38,339
Park Land Escrow	11,520	-	-	11,520
<b>Proprietary Funds:</b>				
Self Funded Medical/Life/Dental Insurance	522,638	1,216,399	1,555,428	183,609
Self Funded Liability Insurance	197,469	1,040,845	1,224,542	13,772
Water Utility - Operating	1,252,677	4,495,794	4,591,374	1,157,097
Water Utility - Bond and Interest	795	-	795	-
Water Utility - Depreciation	48,874	782,069	830,943	-
Water Utility - Customer Deposit	240,406	36,578	107,829	169,155
Solid Waste Management	615,628	1,949,273	2,179,258	385,643
<b>Fiduciary Funds:</b>				
Payroll	228,200	10,541,652	10,550,894	218,958
Police Pension	178,178	1,065,999	780,847	463,330
Intergovernmental Escrow	240,258	1,759,557	1,743,306	256,509
Insurance Payment	-	1,715,067	1,715,067	-
Cable TV Security Deposit	110,183	581	-	110,764
Escrow	552,174	339,778	376,455	515,497
<b>Totals</b>	<b>\$ 11,285,836</b>	<b>\$ 74,730,283</b>	<b>\$ 73,417,833</b>	<b>\$ 12,598,286</b>

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

TOWN OF MUNSTER  
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The Town was established under the laws of the State of Indiana. The Town provides the following services: public safety, health and social services, culture and recreation, water utility, and general administrative services.

Note 2. Fund Accounting

The Town uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

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

Note 5. Deposits and Investments

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

State statute (IC 5-13-9) authorizes the Town to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

TOWN OF MUNSTER  
NOTES TO FINANCIAL INFORMATION  
(Continued)

Note 6. Pension Plans

1. Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plans

a. Public Employees' Retirement Fund

Plan Description

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

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

Public Employees' Retirement Fund  
Harrison Building, Room 800  
143 West Market Street  
Indianapolis, IN 46204  
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

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

b. 1925 Police Officers' Pension Plan

Plan Description

The Town contributes to the 1925 Police Officers' Pension Plan, which 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.

TOWN OF MUNSTER  
NOTES TO FINANCIAL INFORMATION  
(Continued)

On Behalf Payments

The 1925 Police Officers' Pension Plan is funded by the State of Indiana through the Public Employees' Retirement Fund as provided under IC 5-10.3-11. The State of Indiana has contributed \$717,609 on behalf of the Town. On behalf contributions from the State of Indiana approximates the amount paid out for benefits.

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The Town contributes to the 1977 Police Officers' and Firefighters' Pension and Disability Fund, a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Employees' Retirement Plan (PERF) 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.

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

Public Employees' Retirement Fund  
Harrison Building, Room 800  
143 West Market Street  
Indianapolis, IN 46204  
Ph. (317) 233-4162

Funding Policy

The contribution requirements of plan members and the Town are established by the Board of Trustees of PERF. The Town's contributions to the plan during the period were \$582,604.

Note 7. Subsequent Events

Property Tax Rates and Levies

Due to errors in assessments of Calumet Township, the assessed valuations of Lake County were not finalized by February 15, 2010, as required. Therefore, the 2009 pay 2010 property tax rates and levies, as well as related budget orders for 2010, were not established. Lake County issued a provisional billing due May 10, 2010, based upon the 2008 pay 2009 tax rates. On September 3, 2010, final tax rates and levies for 2009 pay 2010 were established by the Indiana

TOWN OF MUNSTER  
NOTES TO FINANCIAL INFORMATION  
(Continued)

Department of Local Government Finance. The second billing for the 2009 pay 2010 taxes will be mailed in October 2010 with a due date in December 2010. The date of the distribution has not been determined at this time.

Circuit Breaker Tax Credit

In 2008, the Indiana General Assembly passed House Enrolled Act 1001 (HEA 1001) which provides a property tax credit (the Circuit Breaker Tax Credit) when the taxes on any property exceed a certain percentage of the property's assessed value. The credit is phased in over two years, 2009 and 2010. For taxes payable in 2010, the applicable percentages are as follows:

	<u>2010</u>
Homestead (owner-occupied) residential property	1%
Other residential property	2%
Commercial and industrial property	3%

The Circuit Breaker Tax Credit will result in a reduction of property tax collections for each political subdivision in which the Circuit Breaker Tax Credit is applied. A political subdivision may not increase its property tax levy or borrow funds to offset the effects of the Circuit Breaker Tax Credit.

