

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, 2011 to December 31, 2011



FILED
01/08/2013

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Eugene M. Guernsey	01-01-08 to 12-31-15
President of the Town Council	Thomas Goralczyk Shawn M. Pettit	01-01-11 to 12-31-11 01-01-12 to 12-31-12
Executive Director of Storm Water Utility	Matt Lake	01-01-11 to 12-31-12



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

We have audited the accompanying financial statement of the Town of Merrillville (Town), for the year ended December 31, 2011. This financial statement is the responsibility of the Town's management. 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 includes consideration of internal control over financial reporting as a basis for designing 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 over reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Town prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by 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 effects on the financial statement of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity 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, 2011.

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, 2011, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated September 24, 2012, 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 and should be considered in assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT
(Continued)

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

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.

STATE BOARD OF ACCOUNTS

September 24, 2012



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AN EQUAL OPPORTUNITY EMPLOYER

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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 the financial statement of the Town of Merrillville (Town), for the year ended December 31, 2011, and have issued our report thereon dated September 24, 2012. 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.

Internal Control Over Financial Reporting

Management of the Town is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been 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 and other deficiencies that we consider to be significant deficiencies.

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 deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2011-1 to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2011-2 to be significant deficiency.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2011-1.

The Town's response to the findings identified in our audit is described in the accompanying section of the report entitled Corrective Action Plan. We did not audit the Town's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Town's management, Town Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

September 24, 2012

FINANCIAL STATEMENT

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

TOWN OF MERRILLVILLE
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2011

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
GENERAL	\$ 534,464	\$ 20,825,052	\$ 19,974,992	\$ 1,384,524
MOTOR VEHICLE	9,488	854,883	766,165	98,206
LOCAL ROADS & STREET	36,760	338,724	322,340	53,144
ECONOMIC DEVELOPMENT COMMISSION	190	-	190	-
POLICE DEPARTMENT CONTINUING EDUCATION	63,737	45,689	17,928	91,498
CASINO GAMING FUND	433,124	389,581	526,808	295,897
PARKS & RECREATION	59,532	190,124	133,433	116,223
RAINY DAY FUND	-	216	-	216
LEVY EXCESS	22,252	-	-	22,252
MERRILLVILLE FIRE TERRITORY	-	249,148	227,812	21,336
CERTIFIED TECHNOLOGY PARK	-	480,873	480,873	-
CUMULATIVE CAPITAL DEVELOPMENT	344,587	571,283	416,142	499,728
PARKS NON-REVERTING	24,284	21,706	26,297	19,693
POLICE EQUIPMENT	50,314	226,040	223,002	53,352
CUMULATIVE FIRE EQUIPMENT	-	17,550	10,509	7,041
CUMULATIVE CAPITAL IMPROVEMENT	139,930	252,761	345,000	47,691
FIREFIGHTERS EQUIPMENT	5,290	15,870	-	21,160
PARK IMPACT FEES	18,327	33,715	4,273	47,769
TOWN COURT TRACKING	267,466	1,232,152	1,243,107	256,511
TOWN PARTY DONATIONS	218	-	218	-
NOXIOUS WEEDS NON-REVERTING	1,267	4,658	4,142	1,783
U.S. CABLE ESCROW	195,061	195	-	195,256
HEALTH INSURANCE ESCROW	-	2,122,787	1,937,824	184,963
EMPLOYEE INSURANCE BENEFITS	2,857	1,570,830	1,544,113	29,574
EMERGENCY MANAGEMENT AGENCY	(6,306)	6,306	-	-
COURT PROBATION	15,587	47,631	53,119	10,099
PUBLIC DEFENDER FEES	22,310	3,309	11,917	13,702
RECORD PERPETUATION	3,951	9,792	10,443	3,300
VETERANS MEMORIAL	2,586	11,817	12,806	1,597
ENGINEERING FEES	12,238	16,724	6,953	22,009
POLICE DONATION	7,788	9,376	10,307	6,857
FIRE & HAZMAT	54,117	156,260	114,445	95,932
SPECIAL PROJECTS	364	-	364	-
POLICE SPECIAL GRANT	9,693	405,124	414,420	397
RECYCLING GRANT FUND	65,062	195,017	195,185	64,894
TOURISM	4,836	-	658	4,178
PROPERTY SEIZURE	33,915	16,719	-	50,634
OFF TRACK BETTING DONATION	7,178	-	-	7,178
NEW TOWN HALL DONATION	743	-	743	-
PARK DONATION	7,411	315	222	7,504
BIKE TRAIL GRANT	23,421	-	23,421	-
BRIDGEWOOD ESTATES PHASEII	939	-	-	939
COUNTY REIMBURSEMENT WELFARE	86,614	-	86,505	109
G.O.BOND DEBT SERVICE	302,681	952,009	950,350	304,340
TIF DEBT SERVICE RESERVES	197,406	233	-	197,639
MERRILLVILLE ROAD TIF PROJECT	881,046	1,221,067	1,913,706	188,407
MERRILLVILLE ROAD TIF DEBT SERVICE	1,289,410	1,730,223	283,141	2,736,492
BROADWAY TIF	779,982	1,478,144	952,638	1,305,488
MISSISSIPPI STREET TIF DEBT SERVICE	649,993	3,946,575	1,029,994	3,566,574
MISSISSIPPI STREET TIF PROJECT	187,665	43,660	127,367	103,958
MISSISSIPPI STREET DEBT SERVICE RESERVE	756,338	-	-	756,338
AMERIPLEX AT CROSSROADS	-	1,124,546	754,794	369,752
MISSISSIPPI STREET PROJECT 2	-	580,787	580,787	-
TOWN DONATIONS	30,710	34,420	47,194	17,936
2011 JUDGEMENT BOND PROCEEDS	-	220,500	212,880	7,620
REDEVELOPMENT BONDS 2005 DEBT SERVICE	756,826	1,247,759	871,440	1,133,145
REDEVELOPMENT COMMISSION BONDS 2005	193,180	-	193,180	-
2010 JUDGEMENT BOND PROCEEDS	5,120	-	450	4,670
2010 JUDGEMENT BOND DEBT SERVICE	-	65,000	28,435	36,565
STORM WATER OPERATING MAINTENANCE	940,480	1,193,793	1,437,399	696,874
STORM WATER CONSTRUCTION	-	1,000,000	268,789	731,211
PAYROLL	133,020	5,991,689	5,991,850	132,859
POLICE PENSION-25	(5,597)	433,782	421,373	6,812
POLICE PENSION-PERF	39,613	129,662	135,418	33,857
LANDSCAPING ESCROW	-	31,500	21,500	10,000
Totals	<u>\$ 9,699,468</u>	<u>\$ 51,747,576</u>	<u>\$ 45,369,361</u>	<u>\$ 16,077,683</u>

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

TOWN OF MERRILLVILLE
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

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

C. Cash and Investments

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

D. Receipts

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

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

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

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

TOWN OF MERRILLVILLE
NOTES TO FINANCIAL STATEMENT
(Continued)

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, cable TV receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

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

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

E. Disbursements

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

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

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

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

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

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

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

TOWN OF MERRILLVILLE
NOTES TO FINANCIAL STATEMENT
(Continued)

F. Interfund Transfers

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

G. Fund Accounting

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

Note 2. Budgets

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

Note 3. Property Taxes

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

Note 4. Deposits and Investments

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

TOWN OF MERRILLVILLE
NOTES TO FINANCIAL STATEMENT
(Continued)

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

Note 5. Risk Management

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

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

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

TOWN OF MERRILLVILLE
NOTES TO FINANCIAL STATEMENT
(Continued)

B. 1925 Police Officers' Pension Plan

Plan Description

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

Funding Policy

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

On Behalf Payments

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

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

Plan Description

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

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

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

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

Funding Policy

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

TOWN OF MERRILLVILLE
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 7. Subsequent Events

On March 12, 2012, the Town issued Storm Water District Bonds, Series 2012, for \$3,500,000. This issue retired the Storm Water Bond Anticipation Note (BAN) for \$1,000,000 and provided additional proceeds for the 54th Court Storm Water Project.

