

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

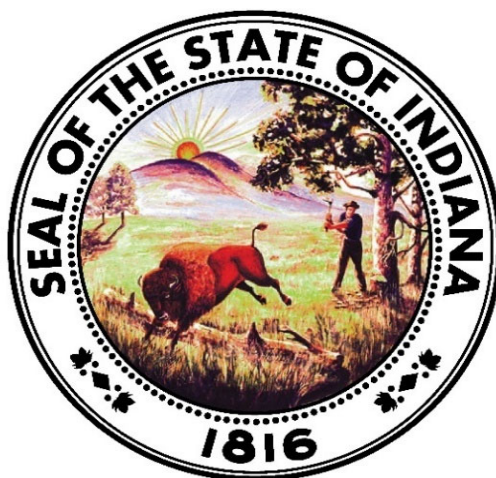
SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF GRIFFITH

LAKE COUNTY, INDIANA

January 1, 2021 to December 31, 2022



**FILED**

06/13/2023



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#### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Gina Smith	01-01-21 to 12-31-23
President of the Town Council	Rick Ryfa	01-01-21 to 12-31-23



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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

This report is supplemental to the audit report of the Town of Griffith (Town), for the period from January 1, 2021 to December 31, 2022. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the Town. It should be read in conjunction with the Financial Statement Audit Report of the Town, which provides our opinions on the Town's financial statements. This report may be found at [www.in.gov/sboa/](http://www.in.gov/sboa/).

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Official Response to the Audit Results and Comments, incorporated within this report, was not verified for accuracy.

Beth Kelley, CPA, CFE  
Deputy State Examiner

May 23, 2023

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CLERK-TREASURER  
TOWN OF GRIFFITH

CLERK-TREASURER  
TOWN OF GRIFFITH  
AUDIT RESULTS AND COMMENTS

**OVERDRAWN CASH BALANCES**

*Condition and Context*

The financial statement presented in the Financial Statement Audit Report included the following funds with overdrawn cash balances at December 31, 2021 and 2022:

Fund	Amount Overdrawn as of December 31,	
	2021	2022
General Fund	\$ -	\$ 345,646
Tax Anticipation Loan	-	400,000
Events	-	31,762
PARK BOND 2016 - 2018	302	11,282
FRANKLIN CTR	-	90,604
TIF Mall Area	-	54,191
STORM OPERATING	-	101,389
WATER DEPT OPERATING	-	87,484

The General Fund's cash balance at December 31, 2022, contained \$400,000 of outstanding tax anticipation warrants owed. Without the tax anticipation warrant proceeds, the cash balance of the General Fund would have been overdrawn by \$745,646.

*Criteria*

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

**APPROPRIATIONS**

*Condition and Context*

Disbursements exceeded annual budgeted appropriations for the following funds for the years ending December 31, 2021 and 2022:

Fund	Excess Amount Expended	
	2021	2022
General Fund	\$ 991,189	\$ 549,980
Motor Vehicle Highway and MVH Restricted	449,316	-
Local Road & Street	-	270,060
CCI (Cumulative Capital Improvement)	26,451	-
Pay Ind Police Pension 25	4,591	172,489
Sanitary District 2017 Bond	-	500
Storm Bond	-	350



CLERK-TREASURER  
TOWN OF GRIFFITH  
AUDIT RESULTS AND COMMENTS  
(Continued)

*Criteria*

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

**TAX ANTICIPATION LOAN FUND**

*Condition and Context*

In December 2022, the Town Council authorized a \$700,000 tax anticipation warrant for the General Fund for cash flow purposes.

On December 14, 2022, the Town received \$700,000 of tax anticipation warrant proceeds. However, the proceeds remained an adjusting item on the December 2022 bank reconciliation and were not posted to the ledger until February 1, 2023. This resulted in the understatement of receipts and ending cash and investment balances. The financial statement was not adjusted for this untimely posting.

Furthermore, a Tax Anticipation Loan fund was established without an enabling ordinance authorized by the Town Council as required.