Federal Grants

The Town has secured federal grants from the U.S. Department of Energy for a Waste-to-Energy Cogeneration Project for \$1,968,000 and \$951,500 for a total of \$2,919,500. The Town's required minimum non-federal cost share percentage for the project is 50% of \$2,919,500. The Town has not drawn any federal funds as of October 7, 2010.

2010 Bond Issues

On July 12, 2010, the Economic Development Commission adopted resolutions to initiate the process to sell Economic Development Revenue Bonds of 2010 for an amount not to exceed \$5,400,000. The bond proceeds will be used for financing the redevelopment of the Munster Shops Project at 8201 Calumet Avenue.

On July 20, 2010, the Park Board adopted resolutions to initiate the process to sell and budget the Park Bonds of 2010 for an amount not to exceed \$1,970,000. The bond proceeds will be used for park equipment, renovations, improvements, construction, and wetlands mitigation.

On September 13 and 27, 2010, the Town Council adopted resolutions to initiate the process to sell and budget the Municipal Bonds of 2010 for an amount not to exceed \$1,970,000. The bonds are expected to be sold in November 2010 with closing in December 2010. The bond proceeds will be used for municipal improvements, public works, police and fire equipment (including a fire rescue vehicle), street resurfacing, and technology improvements.

Purchase of Property

On May 10, 2010, the Town Council approved the purchase of 1 River Drive for \$295,000 and attorney/professional and moving expenses up to \$15,000. This property is within the flood plain and not protected by a levy.

TOWN OF MUNSTER  
NOTES TO FINANCIAL INFORMATION  
(Continued)

Note 8. Rate Structure – Enterprise Funds

Water Utility

On July 11, 2005, the Town Council adopted Ordinance 1287 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Town Council on September 18, 2006.

Solid Waste Management

The current rate structure was approved by the Town Council on July 16, 2007.

Note 9. Municipal Solid Waste Landfill Closure and Post Closure Costs

State and federal laws and regulations required the Town to place a final cover on its municipal landfill when it stopped accepting solid waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post closure care costs will be paid only near or after the date that the landfill stops accepting waste, the Town reports a portion of these closure and post closure care costs as an operating disbursement in each period based on landfill capacity used as of each balance sheet date. The Town has recognized all the estimated costs of closure and post closure care since the landfill capacity is filled. These amounts are based on what it would cost to perform all closure and post closure care in 2004. The Town stopped accepting solid waste and began the closure process in August 2004. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The Town is required by state and federal laws and regulations to make contributions to a trust to finance closure and post closure care, to obtain a line of credit, obtain a bond in an amount sufficient to finance the estimated closure and post closure care cost, obtain insurance, or fulfill the financial requirements set forth in 329 IAC 2-12. The Town has chosen the last option. To meet this requirement, the Town has established that less than 50% of gross revenues are from solid waste management and the net assessed value is \$10,000,000 or more and is at least six times the current closure estimate. In addition, the Town has established that it can meet one of the following: (1) Have the authority to increase property tax rates to raise revenues in an amount at least six times greater than the current closure estimate, (2) Annual budget (as approved by the Department of Local Government Finance) is at least six times the current closure estimate, or (3) Have the ability to issue general obligation bonds equal to at least six times the current closure estimate (payable from property taxes) and has an A or better rating from Standard and Poor's or Moody's.

Note 10. Contingent Liabilities

The Town is a defendant in various lawsuits and other litigations. The Town estimates the potential liability for these litigations at approximately \$360,000.

TOWN OF MUNSTER  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CAPITAL ASSETS  
 For The Year Ended December 31, 2009

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.