On April 24, 2012, the Town issued \$1,900,000 General Obligation Bonds of 2012 for various general road and sidewalk construction, road paving, and infrastructure projects.

On August 23, 2012, the Town issued \$13,980,000 Redevelopment District Tax Increment Revenue Bonds, Series 2012, to retire the Bond Anticipation Notes (BAN's), Series 2010A, to retire the 2004 General Obligation Bonds, and provide funding for the cost of additional property acquisition, redevelopment and economic development in or serving the Mississippi Street Economic Development Area.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Town's 2011 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, 2011

	GENERAL	MOTOR VEHICLE	LOCAL ROADS & STREET	ECONOMIC DEVELOPMENT COMMISSION	POLICE DEPARTMENT CONTINUING EDUCATION	CASINO GAMING FUND	PARKS & RECREATION
Cash and investments - beginning	\$ 534,464	\$ 9,488	\$ 36,760	\$ 190	\$ 63,737	\$ 433,124	\$ 59,532
Receipts:							
Taxes	13,561,706	-	-	-	-	-	174,269
Licenses and permits	814,705	-	-	-	13,720	-	-
Intergovernmental	676,709	852,243	338,382	-	-	364,790	7,577
Charges for services	172,933	-	-	-	26,939	-	8,278
Fines and forfeits	387,395	-	-	-	5,030	-	-
Other receipts	5,211,604	2,640	342	-	-	24,791	-
Total receipts	<u>20,825,052</u>	<u>854,883</u>	<u>338,724</u>	<u>-</u>	<u>45,689</u>	<u>389,581</u>	<u>190,124</u>
Disbursements:							
Personal services	6,189,072	701,160	55,388	-	5,628	-	113,199
Supplies	195,247	65,000	184,728	-	6,855	-	10,599
Other services and charges	1,734,452	5	82,224	-	5,445	170,963	9,130
Debt service - principal and interest	9,672,102	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	355,845	495
Other disbursements	2,184,119	-	-	190	-	-	10
Total disbursements	<u>19,974,992</u>	<u>766,165</u>	<u>322,340</u>	<u>190</u>	<u>17,928</u>	<u>526,808</u>	<u>133,433</u>
Excess (deficiency) of receipts over disbursements	<u>850,060</u>	<u>88,718</u>	<u>16,384</u>	<u>(190)</u>	<u>27,761</u>	<u>(137,227)</u>	<u>56,691</u>
Cash and investments - ending	<u>\$ 1,384,524</u>	<u>\$ 98,206</u>	<u>\$ 53,144</u>	<u>\$ -</u>	<u>\$ 91,498</u>	<u>\$ 295,897</u>	<u>\$ 116,223</u>

TOWN OF MERRILLVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	RAINY DAY FUND	LEVY EXCESS	MERRILLVILLE FIRE TERRITORY	CERTIFIED TECHNOLOGY PARK	CUMULATIVE CAPITAL DEVELOPMENT	PARKS NON-REVERTING	POLICE EQUIPMENT
Cash and investments - beginning	\$ -	\$ 22,252	\$ -	\$ -	\$ 344,587	\$ 24,284	\$ 50,314
Receipts:							
Taxes	-	-	-	-	526,846	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	248,873	480,873	19,201	-	-
Charges for services	-	-	225	-	-	21,706	35,003
Fines and forfeits	-	-	-	-	-	-	154,142
Other receipts	216	-	50	-	25,236	-	36,895
Total receipts	216	-	249,148	480,873	571,283	21,706	226,040
Disbursements:							
Personal services	-	-	101,961	-	-	10,836	-
Supplies	-	-	12,508	-	-	1,691	8,276
Other services and charges	-	-	102,575	-	-	13,595	5,440
Debt service - principal and interest	-	-	-	-	251,142	-	-
Capital outlay	-	-	334	-	-	-	209,086
Other disbursements	-	-	10,434	480,873	165,000	175	200
Total disbursements	-	-	227,812	480,873	416,142	26,297	223,002
Excess (deficiency) of receipts over disbursements	216	-	21,336	-	155,141	(4,591)	3,038
Cash and investments - ending	\$ 216	\$ 22,252	\$ 21,336	\$ -	\$ 499,728	\$ 19,693	\$ 53,352

TOWN OF MERRILLVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	CUMULATIVE FIRE EQUIPMENT	CUMULATIVE CAPITAL IMPROVEMENT	FIREFIGHTERS EQUIPMENT	PARK IMPACT FEES	TOWN COURT TRACKING	TOWN PARTY DONATIONS	NOXIOUS WEEDS NON-REVERTING
Cash and investments - beginning	\$ -	\$ 139,930	\$ 5,290	\$ 18,327	\$ 267,466	\$ 218	\$ 1,267
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	87,761	-	-	-	-	-
Charges for services	500	-	15,870	-	-	-	-
Fines and forfeits	-	-	-	-	1,232,152	-	4,658
Other receipts	17,050	165,000	-	33,715	-	-	-
Total receipts	17,550	252,761	15,870	33,715	1,232,152	-	4,658
Disbursements:							
Personal services	-	-	-	-	-	-	4,142
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	3,900	1,243,107	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	10,509	-	-	-	-	-	-
Other disbursements	-	345,000	-	373	-	218	-
Total disbursements	10,509	345,000	-	4,273	1,243,107	218	4,142
Excess (deficiency) of receipts over disbursements	7,041	(92,239)	15,870	29,442	(10,955)	(218)	516
Cash and investments - ending	\$ 7,041	\$ 47,691	\$ 21,160	\$ 47,769	\$ 256,511	\$ -	\$ 1,783

TOWN OF MERRILLVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	U.S. CABLE ESCROW	HEALTH INSURANCE ESCROW	EMPLOYEE INSURANCE BENEFITS	EMERGENCY MANAGEMENT AGENCY	COURT PROBATION	PUBLIC DEFENDER FEES	RECORD PERPETUATION
Cash and investments - beginning	\$ 195,061	\$ -	\$ 2,857	\$ (6,306)	\$ 15,587	\$ 22,310	\$ 3,951
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	36,032	3,309	9,792
Other receipts	195	2,122,787	1,570,830	6,306	11,599	-	-
Total receipts	<u>195</u>	<u>2,122,787</u>	<u>1,570,830</u>	<u>6,306</u>	<u>47,631</u>	<u>3,309</u>	<u>9,792</u>
Disbursements:							
Personal services	-	-	-	-	34,686	-	10,443
Supplies	-	-	-	-	2,977	-	-
Other services and charges	-	-	-	-	15,456	11,917	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Other disbursements	-	1,937,824	1,544,113	-	-	-	-
Total disbursements	<u>-</u>	<u>1,937,824</u>	<u>1,544,113</u>	<u>-</u>	<u>53,119</u>	<u>11,917</u>	<u>10,443</u>
Excess (deficiency) of receipts over disbursements	<u>195</u>	<u>184,963</u>	<u>26,717</u>	<u>6,306</u>	<u>(5,488)</u>	<u>(8,608)</u>	<u>(651)</u>
Cash and investments - ending	<u>\$ 195,256</u>	<u>\$ 184,963</u>	<u>\$ 29,574</u>	<u>\$ -</u>	<u>\$ 10,099</u>	<u>\$ 13,702</u>	<u>\$ 3,300</u>