*Criteria*

Receipts shall be issued and recorded at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

The State Board of Accounts is frequently asked if officials of a city or town can establish a new fund for a particular purpose or function. Quite often the municipality wishes to create a nonreverting fund by diverting revenues (usually from the general fund) to accumulate an amount for a specific long term project or a large purchase. Sometimes, the municipality proposes to appropriate money from the general fund to transfer to the newly created fund. The following is our audit position to these questions.

Indiana Code 36-1-3-6 states, for a city or town, if there is a constitutional or statutory provision requiring a specific manner for exercising a power, a unit wanting to exercise the power must do so in that manner. If there is no constitutional or statutory provision requiring a specific manner exercising a power, a city or town wanting to exercise the power must either adopt an ordinance prescribing a specific manner for exercising the power; or comply with a statutory provision permitting a specific manner for exercising the power. An ordinance must be adopted by the legislative body of the municipality.

Our audit position is the powers granted by various statutes authorize the Common Council of a city or the town council of a town to create, by ordinance, as many funds as they feel necessary to operate their particular city or town.

The enabling ordinance should provide various types of information.

- (1) The ordinance should clearly indicate the type or types of revenue that is to go into the new fund.
- (2) The ordinance should list the purpose or purposes for which expenditures can be made from the new fund.

CLERK-TREASURER  
TOWN OF GRIFFITH  
AUDIT RESULTS AND COMMENTS  
(Continued)

- (3) The ordinance should establish the life of the new fund and indicate if the fund balance is nonreverting at year end or perpetual until terminated either by the terms of the current ordinance or if another subsequent ordinance must be enacted.
- (4) The ordinance should provide guidance as to disposition of the fund balance on termination of the fund.
- (5) The ordinance should include any other terms or conditions the city or town attorney deems necessary.

It should be noted that establishing a new fund by diverting revenues that would normally go into the city or town general fund or by transferring by appropriation from the general fund to the new fund creates a possible future problem. After creating and funding the new fund, if the city or town appeals to the Department of Local Government Finance (DLGF) for an excessive levy, the DLGF may insist that any balance or balances of such funds must be transferred to the city or town general fund and considered prior to any anticipated relief from the DLGF.

(Cities and Towns Bulletin and Uniform Compliance Guidelines, September 2020)

## **ANNUAL FINANCIAL REPORT**

### *Condition and Context*

Financial and other information are required to be entered annually into the Annual Financial Report (AFR) via the Indiana Gateway for Government Units (Gateway) financial reporting system. The Town did not have adequate internal controls over the AFR information entered into Gateway, which resulted in the following errors for the leases and debt information:

1. The Town reported two Redevelopment Authority Bonds that should have been reported as leases. This resulted in the overstatement of the 2021 and 2022 Ending Principal Balance by \$22,050,000 and \$21,304,512, respectively, as well as the 2021 and 2022 Principal Due Within One Year by \$310,000 and \$870,000, respectively.

In addition, this resulted in the understatement of annual lease payments for 2021 and 2022 by \$1,516,000 and \$1,526,000, respectively.

2. The Storm Water general obligation bonds were omitted from the debt schedule. This resulted in the understatement of the 2022 Ending Principal Balance and Principal Due Within One Year by \$11,050,000 and \$505,000, respectively.
3. In 2021, the Redevelopment Authority refunded the 2014 bonds and established a new annual lease amount owed by the Town. The Town omitted to update the lease information in the AFR which resulted in an understatement of annual lease payments for the 2021 RDA Lease Rental Bonds by \$336,000.

Adjustments were proposed, accepted by the Town, and made to the Schedule of Leases and Debt presented as Other Information in the Financial Statement Audit Report.

CLERK-TREASURER  
TOWN OF GRIFFITH  
AUDIT RESULTS AND COMMENTS  
(Continued)

*Criteria*

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

**MOTOR VEHICLE HIGHWAY (MVH) RESTRICTED FUND DISBURSEMENTS**

*Condition and Context*

The Town created a Motor Vehicle Highway (MVH) Restricted fund and posted 50 percent of the state motor vehicle highway distributions to the fund as required. However, the Town disbursed \$845 for paint and \$1,068 for asphalt to patch various roadways, which could not be determined if the Town did not use the funds to patch potholes. These disbursements were not for the construction, reconstruction, and preservation of the Town's roadways.