General infrastructure assets are included if acquired (purchased, constructed, or donated) after July 1, 1980, or if they received major renovations, restorations, or improvements after that date. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are reported at historical cost.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 33,042,815
Infrastructure	160,668,863
Buildings	8,818,261
Public art	613,788
Improvements other than buildings	9,024,300
Machinery and equipment	9,624,830
Construction in progress	<u>1,009,991</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 222,802,848</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 288,548
Infrastructure	21,399,746
Buildings	3,863,636
Machinery and equipment	<u>2,158,245</u>
Total business-type activities capital assets, not being depreciated	<u>\$ 27,710,175</u>
Grand Total for Town	<u>\$ 250,513,023</u>

TOWN OF MUNSTER  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 December 31, 2009

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
Centennial Park	\$ 12,550,000	\$ 1,220,000
2007 Copy Machines	90,000	36,000
2008 Police Cars (K)	71,868	55,555
2009 Police Cars (L)	78,763	55,044
2009 Police Cars (M)	199,612	106,983
Bonds payable:		
General obligation bonds:		
2006 Municipal	530,000	547,000
2007 Municipal	1,000,000	530,627
2008 Municipal	1,500,000	541,098
2009 Municipal	1,970,000	523,881
2006 Park District	530,000	548,000
2007 Park District	1,000,000	532,749
2008 Park District	1,500,000	546,659
2009 Park District	1,970,000	553,257
2007 Redevelopment Bonds	<u>7,850,000</u>	<u>735,339</u>
Total governmental activities debt	<u>\$ 30,840,243</u>	<u>\$ 6,532,193</u>
Business-type activities:		
Water Utility:		
Capital leases:		
2005 Water Meters #1	\$ 165,428	\$ 136,640
2006 Water Meters #2	127,261	105,260
2007 Water Meters #3	212,963	176,020
2007 Water Meters #4	101,383	83,800
2008 Water Meters #5	<u>44,507</u>	<u>45,910</u>
Total business-type activities debt	<u>\$ 651,542</u>	<u>\$ 547,630</u>

TOWN OF MUNSTER  
EXAMINATION RESULTS AND COMMENTS

PRORATED SALARIES

The Town Council salaries were prorated between several funds, including 10% to the Motor Vehicle Highway Fund for 2009 and 2010. The amount prorated to the Motor Vehicle Highway Fund is not allowable under Indiana Statute.

IC 8-14-1-5 states in part:

"(a) All funds allocated to cities and towns from the motor vehicle highway account shall be used by the cities and towns for the construction, reconstruction, repair, maintenance, oiling, sprinkling, snow removal, weed and tree cutting and cleaning of their highways as herein defined, and including also any curbs, and the city's or town's share of the cost of the separation of the grades of crossing of public highways and railroads, the purchase or lease of highway construction and maintenance equipment, the purchase, erection, operation and maintenance of traffic signs and signals, and safety zones and devices; and the painting of structures, objects, surfaces in highways for purposes of safety and traffic regulation. All of such funds shall be budgeted as provided by law. (b) In addition to purposes for which funds may be expended under subsections (a) and (c) of this section, monies allocated to cities and towns under this chapter may be expended for law enforcement purposes, subject to the following limitations:...(c) In addition to purposes for which funds may be expended under subsections (a) and (b) of this section, monies allocated to cities and towns under this chapter may be expended for the payment of principal and interest on bonds sold primarily to finance road, street, or thoroughfare projects."

OFFICIAL BONDS

The official bonds for the Town Manager and the Police Pension Secretary do not meet the minimum requirement of \$15,000 as of July 1, 2009.

IC 36-5-5-5 states: "The manager must, in the manner prescribed by IC 5-4-1, execute a bond for the faithful performance of his duties."

IC 36-8-6-3 (e) states: "The secretary shall in the manner prescribed by IC 5-4-1, execute a bond conditioned upon the faithful discharge of the secretary's duties."

IC 5-4-1-18 (c) (2) states in part: "The amount of annual coverage of the bond of any other person required to file an individual bond shall be fixed by the fiscal body of the unit at not less than fifteen thousand dollars (\$15,000)."