TOWN OF MERRILLVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	VETERANS MEMORIAL	ENGINEERING FEES	POLICE DONATION	FIRE & HAZMAT	SPECIAL PROJECTS	POLICE SPECIAL GRANT	RECYCLING GRANT FUND
Cash and investments - beginning	\$ 2,586	\$ 12,238	\$ 7,788	\$ 54,117	\$ 364	\$ 9,693	\$ 65,062
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	16,724	-	156,260	-	-	-
Intergovernmental	-	-	-	-	-	405,124	195,017
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Other receipts	11,817	-	9,376	-	-	-	-
Total receipts	<u>11,817</u>	<u>16,724</u>	<u>9,376</u>	<u>156,260</u>	<u>-</u>	<u>405,124</u>	<u>195,017</u>
Disbursements:							
Personal services	-	-	-	106,905	-	24,735	158,601
Supplies	-	-	9,891	3,751	-	-	29,541
Other services and charges	12,806	6,933	416	3,039	-	389,685	7,043
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Other disbursements	-	20	-	750	364	-	-
Total disbursements	<u>12,806</u>	<u>6,953</u>	<u>10,307</u>	<u>114,445</u>	<u>364</u>	<u>414,420</u>	<u>195,185</u>
Excess (deficiency) of receipts over disbursements	<u>(989)</u>	<u>9,771</u>	<u>(931)</u>	<u>41,815</u>	<u>(364)</u>	<u>(9,296)</u>	<u>(168)</u>
Cash and investments - ending	<u>\$ 1,597</u>	<u>\$ 22,009</u>	<u>\$ 6,857</u>	<u>\$ 95,932</u>	<u>\$ -</u>	<u>\$ 397</u>	<u>\$ 64,894</u>

TOWN OF MERRILLVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	TOURISM	PROPERTY SEIZURE	OFF TRACK BETTING DONATION	NEW TOWN HALL DONATION	PARK DONATION	BIKE TRAIL GRANT	BRIDGEWOOD ESTATES PHASEII
Cash and investments - beginning	\$ 4,836	\$ 33,915	\$ 7,178	\$ 743	\$ 7,411	\$ 23,421	\$ 939
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Other receipts	-	16,719	-	-	315	-	-
Total receipts	-	16,719	-	-	315	-	-
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	658	-	-	-	222	23,421	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Other disbursements	-	-	-	743	-	-	-
Total disbursements	658	-	-	743	222	23,421	-
Excess (deficiency) of receipts over disbursements	(658)	16,719	-	(743)	93	(23,421)	-
Cash and investments - ending	\$ 4,178	\$ 50,634	\$ 7,178	\$ -	\$ 7,504	\$ -	\$ 939

TOWN OF MERRILLVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	COUNTY REIMBURSEMENT WELFARE	G.O.BOND DEBT SERVICE	TIF DEBT SERVICE RESERVES	MERRILLVILLE ROAD TIF PROJECT	MERRILLVILLE ROAD TIF DEBT SERVICE	BROADWAY TIF
Cash and investments - beginning	\$ 86,614	\$ 302,681	\$ 197,406	\$ 881,046	\$ 1,289,410	\$ 779,982
Receipts:						
Taxes	-	915,637	-	-	1,050,223	1,128,144
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	35,807	-	868,427	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Other receipts	-	565	233	352,640	680,000	350,000
Total receipts	-	952,009	233	1,221,067	1,730,223	1,478,144
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	86,505	-	-	1,563,706	-	-
Debt service - principal and interest	-	550,350	-	-	-	-
Capital outlay	-	-	-	-	-	-
Other disbursements	-	400,000	-	350,000	283,141	952,638
Total disbursements	86,505	950,350	-	1,913,706	283,141	952,638
Excess (deficiency) of receipts over disbursements	(86,505)	1,659	233	(692,639)	1,447,082	525,506
Cash and investments - ending	\$ 109	\$ 304,340	\$ 197,639	\$ 188,407	\$ 2,736,492	\$ 1,305,488

TOWN OF MERRILLVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	MISSISSIPPI STREET TIF DEBT SERVICE	MISSISSIPPI STREET TIF PROJECT	MISSISSIPPI STREET DEBT SERVICE RESERVE	AMERIPLEX AT CROSSROADS	MISSISSIPPI STREET PROJECT 2	TOWN DONATIONS
Cash and investments - beginning	\$ 649,993	\$ 187,665	\$ 756,338	\$ -	\$ -	\$ 30,710
Receipts:						
Taxes	3,946,575	-	-	1,124,546	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Other receipts	-	43,660	-	-	580,787	34,420
Total receipts	<u>3,946,575</u>	<u>43,660</u>	<u>-</u>	<u>1,124,546</u>	<u>580,787</u>	<u>34,420</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	580,787	47,194
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Other disbursements	1,029,994	127,367	-	754,794	-	-
Total disbursements	<u>1,029,994</u>	<u>127,367</u>	<u>-</u>	<u>754,794</u>	<u>580,787</u>	<u>47,194</u>
Excess (deficiency) of receipts over disbursements	<u>2,916,581</u>	<u>(83,707)</u>	<u>-</u>	<u>369,752</u>	<u>-</u>	<u>(12,774)</u>
Cash and investments - ending	<u>\$ 3,566,574</u>	<u>\$ 103,958</u>	<u>\$ 756,338</u>	<u>\$ 369,752</u>	<u>\$ -</u>	<u>\$ 17,936</u>

TOWN OF MERRILLVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	2011 JUDGEMENT BOND PROCEEDS	REDEVELOPMENT BONDS 2005 DEBT SERVICE	REDEVELOPMENT COMMISSION BONDS 2005	2010 JUDGEMENT BOND PROCEEDS	2010 JUDGEMENT BOND DEBT SERVICE	STORM WATER OPERATING MAINTENANCE
Cash and investments - beginning	\$ -	\$ 756,826	\$ 193,180	\$ 5,120	\$ -	\$ 940,480
Receipts:						
Taxes	-	1,163,996	-	-	-	1,192,643
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	53,763	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Other receipts	<u>220,500</u>	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>65,000</u>	<u>1,150</u>
Total receipts	<u>220,500</u>	<u>1,247,759</u>	<u>-</u>	<u>-</u>	<u>65,000</u>	<u>1,193,793</u>
Disbursements:						
Personal services	-	-	-	-	-	273,260
Supplies	-	-	-	-	-	70,740
Other services and charges	-	-	-	450	-	380,099
Debt service - principal and interest	-	841,440	-	-	28,435	-
Capital outlay	-	-	193,180	-	-	713,300
Other disbursements	<u>212,880</u>	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total disbursements	<u>212,880</u>	<u>871,440</u>	<u>193,180</u>	<u>450</u>	<u>28,435</u>	<u>1,437,399</u>
Excess (deficiency) of receipts over disbursements	<u>7,620</u>	<u>376,319</u>	<u>(193,180)</u>	<u>(450)</u>	<u>36,565</u>	<u>(243,606)</u>
Cash and investments - ending	<u>\$ 7,620</u>	<u>\$ 1,133,145</u>	<u>\$ -</u>	<u>\$ 4,670</u>	<u>\$ 36,565</u>	<u>\$ 696,874</u>

