

**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2765**

EXAMINATION REPORT  
OF  
CITY OF LAKE STATION  
LAKE COUNTY, INDIANA  
January 1, 2005 to December 31, 2005



**FILED**  
08/10/2006



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Donna Smelley (Deceased) Dora Jean Vajner, Interim Martha D. Kroledge	01-01-04 to 01-10-06 01-11-06 to 02-06-06 02-07-06 to 12-31-07
Mayor	Shirley Wadding	01-01-04 to 12-31-07
President of the Board of Public Works	Shirley Wadding	01-01-04 to 12-31-07
President of the Common Council	Keith Soderquist	01-01-05 to 12-31-06
President of the Board of Sanitary District Commissioners	Patrick Strickland Todd Lara	03-16-05 to 07-06-05 07-07-05 to 12-31-06
Superintendent of Public Works	Henry M. Gilliana II	01-01-05 to 12-31-06
Utility Office Manager	Tammy Whisenant	01-01-05 to 12-31-06



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE CITY OF LAKE STATION, LAKE COUNTY, INDIANA

We have examined the schedule of receipts, disbursements, and cash and investment balances of the City of Lake Station (City), for the period of January 1, 2005 to December 31, 2005. The City's management is responsible for the schedule. Our responsibility is to express an opinion based on our examination.

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

In our opinion, the schedule referred to above presents fairly, in all material respects, the cash transactions of the City for the year ended December 31, 2005, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

July 5, 2006

CITY OF LAKE STATION  
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES  
As Of And For The Year Ended December 31, 2005

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General	\$ (73,748)	\$ 7,076,907	\$ 6,432,552	\$ 570,607
Motor Vehicle Highway	166,541	859,982	699,493	327,030
Local Road and Street	90,942	177,959	189,891	79,010
Park and Recreation	27,114	455,910	445,894	37,130
Civic Center	14,290	34,858	24,439	24,709
Riverboat	68,214	180,654	94,173	154,695
Cumulative Capital Improvement	112,686	48,117	43,393	117,410
Cumulative Capital Improvement - Firefighters	100	-	-	100
Park Capital Improvement	4,450	1,500,000	346,605	1,157,845
Nonreverting Unsafe Building	9,522	2,916	10,921	1,517
Police Donation	1,172	1,578	2,776	(26)
Economic Development	3,169	5,400	5,630	2,939
Park Nonreverting	2,749	10,694	12,476	967
Alcohol Program Monitoring	7,950	4,300	3,000	9,250
Street and Sanitation Clothing	-	5,203	4,196	1,007
Park Donation	4,211	494	3,644	1,061
Fire Donation	350	-	-	350
Community Oriented Policing	320	8,295	8,615	-
Drunk Driving	2,465	16,091	17,995	561
Ambulance Nonreverting	170,289	85,416	191,106	64,599
Continuing Education User Fees	-	2,356	2,163	193
Compost	37,268	72,066	101,098	8,236
Nonreverting Hazardous Materials	18,259	6,170	9,911	14,518
Ambulance Donation	142	3,100	3,129	113
Clerk's Record Perpetuation	5,748	1,542	-	7,290
Firefighter's Grant	-	160,909	160,878	31
Local Law Enforcement Continuing Education	4,157	9,985	13,855	287
Street Lighting	(59)	138,220	110,011	28,150
Police Department Vests	-	2,050	520	1,530
Sanitary District	-	5,575,344	5,502,386	72,958
Cumulative Sewage	48,194	64,318	58	112,454
Proprietary Funds:				
Water Utility Operating	189,173	2,428,129	2,410,748	206,554
Sewage Utility Operating	127,912	1,541,317	1,238,507	430,722
Fiduciary Funds:				
Police Pension	59,442	315,550	295,824	79,168
Court Costs Due County	1,590	16,847	16,909	1,528
Park Security Deposit	985	5,580	5,655	910
Employees Health Insurance	88,981	381,750	388,944	81,787
City Court	154,283	316,819	310,240	160,862
Payroll	1,600	3,116,593	3,116,627	1,566
Totals	<u>\$ 1,350,461</u>	<u>\$ 24,633,419</u>	<u>\$ 22,224,262</u>	<u>\$ 3,759,618</u>

The accompanying notes are an integral part of the schedules.

CITY OF LAKE STATION  
NOTES TO SCHEDULE

Note 1. Introduction

The City was established under the laws of the State of Indiana. The City provides the following services: public safety, highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater and urban redevelopment.

Note 2. Fund Accounting

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

Note 3. Budgets

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

Note 4. Property Taxes

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

Note 5. Deposits and Investments

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

State statute (IC 5-13-9) authorizes the City 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.