REDEVELOPMENT TAX INCREMENT FINANCING (TIF) ALLOCATION FUND

On February 16, 2009, the Redevelopment Commission approved to set aside TIF allocations for public art based on a formula. The minutes state: "Money collected under this program would be used for the maintenance and annual upkeep of lighting (25%), creating a depreciation fund for the long-term maintenance of existing artwork (15%), and for the new artwork throughout Town (60%)." Furthermore, on April 20, 2009, the Commission reinstated the 50/50 fence policy to be paid from TIF allocations. Further clarification of the fence policy on August 17, 2009, was made by the Commission stipulating the

TOWN OF MUNSTER  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

fence must be immediately adjacent to a Town-owned right-of-way or property, or the majority of the fence must run parallel to the Town-owned right-of-way, or the fence must adjoin one of the Town's major arterial roads or any of its commercially-zoned areas to include alleys. The maintenance of the existing artwork, the construction of new artwork, and the 50/50 fence policy are not allowable under IC 36-7-14-39.

IC 36-7-14-39 (b) (2) states in part: "Except as otherwise provided in this section, property tax proceeds in excess of those described in subdivision (1) shall be allocated to the redevelopment district and, when collected, paid into an allocation fund for that allocation area that may be used by the redevelopment district only to do one (1) or more of the following:

- (A) Pay the principal of and interest on any obligations payable solely from allocated tax proceeds which are incurred by the redevelopment district for the purpose of financing or refinancing the redevelopment of that allocation area.
- (B) Establish, augment, or restore the debt service reserve for bonds payable solely or in part from allocated tax proceeds in that allocation area.
- (C) Pay the principal of and interest on bonds payable from allocated tax proceeds in that allocation area and from the special tax levied under section 27 of this chapter.
- (D) Pay the principal of and interest on bonds issued by the unit to pay for local public improvements that are physically located in or physically connected to that allocation area.
- (E) Pay premiums on the redemption before maturity of bonds payable solely or in part from allocated tax proceeds in that allocation area.
- (F) Make payments on leases payable from allocated tax proceeds in that allocation area under section 25.2 of this chapter . . .
- (G) Reimburse the unit for expenditures made by it for local public improvements (which include buildings, parking facilities, and other items described in section 25.1(a) of this chapter) that are physically located in or physically connected to that allocation area.
- (H) Reimburse the unit for rentals paid by it for a building or parking facility that is physically located in or physically connected to that allocation area under any lease entered into under IC 36-1-10.
- (I) For property taxes first due and payable before January 1, 2009, pay all or a part of a property tax replacement credit to taxpayers in an allocation area as determined by the redevelopment commission. This credit equals the amount determined under the following STEPS for each taxpayer in a taxing district (as defined in IC 6-1.1-1-20) that contains all or part of the allocation area.
- (J) Pay expenses incurred by the redevelopment commission for local public improvements that are in the allocation area or serving the allocation area. Public improvements include buildings, parking facilities, and other items described in section 25.1(a) of this chapter.

TOWN OF MUNSTER  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

(K) Reimburse public and private entities for expenses incurred in training employees of industrial facilities that are located: (i) in the allocation area; and (ii) on a parcel of real property that has been classified as industrial property under the rules of the department of local government finance. However, the total amount of money spent for this purpose in any year may not exceed the total amount of money in the allocation fund that is attributable to property taxes paid by the industrial facilities described in this clause. The reimbursements under this clause must be made within three (3) years after the date on which the investments that are the basis for the increment financing are made.

The allocation fund may not be used for operating expenses of the commission."

FEES - PARKS AND RECREATION DEPARTMENT

The Park Board minutes did not reflect fee approvals for all programs and activities provided by the Parks and Recreation Department. The Park Board annually approves fees for the use of the majority of facilities for the following year; however, Board approval of the following fees and policies was not noted in the Park Board minutes:

1. Centennial Park: Menu prices at The View (restaurant), fees for items related to rental at the banquet facilities (Munster police officer, bartender charge, and special linens), and items sold at the pro shop.
2. Centennial Park Dog Park Fees: Resident Six-Month Pass, Resident Six-Month Pass for Second Dog, Non-Resident Six-Month Pass for Second Dog, and the \$10 fee for a replacement card for the dog passes of either residents or non-residents.

All fees collected by the parks and recreation department must be approved by the Park Board. A similar comment appeared in the prior report.