*Criteria*

Indiana Code 8-14-1-5(c) states: "For funds distributed to a city or town from the motor vehicle highway account, the city or town shall use at least fifty percent (50%) of the money for the construction, reconstruction, and preservation of the city's or town's highways."

CLERK-TREASURER  
TOWN OF GRIFFITH  
EXIT CONFERENCE

The contents of this report were discussed on May 23, 2023, with Gina Smith, Clerk-Treasurer; Rick Ryfa, President of the Town Council; Jim Marker, Town Council member; Jaclyn Kinach, Deputy Clerk-Treasurer; and Michelle Sims, Deputy Clerk-Treasurer.

SANITARY DISTRICT  
TOWN OF GRIFFITH

SANITARY DISTRICT  
TOWN OF GRIFFITH  
AUDIT RESULTS AND COMMENTS

**SANITARY DISTRICT BOARD**

The same comment also appeared in prior Reports B53527 and B57759.

*Condition and Context*

The Town established a Sanitary District Board of Commissioners (Sanitary District Board) but did not hold regular meetings. Once established, a Sanitary District Board shall hold regular meetings to manage and control all sewage works of the Town and account for all money and property under the Sanitary District Board's control in accordance with Indiana Code.

The Sanitary District Board did not meet from January 2021 through December 2021 and documentation could not be provided for the cancelation of those meetings. The Sanitary District Board did organize in January 2022 and held eight monthly meetings throughout the year.

*Criteria*

Indiana Code 36-9-25-6(b) states:

"A majority of the members of the board constitutes a quorum, and the concurrence of a majority is necessary for any action of the board. The board shall hold regular meetings at the times it fixes and may call special meetings at the times and upon the notice that it fixes by rule or resolution. All meetings must be open to the public. The board may adopt the rules that it considers necessary to conduct its meetings and business and to control and manage the property under its jurisdiction."

Indiana Code 36-9-25-9 states in part: "The board shall manage and control all sewage works of the district. The board has concurrent power with the works board of the municipality to construct, reconstruct, maintain, repair, and regulate the use of all connecting and intercepting sewers. . . ."

**APPROVAL OF ACCOUNTS PAYABLE VOUCHERS**

The same comment also appeared in prior Reports B53527 and B57759.

*Condition and Context*

The claims or Accounts Payable Vouchers supporting disbursements of the Sanitary District (which includes the Wastewater Utility funds) were not approved for payment by the Sanitary District Board of Commissioners as required by Indiana Code. The claims or Accounts Payable Vouchers for the Sanitary District funds were approved by the Town Council.

*Criteria*

Indiana Code 5-11-10-2(a) states in part:

"Claims against a political subdivision of the state must be approved by the officer or person receiving the goods or services, be audited for correctness and approved by the disbursing officer of the political subdivision, and, where applicable, be allowed by the governing body having jurisdiction over allowance of such claims before they are paid. . . ."

SANITARY DISTRICT  
TOWN OF GRIFFITH  
AUDIT RESULTS AND COMMENTS  
(Continued)

**DELINQUENT WASTEWATER ACCOUNTS**

*Condition and Context*

Delinquent wastewater fees and penalties were not recorded with the County Recorder nor certified to the County Auditor, which would have resulted in a lien against the property.

*Criteria*

Indiana Code 36-9-25-11(g) states:

"Except as otherwise provided in subsection (h) or in an ordinance provision described in subsection (l), fees assessed against real property under this section also constitute a lien against the property assessed. The lien attaches at the time of the filing of the notice of lien in the county recorder's office. The lien is superior to all other liens except tax liens, and shall be enforced and foreclosed in the same manner as is provided for liens under [IC 36-9-23-33](#) and [IC 36-9-23-34](#)."

Indiana Code 36-9-23-33 states in part:

". . . (c) Except as provided in subsection (m), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:

- (1) A list of the delinquent fees and penalties that are enforceable under this section, which must include the following:
  - (A) The name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent.
  - (B) A description of the premises, as shown by the records of the county auditor.
  - (C) The amount of the delinquent fees, together with the penalty.
- (2) An individual instrument for each lot or parcel of real property on which the fees are delinquent.