TOWN OF MERRILLVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	STORM WATER CONSTRUCTION	PAYROLL	POLICE PENSION-25	POLICE PENSION-PERF	LANDSCAPING ESCROW	Totals
Cash and investments - beginning	\$ -	\$ 133,020	\$ (5,597)	\$ 39,613	\$ -	\$ 9,699,468
Receipts:						
Taxes	-	-	27,655	-	-	24,812,240
Licenses and permits	-	-	-	-	-	1,001,409
Intergovernmental	-	-	405,303	-	-	5,039,850
Charges for services	-	-	-	-	-	281,454
Fines and forfeits	-	-	-	-	-	1,832,510
Other receipts	1,000,000	5,991,689	824	129,662	31,500	18,780,113
Total receipts	1,000,000	5,991,689	433,782	129,662	31,500	51,747,576
Disbursements:						
Personal services	-	-	421,148	-	-	8,211,164
Supplies	-	-	-	-	-	601,804
Other services and charges	-	-	225	-	-	6,501,398
Debt service - principal and interest	-	-	-	-	-	11,343,469
Capital outlay	268,789	-	-	-	-	1,751,538
Other disbursements	-	5,991,850	-	135,418	21,500	16,959,988
Total disbursements	268,789	5,991,850	421,373	135,418	21,500	45,369,361
Excess (deficiency) of receipts over disbursements	731,211	(161)	12,409	(5,756)	10,000	6,378,215
Cash and investments - ending	\$ 731,211	\$ 132,859	\$ 6,812	\$ 33,857	\$ 10,000	\$ 16,077,683

TOWN OF MERRILLVILLE
SCHEDULE OF PAYABLES AND RECEIVABLES
December 31, 2011

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 2,651,607</u>	<u>\$ -</u>

TOWN OF MERRILLVILLE
SCHEDULE OF LEASES AND DEBT
Decemeber 31, 2011

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:		
Equipment and trucks	\$ 49,601	\$ 50,627
Notes and loans payable:		
Mississippi Street Bond Anticipation Note	1,712,476	1,768,131
Storm Water Bond Anticipation Note	1,000,000	1,000,000
Bonds payable:		
General obligation bonds:		
2004 General Obligation Bonds - Public Infrastructure	2,875,000	569,863
2005 General Obligation Bonds - Redevelopment	6,280,000	838,040
2010 General Obligation Bonds - Judgment Funding - Street Lights	535,000	68,969
2011 General Obligation Bonds - Judgment Funding - EMS	225,000	17,657
Revenue bonds:		
2007 Revenue Anticipation Note - Health Insurance	200,000	209,830
Merrillville Road TIF Revenue Bonds	1,965,000	188,763
Mississippi Street TIF Revenue Bonds	<u>7,950,000</u>	<u>745,668</u>
Total governmental activities debt	<u>\$ 22,792,077</u>	<u>\$ 5,457,548</u>

TOWN OF MERRILLVILLE
 SCHEDULE OF CAPITAL ASSETS
 December 31, 2011

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	\$ 6,552,674
Infrastructure	70,775,878
Buildings	2,761,555
Improvements other than buildings	1,848,460
Machinery, equipment and vehicles	6,994,467
Total governmental activities	88,933,034
Total capital assets	\$ 88,933,034

TOWN OF MERRILLVILLE
OTHER REPORT

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

Town Court

TOWN OF MERRILLVILLE
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS TOWN COURT

The Town Court collects and retains cash collections in a separate bank account for traffic and ordinance violation tickets, bail bonds, court fees, and fines. The court distributes the money collected, except for the bonds, to the various governmental entities entitled to these funds. Financial activity for the Town Court was not properly recorded and maintained as described below.

City and Town Courts are required to maintain, in accordance with Accounting and Uniform Compliance Guidelines Manual for City and Town Courts, a City/Town Cash Book Form 213CT (cash book) and a Register of Trust Funds, General Form 102 (trust register). For a majority of the Court's entries to the Court View software system, these prescribed forms have been replaced with electronically generated ledger equivalents. The prior Court Administrator opted to maintain the prescribed City/Town Cash Book and Trust Register manually and forgo updating the electronic ledger equivalents in Court View. Receipt activity of the Town Court is processed through Court View in electronic form. However, the electronic disbursement activity was not posted to the electronic cash book because all checks are handwritten, and are not processed electronically through the computer system. Disbursements were manually posted on individual defendant's electronic case files. The Court View software system has the capability of electronically issuing checks and posting disbursements to the electronic cash book and trust register. However, officials did not use this feature of the software.

The 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 the bond was applied. Because disbursements were prepared manually and not processed electronically through the Court View system, the electronic equivalent of the cash book and the trust register could not be used to determine the respective cash balance in the ledger. A complete and functional electronic cash book and trust ledger was not available for audit. Using electronic software to generate (and post) checks would reduce the potential for errors or the misapplication of costs and more efficiently use Court resources.

From March 1, 2011 to August 31, 2012, the officials did not maintain the manual cash book, the official record of the Town Court. Officials did not (and could not) reconcile the bank accounts to the cash book, as the cash book's balances were unknown. Outstanding check lists and documentation of outstanding deposits in transit, including credit card activity, were not prepared at the end of each month. The "Register of Trust Funds" ledger was also not reconciled to the corresponding cash balance in the cash book.

During the prior examination of records, the cash book was reconciled to the bank and investment accounts as of February 28, 2011. Court officials were given the appropriate cash book balances as of February 28, 2011. A new court employee was not knowledgeable in the procedure of recording court transactions in the cash book and preparing the corresponding bank reconciliation. This employee was the only person responsible for the financial activity of the Town Court. Segregation of duties, a key component of adequate internal controls, was not in place in the Court's recordkeeping process. Also, the failure of personnel to perform assigned duties for an extended length of time indicates a lack of management oversight.

Controls have not been established to monitor Town Court records and review reconciliations. Necessary adjustments were proposed to and accepted by Court officials related to reporting of the financial activity of the Town Court in the Town's financial statement.

TOWN OF MERRILLVILLE
AUDIT RESULTS AND COMMENTS
(Continued)

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

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

INTERNAL CONTROLS OVER PURCHASING

The process of purchasing goods and services was not handled in accordance with the guidelines established by the Town. Prior to any purchase, a "Request to Purchase" is to be manually completed and signed by the person submitting the request and then approved by the Clerk-Treasurer. In 50 percent of the claims tested the "Request for Purchase" was dated after the date of purchase.

Not following the purchasing and disbursement guidelines could result in the Town incurring expense for goods and services that are not considered necessary and exceeding the budgetary constraints as approved by the Department of Local Government Finance.

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

DELINQUENT EMERGENCY MEDICAL SERVICES ACCOUNTS RECEIVABLE

In prior years, the Town billed patrons for ambulance services provided by the Town. At the time of the billing, until the service is paid for by the patron or his insurance provider, the amount due the Town is considered an account receivable.