Fees should only be collected as specifically authorized by statute or properly authorized resolutions or ordinances, as applicable, which are not contrary to statutory or Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF MUNSTER  
EXIT CONFERENCE

The contents of this report were discussed on October 7, 2010, with John W. Edington, President of the Town Council; Thomas F. DeGiulio, Superintendent of Utilities; David F. Shafer, Clerk-Treasurer; Eugene M. Feingold, Town Attorney; Clay Johnson, Assistant to the Town Manager; Patricia Abbott, Accounting Supervisor; Barbara Holajter, Superintendent of Recreation; and Jessica DeGiulio, Food Service Manager at Centennial Park. The official response has been made a part of this report and may be found on pages 16 through 21.



*At Your Service*

October 15, 2010

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

Re: Town of Munster  
Examination for the Year 2009  
OFFICIAL RESPONSE

Dear Mr. Hartman:

Following are our responses to comments resulting from an examination of the Town of Munster for the year ending December 31, 2009.

#### PRORATED SALARIES

The State Board of Accounts found that IC 8-14-1-5 does not allow a portion of salaries for members of the Town Council to be paid out of the Motor Vehicle Highway Fund.

Response: The Town respectively disagrees with the finding of the State Board of Accounts and requests this Audit Result and Comment be removed from the Town's report. As elaborated by Munster Town Attorney Eugene M. Feingold in his letter dated October 8, 2010, copy attached, IC 8-14-1-2 has the effect of permitting such uses.

#### OFFICIAL BONDS

The State Board of Accounts found that official bonds of the Town Manager and the Police Pension Board Secretary did not meet the minimum requirement of \$15,000.00 as of July 1, 2009.

Response: We concur. Future bonds will reflect the statutory minimums. There were no claims against any official bond.



REDEVELOPMENT TAX INCREMENT FINANCING (TIF) ALLOCATION FUND

The State Board of Accounts found that uses of TIF allocations, as recited in IC 36-7-14-39, do not include maintenance of existing artwork, construction of new artwork, or funding of a fence replacement program, and therefore are not permitted.

Response: The Town respectively disagrees with the finding of the State Board of Accounts and requests this Audit Result and Comment be removed from the Town's report. As elaborated by Munster Town Attorney Eugene M. Feingold in his letter dated October 13, 2010, copy attached, IC 36-7-25-3 has the effect of permitting such uses.

FEES – PARKS AND RECREATION DEPARTMENT

The State Board of Accounts found that Park Board minutes did not reflect fee approvals for all programs and activities of the Parks and Recreation Department.

Response: We concur. Schedules of prices and fees will be presented to the Park Board for approval.

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

Sincerely,



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

cc: Ms. Patricia L. Abbott, IAMC, CMC, Accounting Supervisor  
Mr. Thomas F. DeGiulio, Town Mgr. and Interim Director–Parks and Recreation  
Hon. John W. Edington, Town Council President  
Mr. Eugene M. Feingold, Town Attorney  
Ms. Mary Jo Small, CPA, State Board of Accounts Field Supervisor

LAW OFFICES  
EUGENE M. FEINGOLD  
CITIZENS ANNEX  
625 RIDGE ROAD - SUITE A  
MUNSTER, INDIANA 46321

EUGENE M. FEINGOLD  
\_\_\_\_\_  
STEVEN P. KENNEDY

FAX (219) 836-8944  
\_\_\_\_\_  
TELEPHONE (219) 836-8800

October 8, 2010

David F. Shafer  
Clerk-Treasurer  
Munster Town Hall  
1005 Ridge Road  
Munster, IN 46321

RE: Allocation by Town Council to pay a portion of its salary from  
Motor Vehicle Highway Account fund

Dear David,

During the budget year of 2009, and perhaps earlier, the Munster Town Council has allocated from Motor Vehicle Highway Account fund an amount equal to a percentage of their annual salary. You have asked for my opinion as whether this source of funds is available for such purpose.

It is my opinion that the use of Motor Vehicle Highway Account funds to contribute in part to the overall cost of the Town Council salary is permissible under Indiana state law.

