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5

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Small town rocked by $30 million theft case

Dixon's longtime comptroller charged with embezzling city funds to pay for champion horse farms, lavish lifestyle

By Andy Grimm and Melissa Jenco, Chicago Tribune reporters

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DIXON, Ill. — For years Rita Crundwell has kept an eye over virtually every dollar that passed through the small town of Dixon's coffers as city comptroller, while also running one of the most successful horse farms in America.

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On Tuesday, FBI agents led Crundwell from City Hall in handcuffs on charges she misappropriated more than $30 million in city funds in just the last six years. Much of the money went to pay to operate the champion horse breeder's Meri-J Ranch, authorities alleged.

The size of the losses represents a staggering hit for the small northwest Illinois town with a budget of only about $8 million to $9 million a year, leaving residents bewildered.

"Nobody was watching the store," said Ron Pritchard, who attended high school with one of Crundwell's brothers. "We don't have the checks and balances."

Despite a city salary of just $80,000 a year, Crundwell lived extravagantly, spending huge sums on her horse farms in Dixon and Beloit, Wis., that raised champion quarter horses, as well as $340,000 on jewelry since mid-2006 and $2.1 million to buy a luxury motor home fit for a rock star, authorities said.

James Burke, mayor of the town of 15,000 about an hour southwest of Rockford — best-known as the boyhood home of President Ronald Reagan — told the Tribune that townspeople figured her wealth came from her successful horse business.

"I guess people assumed she was making a ton of money in the horse business," he said.

In reality, she used a secret bank account to conceal her lavish spending on personal expenses, according to the mayor.

Crundwell's apparent downfall came because she took off four months a year — all but a month unpaid — to operate the horse business and travel to shows. During one of her stints off last October, an

employee filling in for Crundwell asked the city's bank for all its statements and discovered a suspicious account that was the source of multiple six-figure transactions, authorities said. Burke, Dixon's mayor since 1999, said he went to the FBI.

"I was sick to my stomach, and I kept hoping that there really wasn't anything going on," the mayor said just hours after FBI agents arrested Crundwell and began to carry out search warrants at her farms in Dixon and Wisconsin.

Burke said the city had endured budget cuts the last few years and indicated that Crundwell had blamed the shortfalls on the state owing the city $1 million in unpaid tax revenues.

One Dixon resident said the public pool had been closed the last few summers.

"It's incredible really. In the last two years we've been really in a financial crunch with the whole thing," the mayor said. "The annual audit didn't show anything. Auditors even commented that we were doing fine with our cash controls."

During three decades as comptroller, Crundwell had accumulated a deep wellspring of trust as one of a handful of full-time employees at City Hall, Burke said.

Prosecutors said Crundwell handled all of the finances for the city. According to the city's website, she held down positions as both comptroller and treasurer. She even had a relative collect the town's mail from the post office each day, according to the charges.

Crundwell, 58, appeared Tuesday in federal court in Rockford, charged with a single count of wire fraud. A detention hearing is set for Wednesday afternoon. Her court-appointed attorney declined to comment, and calls to her home and businesses were not returned.

The City Council held a closed-door emergency session that lasted more than an hour Tuesday night. Council members declined to comment as they left the meeting.

Crundwell has worked for the city since she was a teenager, starting in a part-time job before being appointed comptroller in the early 1980s, the mayor said. In Dixon, she was well known and trusted as a longtime city employee, Burke said.

She was also one of the best horse breeders in the world — her Meri-J Ranch in Beloit produced more than 50 world champions, according to the American Quarter Horse Association.

"She was particularly well known," said spokesman Jim Bret Campbell. "She's won more world championships at this point than any other competitor."

Among the items prosecutors claim she bought with stolen city funds were two semitrailer trucks and a horse trailer worth nearly $1 million combined.

Between January 2007 and March 2012, she is accused of racking up more than $2.5 million on her personal American Express card and using funds from the secret city bank account to pay them off.

Among those purchases were more than $339,000 for jewelry — an average of almost $5,400 a month, prosecutors said.

Eric Brantley, a Dixon businessman, was shocked that so much money had vanished from town coffers.

"For New York City, $30 million is probably not that much," he said. "For Dixon, $30 million has got to be an awful big figure."

According to prosecutors, Crundwell tried to cover her tracks by shifting funds among multiple city bank accounts. From last September to February, she moved nearly $2.8 million in city funds into an account called the Capital Development Fund, authorities said. By March, she had written 19 checks totaling more than $3.5 million from the account, payable to "Treasurer," authorities said, then deposited them into an another account she controlled — the one the mayor said he never knew existed.

From that account, she spent $3.3 million by check and withdrawals on personal and business expenses, about a third of the city's budget, authorities said. Those expenditures included $600,000 in credit card payments, $450,000 for her horse farms and $67,000 for a Chevy Silverado pickup, according to the criminal complaint. Only about $74,000 went to pay city expenses, prosecutors said.

The FBI alleged that bank records dating to 2006 showed a total of $30,236,503 in city funds went into the secret account, then was spent by Crundwell on her horse business and other luxury items such as the 2009 Liberty Coach motor home and a horse trailer for $258,000.

After he went to the FBI in October, the mayor said he told no one in the close-knit office about what had been discovered. As she had every weekday when she wasn't showing horses, Crundwell arrived at work Tuesday morning — but this time, three FBI agents were waiting for her.

"It was a long six months," Burke said.

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