At December 31, 2011, the Town had \$1,892,819 in accounts receivable for ambulance services. This balance is from billings with service dates from January 3, 1999 through January 29, 2008. During 2009, 2010, and 2011, the Town did not write-off any uncollectible accounts. A detailed listing of these accounts was not available for audit. The Town's Ordinance No. 04-23 states in part: "The Clerk-Treasurer on an annual basis shall submit to the Town Council of Merrillville a list of the uncollectible billings from the Emergency Medical Services. The Merrillville Town Council by majority vote shall waive these uncollectible billings."

The Town turned over \$205,126.08 to a collection agency on December 9, 2011.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF MERRILLVILLE
AUDIT RESULTS AND COMMENTS
(Continued)

MEAL REIMBURSEMENTS

Town Ordinance No. 98-26 states that "When it becomes necessary for an employee to attend a school or conference that has been sanctioned by the Town Council for attendance, that employee will be compensated for meal allowances in the following manner: six (6) dollars for breakfast, six (6) dollars for lunch, twelve (12) dollars for dinner, up to twenty-four (24) dollars total per day. The employee must turn in receipts for his or her meals along with their claim form for proper reimbursement. No reimbursement will be made without receipts and the proper documentation."

The Town is reimbursing the actual meal reimbursements even though many times the actual cost of the meal exceeds the meal allowance established by the Town Council. There were instances when the signed credit card slip was presented instead of the itemized receipt for the meal. Therefore, we were unable to determine if the all expenditures were allowable.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TEMPORARY TRANSFER OF FUNDS

A temporary loan was made in 2005 for \$165,000 from the Cumulative Capital Development Fund (CCD, Fund 440) to the Cumulative Capital Improvement Fund (CCI, Fund 401). On November 22, 2011, the Town Council passed Resolution 11-28, to repay this loan. However, the transaction was made incorrectly. The Town repeated the transfer from CCD to CCI for \$165,000. So at December 31, 2011, the Cumulative Capital Improvement Fund (CCI, Fund 401) owed the Cumulative Capital Development Fund (CCD, Fund 440) \$330,000.

On March 9, 2010, the Town Council approved Resolution 10-08 for a transfer of \$500,000 from the Mississippi Street TIF Debt Service Fund to the Mississippi Street TIF Project Fund in order to repay a temporary loan. We could not determine when the original loan occurred. Employees of the Clerk-Treasurer's office believe this was an operating transfer; however, a resolution could not be provided for audit to support the transfer being an operating transfer. This was noted in the prior audit, but has not been corrected.

We know of no authority which allows for an operating transfer to be made from a debt service fund, which is funded by a tax rate in an amount sufficient to make required bond and interest payments, to a capital projects fund.

Indiana Code 36-1-8-4 concerning temporary transfer states in part:

"(a) . . . (3) Except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs. (4) The amount transferred must be returned to the other fund at the end of the prescribed period. . . .

(b) If the fiscal body of a political subdivision determines that an emergency exists that requires an extension of the prescribed period of a transfer under this section, the prescribed period may be extended for not more than six (6) months beyond the budget year of the year in which the transfer occurs if the fiscal body does the following:

TOWN OF MERRILLVILLE
AUDIT RESULTS AND COMMENTS
(Continued)

- (1) Passes an ordinance or a resolution that contains the following:
 - (A) A statement that the fiscal body has determined that an emergency exists.
 - (B) A brief description of the grounds for the emergency.
 - (C) The date the loan will be repaid that is not more than six (6) months beyond the budget year in which the transfer occurs.
- (2) Immediately forwards the ordinance or resolution to the state board of accounts and the department of local government finance."

Indiana Code 36-1-8-5 states in part:

"(a) This section applies to all funds raised by a general or special tax levy on all the taxable property of a political subdivision. (b) Whenever the purposes of a tax levy have been fulfilled and an unused and unencumbered balance remains in the fund, the fiscal body of the political subdivision shall order the balance of that fund to be transferred as follows, unless a statute provides that it be transferred otherwise: . . . (2) Funds of a municipality, to the general fund or rainy day fund of the municipality . . ."

PUBLIC DEFENDER FEE

On March 28, 2000, Town Ordinance Number 00-10 established a Court Public Defender Fund to account for "Court Public Defender Funds and Expenditures." There was no fee schedule establishing the fee or designating that any remaining cash bond proceeds, after payment of court costs and other fees, be paid to the Court Public Defender Fund. At December 31, 2011, the Court Public Defender Fund cash balance was \$13,702. There is no statutory authority for the Town Court of Merrillville to have a supplemental public defender services fund. Indiana Code 33-40-3-10(a), which applies to Lake County, allows cities to set up such a fund, but towns are not mentioned in this section. Indiana Code 33-40-3-5 provides that the county can set up one such program of" . . . providing court appointed legal services in the county . . ." which would include the Town of Merrillville. The county is required to provide public defender service to the Town because the legislature has provided this as the only option in Lake County. [IC 33-40-7-5(a)(4)]

The funds currently held by the Town to pay public defenders should be remitted to the county. [IC 35-33-8-3.2(b)]

Indiana Code 33-40-3-10(a) states:

"In a county with a population of more than four hundred thousand (400,000) and less than seven hundred thousand (700,000) in which a county public defender service is not provided, a supplemental public defender services fund must be established in each city for providing funding for a public defender to represent indigent defendants in a city court."

Indiana Code 33-40-3-5 states:

"A county may not have more than one (1) program providing court appointed legal services in the county, unless the fiscal body of the county agrees to allow additional court appointed legal services programs in the county."

TOWN OF MERRILLVILLE
AUDIT RESULTS AND COMMENTS
(Continued)

Indiana Code 33-40-7-5(a) states in part:

"The board shall prepare a comprehensive plan that must include at least one (1) of the following methods of providing legal defense services to indigent persons: . . . (4) In a county described in section 1(3) of this chapter, establishing a public defender's office for the criminal division of the superior court."

Indiana Code 35-33-8-3.2(b) states:

"Within thirty (30) days after disposition of the charges against the defendant, the court that admitted the defendant to bail shall order the clerk to remit the amount of the deposit remaining under subsection (a)(2) to the defendant. The portion of the deposit that is not remitted to the defendant shall be deposited by the clerk in the supplemental public defender services fund established under IC 33-40-3."

PARK RECEIPTS NOT DEPOSITED

The Park office collects money for various programs administered by the Park Department. One copy of the receipt is given to the customer and one copy of the receipt is retained by the Park Department. The fees collected along with a report of collections (which summarizes the park receipts that coincide with the report) are given to the Clerk-Treasurer's office. The Clerk Treasurer's office deposits any money received by the Park Department in the bank and records the collections received in the Town's ledger.

During 2011, receipts totaling \$580 were written, but not remitted to the Clerk Treasurer's office and, therefore, not deposited in the bank. The Park Director reimbursed the Town \$580 on September 21, 2012, with Receipt 26135. Subsequently, an envelope with \$505 of the missing receipts was found at the Park office and deposited.