I.C. 8-14-1-2 declares as the policy of the State of Indiana that:

1. The net amount in the Motor Vehicle Highway Account fund shall be budgeted for programs of traffic safety and for the construction, reconstruction, improvement, maintenance, and policing of the highways of the state;
2. The funds allocated shall be used in accordance with the policy declared in the act and the Town allocation shall be budgeted as provided by the law.

IC 8-14-1-5 sets forth the permissible uses from the Motor Vehicle Highway Account fund. This section of the statute refers to the policy set forth in

1 above, and adds also its use for law enforcement purposes, as well as payment of principal and interest on bonds sold primarily to finance road, streets and thoroughfare projects.

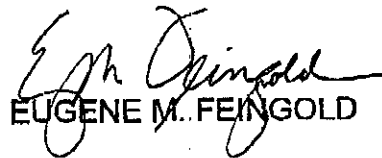
One of the activities of the Town Council is to discuss and approve programs of traffic safety, and to authorize construction, improvement, maintenance and policing the highways of the Town. They have many areas to discuss in relationship to programs of traffic safety and construction, maintenance and policing of highways. They include on the part of the Town Council: committee meetings, work study sessions, Town Council meetings, approval of traffic safety programs, determination of highways and roadways for construction, reconstruction, improvement and maintenance, and general aspects of policing the highways and roadways of the Town.

In my opinion the work product of the Town Council in these areas justify an allocation of the Motor Vehicle Highway Account funds to the partial payment of the Town Council salaries.

The Motor Vehicle Highway Account fund for the construction, reconstruction, repair, maintenance, oiling, sprinkling, snow removal, weed and tree cutting and cleaning of the highways, in my opinion, would also include the payment of engineering and construction drawings and specifications, construction oversight, legal review of contracts for construction, and other aspects of the construction and maintenance process. In my opinion, this entire process is intended to be covered by the Motor Vehicle Highway Account.

Thank you for the opportunity to be of service to you.

Respectfully yours,

  
EUGENE M. FEINGOLD

John Edington  
Thomas F. DeGiulio  
State Board of Accounts

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EUGENE M. FEINGOLD  
\_\_\_\_\_  
STEVEN P. KENNEDY

FAX (219) 836-8944  
\_\_\_\_\_  
TELEPHONE (219) 836-8800

October 13, 2010

Mrs. Barbara A. Williams, CPA, CGFM  
Auditor In Charge  
Indiana State Board of Accounts  
Room A308  
Lake County Government Center  
2293 N. Main Street  
Crown Point, IN 46307  
State Board of Accounts

RE: Audit of Town of Munster 2009; TIF Allocation fund payments

Dear Mrs. Williams:

You have made a preliminary examination comment with respect to the Redevelopment Commission setting aside TIF allocations for public art, and for the 50/50 fence policy. In each instance you have considered these expenditures not to be allowable under IC 36-7-14-39 (b) (2). The preliminary examination comment is that the payments made from TIF proceeds by the Town of Munster are not included in the statute set forth above, and therefore are not permitted.

We respectfully disagree. There remains in force IC 36-7-25 (Additional Powers of Redevelopment Commission) which applies to the Town. IC 36-7-25-3 states:

*Projects, improvements, or purposes that may be financed by a commission in redevelopment project areas or economic development areas may be financed if the projects, improvements, or purposes are not located in those areas or the redevelopment district so long as the projects, improvements, or purposes directly serve or benefit those areas.*

These additional powers of redevelopment commissions have not been repealed and remain consistent as part of a legislative plan of limitation of certain powers and "additional powers".

The determination as to whether the projects, improvements, or purposes directly serve or benefit those areas not located within the TIF district or located within the TIF district is a legislative one made by the Town Council.

IC 36-7-14-39 (b) (2) in its past and present form has stood alongside IC 36-7-25-3 for many many years. There is no inconsistency.

As a consequence, we ask that you withdraw the negative comment concerning the expenses from the TIF Allocation fund as presented in your preliminary examination comment.

Sincerely yours,

  
EUGENE M. FEINGOLD

EMF:bw

Cc: David F. Shafer  
John Edington  
Thomas F. DeGiulio  
Tricia Abbott