(d) The officer shall record a copy of each list or each individual instrument with the county recorder . . .

(f) . . . Using the lists and instruments prepared under subsection (c) and recorded under subsection (d), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (c), certify to the county auditor a list of the unpaid liens for collection with the next May installment of property taxes. . . ."

SANITARY DISTRICT  
TOWN OF GRIFFITH  
EXIT CONFERENCE

The contents of this report were discussed on May 23, 2023, with Gina Smith, Clerk-Treasurer; Rick Ryfa, President of the Town Council; Jim Marker, Town Council member; Jaclyn Kinach, Deputy Clerk-Treasurer; and Michelle Sims, Deputy Clerk-Treasurer.

The contents of this report were discussed on May 25, 2023, with Jim Hennes, Sanitary District Board member, and George Jerome, Sanitary District Board member.



STORM WATER BOARD OF DIRECTORS  
TOWN OF GRIFFITH

STORM WATER BOARD OF DIRECTORS  
TOWN OF GRIFFITH  
AUDIT RESULTS AND COMMENTS

**STORM WATER BOARD OF DIRECTORS**

The same comment also appeared in prior Reports B53527 and B57759.

*Condition and Context*

The Town established a Storm Water Board of Directors (Board of Directors) in accordance with Indiana Code 8-1.5-5. The Board of Directors did not meet at any time during 2021 but did meet in January 2022 to organize and established a quarterly meeting schedule. The Board of Directors met three times in 2022; however, the Board of Directors has not yet met in 2023, as of April 2023.

*Criteria*

Indiana Code 8-1.5-5-4(b) states: "If the legislative body of a municipality adopts the provisions of this chapter by ordinance, a department of storm water management is established and is controlled by a board of directors."

Indiana Code 8-1.5-3-4(a) states in part: "The board has general supervisory powers over the utilities under its control, with responsibility for the detailed supervision of each utility to be vested in its superintendent, who is responsible to the board for the business and technical operation of the utility. . . ."

**APPROVAL OF ACCOUNTS PAYABLE VOUCHERS**

The same comment also appeared in prior Reports B53527 and B57759.

*Condition and Context*

The claims or Accounts Payable Vouchers (APV) supporting disbursements of the Storm Water District were not approved by the Storm Water Board of Directors (Board of Directors) in 2021, as required by Indiana Code. The claims or APVs for the Storm Water District funds were approved by the Town Council in 2021.

STORM WATER BOARD OF DIRECTORS  
TOWN OF GRIFFITH  
AUDIT RESULTS AND COMMENTS  
(Continued)

The Board of Directors met quarterly in 2022 and approved claims or APVs; however, disbursements occurred monthly and must be allowed by the governing body before they can be paid.

As of May 16, 2023, the 2023 claims or APVs supporting disbursements of the Storm Water District were not approved by the Board of Directors as required by Indiana Code. The claims or APVs for the Storm Water District funds were approved by the Town Council in January through May 2023.

*Criteria*

Indiana Code 5-11-10-2(a) states in part:

"Claims against a political subdivision of the state must be approved by the officer or person receiving the goods or services, be audited for correctness and approved by the disbursing officer of the political subdivision, and, where applicable, be allowed by the governing body having jurisdiction over allowance of such claims before they are paid."

**OVERDRAWN CASH BALANCE**

*Condition and Context*

The financial statement presented in the Financial Statement Audit Report included the Storm Operating fund with an overdrawn cash balance of \$101,389 at December 31, 2022.

*Criteria*

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

STORM WATER BOARD OF DIRECTORS  
TOWN OF GRIFFITH  
EXIT CONFERENCE

The contents of this report were discussed on May 23, 2023, with Gina Smith, Clerk-Treasurer; Rick Ryfa, President of the Town Council; Jim Marker, Town Council member; Jaclyn Kinach, Deputy Clerk-Treasurer; and Michelle Sims, Deputy Clerk-Treasurer.

The contents of this report were discussed on May 25, 2023, with Jim Hennes, Storm Water Board of Directors member, and George Jerome, Storm Water Board of Directors member.