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or nonfeasance in office of any officer or employee may be the personal obligation of the responsible officer or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

INTERNAL CONTROL OVER PARK RECEIPTS

There were instances in 2011 and 2012 when receipts were not issued for collections received. The Park Department prepares a report of collections which constitutes a grouping of individual receipts written to customers. This report of collections is remitted to the Clerk-Treasurer's office for deposit and recorded in the Town's ledger. In 2011, there was a report of collections that totaled \$332 and was to correspond with three receipts that totaled \$182. After further review, there was a \$150 check that was deposited and recorded in the Town's ledger but no Park receipt could be found to correspond with this check. We determined that a Park receipt had not been written for this collection.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF MERRILLVILLE
AUDIT RESULTS AND COMMENTS
(Continued)

PARK FUNDRAISER

The Park Director entered into a contract on October 5, 2011, with a company to sell entertainment books during 2012. The Park Department received 40 entertainment books but, as of September 24, 2012, had not sold any books or returned the books to the company. Furthermore, when we inventoried the entertainment books, there were only 20 books on hand. The Park Department received an invoice from the company dated September 11, 2012, totaling \$762. The Town officials are not sure at this time if they will be responsible for the entire amount of the invoice. The Town is in the process of negotiating with the company regarding this issue.

The Town Council minutes presented for audit did not indicate approval of the contract, nor did the minutes contain designation of control procedures and the responsible officials or employees.

Governmental units which conduct fund raising events should have the express permission of the governing body for conducting the fund raiser as well as procedures in place concerning the internal controls and the responsibility of employees or officials.

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

UNALLOWABLE PARK CLAIMS

The Town of Merrillville has been paying the Merrillville Community School Corporation for the use of their school building for several years. The invoices state that the building usage is for the Boys and Girls Club. The Park Department does not provide any services or supplies for the Boys and Girls Club and they are not part of the Park Department program. The payment of these claims has ceased as of June, 2011. The amounts paid for the past three years are as follows:

2009	\$ 9,795.75
2010	9,583.95
2011	<u>4,871.40</u>
Total	<u>\$ 24,251.10</u>

An agreement between the Town of Merrillville and Merrillville Community School Corporation was not available for audit. Claims paid by the Town should be for a good or service that the Town has received.

Indiana Code 5-11-10-1.6 (b) and (d) states:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a municipality for goods and services. . . .

(d) The fiscal officer of a municipality shall issue checks or warrants for claims by the municipality that meet all of the requirements of this section. The fiscal officer does not incur personal liability for disbursements:

TOWN OF MERRILLVILLE
AUDIT RESULTS AND COMMENTS
(Continued)

- (1) Processed in accordance with this section; and
- (2) For which funds are appropriated and available."

COMMEMORATIVE VETERAN MEMORIAL BRICKS

The Town takes orders and collects payments for commemorative veteran memorial bricks. Receipts are deposited into the Town's bank account and posted to the Veterans Memorial Fund. A Town Councilman picks up the orders from Town Hall, and processes the order. The Councilman procures the bricks and has them installed at Veteran's Memorial Park. An accounting, or inventory, of all bricks sold, was not available for audit.

Internal controls over vending operations, concessions or other sales should include, at a minimum, a regular reconciliation of the beginning inventory, purchases, distributions, items sold and ending inventory to the amount received. Any discrepancies noted should be immediately documented in writing to proper officials. The reconciliation should provide an accurate accounting. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

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 each of its major federal programs for the year ended December 31, 2011. The Town's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

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. Our audit does not provide a legal determination of the Town's compliance with those requirements.

As described in items 2011-3, 2011-4, and 2011-5, in the accompanying Schedule of Findings and Questioned Costs, the Town did not comply with requirements regarding Equipment and Real Property Management, Procurement, Suspension, and Disbarment, and Special Tests and Provisions that are applicable to its Public Safety Partnership and Community Policing Grants. Compliance with such requirements is necessary, in our opinion, for the Town to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Town complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its other major federal programs for the year ended December 31, 2011.

Internal Control Over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine our auditing

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

procedures for the purpose of expressing our opinion on compliance 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 significant deficiencies, or material weaknesses and therefore, there is no assurance that all deficiencies, significant deficiencies, or material weaknesses have been 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 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 items 2011-3, 2011-4, and 2011-5 to be material weaknesses.

The Town's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. We did not audit the Town's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the Town's management, Town Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

September 24, 2012

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

TOWN OF MERRILLVILLE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2011

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct Grant:			
Bulletproof Vest Partnership Program	16.607		
Bulletproof Vest Partnership Program			\$ 1,791
Total for program			<u>1,791</u>
ARRA Public Safety Partnership and Community Policing Grants - Recovery COPS Hiring Recovery Program (CHRP)	16.710	2009-RK-WX-0346	192,220
Public Safety Partnership and Community Policing Grants COPS Technology Program Grant	16.710	2010-CK-WX-0298	<u>386,829</u>
Total for program			<u>579,049</u>
Equitable Sharing Program	16.922		<u>16,719</u>
Total for program			<u>16,719</u>
Total for federal grantor agency			<u>597,559</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Indiana Department of Transportation			
Highway Planning and Construction Cluster			
ARRA Highway Planning and Construction Surface Treatment Harrison Street	20.205	900430	23,995
Highway Planning and Construction 81st Avenue Right-of-Ways HES-9945 (00W)	20.205	901454	787,137
US 30 and Adjacent Frontage Roads		501098	2,010
Construction Inspection - Traffic Signal at K-Mart Dr.		501099	765
Construction Inspection - Frontage Road Improvement and Median Crossover		501100	46,517
Construction Inspection - Traffic Signal at Taney Place		501102	970
Construction Inspection		501101	<u>31,028</u>
Total for cluster			<u>892,422</u>
Pass-Through Indiana Criminal Justice Institute			
Highway Safety Cluster			
State and Community Highway Safety Big City/Big County Enforcement Program	20.600	PT-11-04-04-26	15,000
Operation Pullover - Equipment		PT-10-10-03-08	<u>1,500</u>
Total for cluster			<u>16,500</u>
Total for federal grantor agency			<u>908,922</u>
Total federal awards expended			<u>\$ 1,506,481</u>

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

TOWN OF MERRILLVILLE
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

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

TOWN OF MERRILLVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unqualified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	yes
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiency identified?	none noted
Type of auditor's report issued on compliance for major programs:	Unqualified for Highway Planning and Construction Cluster, qualified for Public Safety Partnership and Community Policing Grant
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
16.710	Public Safety Partnership and Community Policing Grants 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 2011-1 - INTERNAL CONTROLS TOWN COURT

The Town Court collects and retains cash collections in a separate bank account for traffic and ordinance violation tickets, bail bonds, court fees, and fines. The court distributes the money collected, except for the bonds, to the various governmental entities entitled to these funds. Financial activity for the Town Court was not properly recorded and maintained as described below.

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

City and Town Courts are required to maintain, in accordance with Accounting and Uniform Compliance Guidelines Manual for City and Town Courts, a City/Town Cash Book Form 213CT (cash book) and a Register of Trust Funds, General Form 102 (trust register). For a majority of the Court's entries to the Court View software system, these prescribed forms have been replaced with electronically generated ledger equivalents. The prior Court Administrator opted to maintain the prescribed City/Town Cash Book and Trust Register manually and forgo updating the electronic ledger equivalents in Court View. Receipt activity of the Town Court is processed through Court View in electronic form. However, the electronic disbursement activity was not posted to the electronic cash book because all checks are handwritten, and are not processed electronically through the computer system. Disbursements were manually posted on individual defendant's electronic case files. The Court View software system has the capability of electronically issuing checks and posting disbursements to the electronic cash book and trust register. However, officials did not use this feature of the software.

The 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 the bond was applied. Because disbursements were prepared manually and not processed electronically through the Court View system, the electronic equivalent of the cash book and the trust register could not be used to determine the respective cash balance in the ledger. A complete and functional electronic cash book and trust ledger was not available for audit. Using electronic software to generate (and post) checks would reduce the potential for errors or the misapplication of costs and more efficiently use Court resources.