CITY OF LAKE STATION  
NOTES TO SCHEDULE  
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

Note 7. Long-Term Debt

The City has entered into various debts such as bonds for the park pool and Sanitary District Judgment, tax anticipation warrants, and capital leases for various equipment. The outstanding principal at December 31, 2005, was \$1,500,000, \$5,500,000, \$490,000, and \$67,889, respectively.

Note 8. Subsequent Event

2004 Pay 2005 Tax Rates and Levies

Property tax rates and levies were not established by the Indiana Department of Local Government Finance as of February 15, 2004, as required by statute, due to the continued delay in the completion of the reassessment of Lake County. The 2004 pay 2005 property tax bills were mailed out on October 31, 2005, with the first installment due November 18, 2005, and the second installment due February 10, 2006.

CITY OF LAKE STATION  
NOTES TO SCHEDULE  
(Continued)

2005 Pay 2006 Tax Rates and Levies

Property tax rates and levies were not established by the Indiana Department of Local Government Finance as of February 15, 2005, as required by statute, due to the continued delay in the completion of the reassessment of Lake County. The 2005 pay 2006 property tax bills will be mailed out in June 2006, with the first installment due in July 2006 and the second installment due in November 2006.

CITY OF LAKE STATION  
EXAMINATION RESULTS AND COMMENTS

LOAN BETWEEN CITY FUNDS

A temporary loan of \$870,000 was made in 2004 to the General Fund from various other funds. The \$100,000 loan from the Police Pension was repaid in 2005. The balance of the temporary loan was repaid in 2006.

Indiana Code 36-1-8-4 concerning temporary loans 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:

(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 department of local government finance."

RECEIPT/ DEPOSITS - POLICE

Receipts issued by the police department are not being completed properly. When a receipt is issued the amount of cash and checks is not designated on the receipt, therefore, we could not determine whether receipts were being deposited intact.

Public funds shall be deposited in the same form in which they were received." (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PARK AUTHORITY

On May 20, 2004, the Common Council passed Ordinance 2004-12 eliminating the department of parks and recreation which was created under Indiana Code 36-10-3. The ordinance also stated: "The Mayor and the Board of Public Works & Safety will be known as the park authority." Then, on January 6, 2005, without amending Ordinance 2004-12, the Common Council approved to shift the Park Authority to the Common Council with a three member committee to meet once monthly at a minimum.

CITY OF LAKE STATION  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

After May 20, 2004, the Board of Works was approving the park claims. However, starting in 2005, the Common Council, as the Park Authority, was approving the park claims. Memoranda of the Park Authority meetings for 2005 were not provided for audit.

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)

Board meetings are governed by the Open Door Law, Indiana Code 5-14-1.5. Under the Open Door Law all meetings of governing boards must be open to the public except for executive sessions.

Memoranda (minutes) of the meeting shall include the following items:

1. Date, time, and place of the meeting;
2. Members present and absent;
3. The general substance of all matters proposed, discussed or decided; and
4. A record of all votes taken, by individual members if there is a roll call. The memoranda should be available to the public within a reasonable period of time after the meeting. (IC 5-14-1.5)

HEALTH INSURANCE COSTS DUE THE CITY

The City of Lake Station assesses the Water and Wastewater Utilities a portion of the health insurance costs, since the City and its various departments are insured under the same policy. The Wastewater Utility owed the City for assessments from 1997 to 2002 totaling \$256,459. The Wastewater Utility made payments during 2005 and the balance owed to the City at December 31, 2005, was \$190,000. The Wastewater Utility is determined to complete their payment plan by December 2007.

Payments or transfers which are not authorized by statute, ordinance, resolution or court order must be reimbursed or transferred to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CAPITAL ASSET RECORDS

The prior audit noted that disposals of capital assets were not always recorded in the capital assets ledger. As a result, the State Board of Accounts calculated asset balance for the City in the current audit year is less than the amount in the detail ledger by \$330,998. The Water and Wastewater Utilities only maintain an inventory of machinery and equipment in the capital asset ledger. Infrastructure is not included in the City's or Utilities' capital asset records.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded in the Capital Assets Ledger. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF LAKE STATION  
EXIT CONFERENCE

The contents of this report were discussed on July 5, 2006, with Shirley Wadding, Mayor; Martha D. Kroledge, Clerk-Treasurer; Henry M. Gilliana II, Superintendent of Public Works; Dora Jean Vajner, former Clerk-Treasurer; and Ray Szarmach, City Attorney.