From March 1, 2011 to August 31, 2012, the officials did not maintain the manual cash book, the official record of the Town Court. Officials did not (and could not) reconcile the bank accounts to the cash book, as the cash book's balances were unknown.

During the prior examination of records, the cash book was reconciled to the bank and investment accounts as of February 28, 2011. Court officials were given the appropriate cash book balances as of February 28, 2011. A new court employee was not knowledgeable in the procedure of recording court transactions in the cash book and preparing the corresponding bank reconciliation. This employee was the only person responsible for the financial activity of the Town Court. Segregation of duties, a key component of adequate internal controls, was not in place in the Court's recordkeeping process. Also, the failure of personnel to perform assigned duties for an extended length of time indicates a lack of management oversight.

Controls have not been established to monitor Town Court records and review reconciliations. Necessary adjustments were proposed to and accepted by Court officials related to reporting of the financial activity of the Town Court in the Town's financial statement.

The Town Court's bank and investment accounts have not been reconciled to the ledger (City/Town Court Cash Book) as of August 31, 2012. Outstanding check lists, and outstanding deposits in transit, including credit card activity, were not prepared at the end of each month. The Register of Trust Funds ledger was also not reconciled to the corresponding cash balance in the cash book.

Prescribed Form No. 213CT, City/Town Court Cash Book, is to be used to record receipts and checks issued. The receipts and disbursements should be recorded and totaled daily. For those courts using the City/Town Court Daily/Monthly Balance Record (Form No. 219CT) on a daily basis, the totals of all receipts and checks would also be recorded in the appropriate columns of the form. The form is designed to be a bound book, pen ruled, on 100% rag stock paper. (Accounting and Uniform Compliance Manual for City and Town Courts, Chapter 1)

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

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

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

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

FINDING 2011-2 - INTERNAL CONTROLS OVER PURCHASING

The process of purchasing goods and services was not handled in accordance with the guidelines established by the Town. Prior to any purchase, a "Request to Purchase" is to be manually completed and signed by the person submitting the request and then approved by the Clerk-Treasurer. In 50 percent of the claims tested, the "Request for Purchase" was dated after the date of purchase.

Not following the purchasing and disbursement guidelines could result in the Town incurring payment for goods and services that are not considered necessary and exceeding the budget as approved by the Department of Local Government Finance.

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

We recommended that the Town officials follow the established guidelines and procedures for purchasing and disbursements.

Section III – Federal Award Findings and Questioned Costs

FINDING 2011-3 - SPECIAL TESTS AND PROVISIONS

Federal Agencies: U.S. Department of Justice
Federal Program: ARRA – Public Safety Partnership and Community Policing Grants - Recovery
CFDA Number: 16.710
Federal Award Number: 2009-RK-WX-0346

The expenditures and subsequent reimbursements for the American Recovery and Reinvestment Act (ARRA) Public Safety Partnership and Community Policing Grants are accounted for in the General Fund of the Town. Officials did not receive adequate information from the Police Department regarding the police officers paid from this grant; therefore, they did not separate the ARRA funds. The Town has not established controls for the separation of ARRA federal funds from Non-ARRA federal funds.

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

Failure to establish proper controls for maintaining records that track the source (receipts) and application (disbursements) of each grant has affected the Town's ability to provide transparency for federal awards.

2 CFR 176.210(a) states:

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

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

"The auditee shall: Maintain internal control over Federal programs that provide 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."

We recommended the Town implement controls to ensure any federal stimulus dollars are separately identified in the Town's ledger.

FINDING 2011-4 - EQUIPMENT AND REAL PROPERTY MANAGEMENT

Federal Agency: U.S. Department of Justice
Federal Program: Public Safety Partnership and Community Policing Grants
CFDA: 16.710
Award Number and Year: 2010-CK-WX-0298

The Police Department does not maintain a complete record of equipment purchased with federal funds. They have a listing of the type of equipment and the serial number. The source of property, who holds title, the acquisition date, the cost of the property, percentage of Federal participation in the cost of the property, the location, and use and condition of property were not included in the records. Controls were not in place to ensure proper equipment records were maintained.

Failure to maintain detailed and accurate equipment records could result in assets being lost, stolen, misappropriated, or disposed of improperly and not detected within a reasonable time.

28 CFR 66.32(d)(1) states:

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

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, the cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property."

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

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

"The auditee shall: Maintain internal control over Federal programs that provide 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."

We recommended that the Town design and properly monitor procedures that would ensure accurate detailed capital asset records are maintained. Also, any assets acquired with Federal Funds must be designated as such so that they are not disposed of improperly.

FINDING 2011-5 - PROCUREMENT

Federal Agency: U.S. Department of Justice
Federal Program: Public Safety Partnership and Community Policing Grants
CFDA: 16.710
Award Number and Year: 2010-CK-WX-0298

Police personnel purchased mobile computers and various computer items from one vendor totaling \$148,989.70. Under the grant requirements, the Town was required to solicit sealed bids for the equipment since the expenditures for the mobile computers and various computer items exceeded \$100,000. Approval for using the "sole source" exception was not requested from the grantor. Controls were not in place to ensure procurement requirements were followed.

Failure to properly procure public purchases in accordance with federal guidelines could result in the Town losing future federal awards.

28 CFR 66.36 (d) states in part:

"Methods of procurement to be followed:

- (1) Procurement by small purchase procedures. Small purchases procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the simplified acquisition threshold fixed at 41 U.S.C. 403(11) (currently set at \$100,000). If small purchase procedures are used, price or rate quotations shall be obtained from an adequate number of qualified sources.
- (2) Procurement by sealed bids (formal advertising). Bids are publicly solicited and a firm-fixed-price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming with all the material items and conditions of the invitation for bids, is the lowest in price. The sealed bid method is the preferred method for procuring construction, if the conditions in 66.36(d)(2)(i) apply.
 - (i) In order for sealed bidding to be feasible the following conditions should be present:
 - (A) A complete, adequate, and realistic specification or purchase description is available.
 - (B) Two or more responsible bidders are willing and able to compete effectively and for the business; and

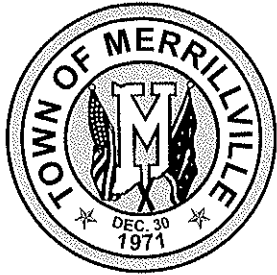
TOWN OF MERRILLVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

(C) The procurement lends itself to a firm fixed price contract and the selection of the successful bidder can be made principally on the basis of price. "

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

"The auditee shall: Maintain internal control over Federal programs that provide 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."

We recommended the Town establish control procedures to ensure that the required public purchases are awarded within federal guidelines.



Town of Merrillville
PUBLIC WORKS
13 W. 73RD AVENUE
MERRILLVILLE, INDIANA 46410
(219) 769-6784 • FAX (219) 756-8005



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

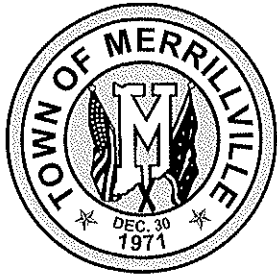
FINDING. 2010- 6

Federal Agency: U.S. Department of Transportation
Federal Program: Highway Planning and Construction Cluster
CFDA Number: 20.205
Pass-Through Entity: Indiana Department of Transportation
Auditee Contact Person: Bruce Spires
Title of Contact Person: Public Works Director
Phone Number: 219-769-6784

Status of action taken to correct findings: The Town has and will continue to establish separate appropriations for federal highway funds. The 2012 Merrillville Road TIF budget was created with an appropriation line item for Frontage Road Project. This line item is solely used for project expenditures. The Town will create a purchase order for the complete contract amount prior to the first related billing. The Town will use this as a tool to ensure that state statues are being adhered to. The Town through its Bookkeeper and Public Works Director will continue to work closely to assure that no further violations occur.

Signed B. Spires

Date 8/23/12



Town of Merrillville
PUBLIC WORKS
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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

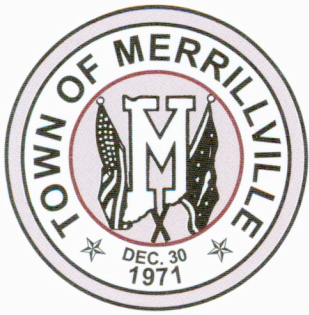
FINDING. 2010- 7

Federal Agency: U.S. Department of Transportation
Federal Program: Highway Planning and Construction Cluster
CFDA Number: 20.205
Pass-Through Entity: Indiana Department of Transportation
Auditee Contact Person: Bruce Spires
Title of Contact Person: Public Works Director
Phone Number: 219-769-6784

Status of action taken to correct findings: The Town has and will continue to establish separate appropriations for federal highway funds. The 2012 Merrillville Road TIF budget was created with an appropriation line item for Frontage Road Project. This line item is solely used for project expenditures. The Town will create a purchase order for the complete contract amount prior to the first related billing. Each invoice will then be deducted through that purchase order. The Town will use this and the State Auditor's remittance report as tools to compare amounts received to amounts disbursed to ensure that federal funds are disbursed timely. The Town through its Bookkeeper and Public Works Director will continue to work closely to assure that no further violations occur.

Signed Bruce Spires

Date 8/24/12



Town of Merrillville Court

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

JUDGE GINA L. JONES

Corrective Action Plan

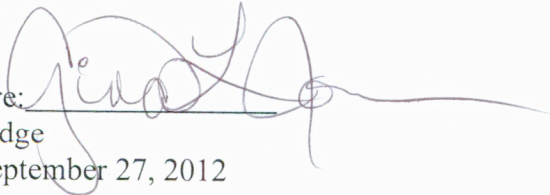
Finding Number 2011-1 Internal Controls Town Court

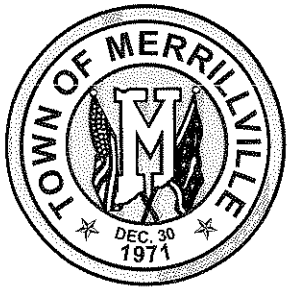
Auditee Contact Person: Mattie Millender
Title of Contact Person: Court Administrator
Phone Number: 219-756-6193

Describe corrective action to be taken:

1. **Purchase and use electronic checks and post disbursements to the electronic cash book and trust register.** Although the Court Administrator manually wrote checks and matched the disbursed checks with the individual cases, it was not recorded in a format that would enable automatic entry into Courtview's Trust Register and Cash Book.
2. **Monthly bank reconciliation.** The prior administration utilized a manual cash book and completed all transactions in pencil and was able to correctly balance to the bank ledgers and thus never failed an audit. However, that same administration was deficient in funds (more than \$350,000 over a period of years) and the State Board of Accounts was unable to determine that funds were missing until the administration changed. The new Court Administrator kept an additional record of all financial transactions in a spreadsheet provided by the State Board of Accounts and utilized Courtview but neither were reconciled with the bank statements in a written format. Information will now be reconciled in Courtview and in the electronic format and shall be completed by another assigned Court employee as to assist with checks and balance.

Overall, the plan is to utilize all of the functions inherent in Courtview and in accordance with Accounting and Uniform Compliance Guidelines Manual for City and Town Courts. This should decrease redundancy and create user friendly and easily accessible controls to monitor transactions. Training and dividing more steps of the reconciliation process shall substantially alleviate the risks of inaccuracies.

Signature: 
Title: Judge
Date: September 27, 2012



Town of Merrillville

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

EUGENE M. GUERNSEY
CLERK - TREASURER

CORRECTIVE ACTION PLAN

Finding Number 2011-2, Name of Finding

Auditee contact Person Gene Guernsey

Title of Contact Person Clerk-Treasurer

Phone Number (219)769-3501

Describe corrective action to be taken:

Finding 2011-2-Internal Controls Over Purchasing:

We have informed all department heads that the request to purchase needs to be approved by the Clerk-Treasurer prior to ordering or purchasing items and prior to receiving an invoice. It has been suggested to them to obtain a quote for the purchase and submit the quote along with the request prior proceeding with the purchase or else wait until they receive their copy of the purchase order first and then proceed with the purchase.

Signature *Eugene M. Guernsey*
Title CLERK-TREASURER
Date 09-20-12



David Barron
Operations Commander

Jeffrey Snemis
Detective Commander

MERRILLVILLE POLICE DEPARTMENT

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

Finding Number 2011-3 Special test and provisions

U.S. Department of Justice
ARRA-Public Safety Partnership and Community Policing Grants-Recovery
CFDA Number 16.710
Grant : 2009-RK-WX-0346
Year : 2012
Audit Contact person: Joseph Petruch
Title: Chief of Police
219-769-3722

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

Finding Number 2011-4 Equipment and Real Property Management

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

The Merrillville Police Department will provide the Merrillville Clerk's Office with detailed information of items purchased over \$ 5,000 to ensure that detailed capital asset records are maintained. Items purchased with federal funds will be designated as such to ensure that they are disposed of properly. The Merrillville Police Department will also amend the inventory of equipment purchased with federal funds to include description, serial number, source, date acquired, use and condition, cost, percentage of federal participation in the cost of the item, location, and disposition data.

Joseph Petruch
Chief of Police

James Donohue
Assistant Chief of Police



David Barron
Operations Commander

Jeffrey Saemis
Detective Commander

MERRILLVILLE POLICE DEPARTMENT

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

Finding Number 2011-5 Procurement

U.S. Department of Justice

ARRA-Public Safety Partnership and Community Policing Grants-Recovery

CFDA Number 16.710

Grant : 2010-CK-WX-0298

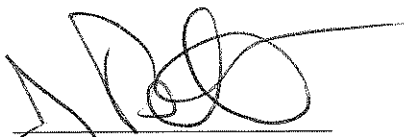
Year : 2012

Audit Contact person: Joseph Petruch

Title: Chief of Police

219-769-3722

The Merrillville Police Department will utilize procedures to ensure that required public purchases made by the Merrillville Police Department are awarded within federal guidelines. The Merrillville Police Department will monitor procurement to ensure that we will not exceed \$100,000 per vendor or we will solicit bids or request Sole Source approval.



Joseph Petruch

Chief of Police

Date

9-12-2012

TOWN OF MERRILLVILLE
EXIT CONFERENCE

The contents of this report were discussed on September 24, 2012, with Eugene M. Guernsey, Clerk-Treasurer; Shawn M. Pettit, President of the Town Council; Howard Fink, Town Manager; Kathryn Minchuk, Office Manager; and Diane Plikuhn, Bookkeeper.

A second exit conference was held with Eugene M. Guernsey, Clerk-Treasurer, on December 3, 2012, to discuss changes to the Independent Auditor's Report.