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

EXAMINATION REPORT  
OF  
TOWN OF DYER  
LAKE COUNTY, INDIANA  
January 1, 2005 to December 31, 2005



**FILED**  
08/29/2006



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Thomas G. Hoffman	01-01-04 to 12-31-07
President of the Town Council	Mary C. McShane	01-01-05 to 12-31-06
Superintendent of Street and Water Treatment	David Proud	01-01-05 to 03-03-06
Director of Public Works	David Proud	03-04-06 to 12-31-06
Superintendent of Wastewater Treatment Plant	Jeff Dzurovcak	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 TOWN OF DYER, LAKE COUNTY, INDIANA

We have examined the schedule of receipts, disbursements, and cash and investment balances of the Town of Dyer (Town), for the period of January 1, 2005 to December 31, 2005. The Town'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 Town 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 10, 2006

TOWN OF DYER  
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	\$ 566,246	\$ 4,852,226	\$ 3,997,998	\$ 1,420,474
Motor Vehicle Highway	337,105	462,054	584,290	214,869
Local Road and Street	1,028	165,746	152,195	14,579
Park and Recreation	24,789	617,998	641,181	1,606
Law Enforcement Continuing Education	36,510	34,295	5,541	65,264
Cumulative Capital Improvement	8,887	51,859	7,514	53,232
Cumulative Capital Development	49,381	217,543	95,324	171,600
Operation Pullover	(686)	9,746	7,961	1,099
Asset Seizure	17,277	15,588	13,565	19,300
Park Activities	51,982	71,113	55,552	67,543
Partners/Drug Free LC	6,127	-	-	6,127
GO Bond 2004	1,985,000	416,874	1,257,490	1,144,384
Park Donations	5,243	6,542	6,461	5,324
Gift Fund	4,240	855	-	5,095
Police Gift Fund	7,874	9,030	7,372	9,532
LUST Site Remediation	14,921	438	-	15,359
Subdivision Professional Fees	168,276	57,202	94,191	131,287
Economic Development Revitalization	387	-	-	387
Bi-Town Animal Control	38,795	81,248	89,254	30,789
LC Drug Task Force	-	3,013	-	3,013
DUI/State Grant	-	14,268	14,268	-
Redevelopment General Fund	-	369,972	369,972	-
Nonreverting Technology	45,498	1,333	2,757	44,074
Town Hall Lease Rental	127,115	264,389	363,851	27,653
Big City/County Seat Belt Grant	(215)	6,785	5,414	1,156
Parks Nonreverting	24,585	-	8,978	15,607
Cumulative Fire Equipment	21,778	60,980	1,315	81,443
Solid Waste	409,992	774,797	720,828	463,961
Child Safety Seat Grant	27	-	-	27
Casino Gaming Revenue	3,042	227,088	29,479	200,651
Bullet Proof Vest Program	969	1,959	1,986	942
Town Hall Building/Maintenance Improvement	132	-	-	132
Employee Comp Medical Insurance	51,618	6,363	17,510	40,471
Innkeepers Tax	5,437	5,400	1,286	9,551
State Recycling Fund	2,865	6,000	4,065	4,800
Calumet Avenue Bond and Interest	14,137	10,208	-	24,345
Town Hall Remodel/Renovation	472	12,822	13,294	-
SIDNE Grant	-	8,640	8,640	-
Redevelopment Special Revenue	33,582	3,320,604	1,870,241	1,483,945
Redevelopment 2005 Special Revenue	-	1,619,438	-	1,619,438
Redevelopment Debt Service	5,196,643	31,986	5,228,629	-
Redevelopment 2005 Debt Service	-	3,917,497	11,557	3,905,940
Redevelopment Capital Projects	421,473	91,910	513,383	-
Redevelopment 2005 Capital Projects	-	103,659	9,065	94,594

The accompanying notes are an integral part of the schedules.

TOWN OF DYER  
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  
(Continued)

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Proprietary Funds:				
Water Utility - Operating	295,000	1,894,665	1,876,665	313,000
Water Utility - Bond and Interest	42,401	264,998	264,560	42,839
Water Utility - Customer Deposit	150,507	26,040	29,073	147,474
Water Utility - Improvement	342,427	543,350	530,000	355,777
Water Utility - PRIMECO	5,292	156	-	5,448
Water Utility - Water Debt Service	242,771	7,155	11,926	238,000
Water Utility - Water District Bond and Interest	106,681	574,253	450,241	230,693
Water Utility - Water Revenue	-	2,551,242	2,551,242	-
Wastewater Utility - Operating	222,434	2,257,009	2,137,367	342,076
Wastewater Utility - Bond and Interest	162,012	398,196	396,488	163,720
Wastewater Utility - Improvement	1,055,180	719,562	514,439	1,260,303
Wastewater Utility - Wastewater Revenue	-	2,796,915	2,796,915	-
Wastewater Utility - Wastewater Debt Service	451,881	13,317	22,198	443,000
Wastewater Utility - Wastewater Tap	627,346	80,723	-	708,069
Wastewater Utility - Sanitary District Bond and Interest	2,367	1,090,716	852,550	240,533
Wastewater Utility - Sanitary District Operating	35,480	618,061	515,537	138,004
Stormwater Utility - Operating	45,686	625,154	517,308	153,532
Stormwater Utility - Improvement	-	579,910	394,756	185,154
Fiduciary Funds:				
Police Officers' Pension	69,315	188,458	192,488	65,285
Op/Escrow Fund	195,804	305,581	212,550	288,835
Insurance Clearing	-	1,307,930	1,307,930	-
Unemployment Clearing	-	18,895	18,895	-
Violation Escrow	6	3,840	3,840	6
Sheffield Avenue Road Escrow	7,740	-	-	7,740
Gasoline Clearing	3,624	108,588	117,774	(5,562)
Telephone Clearing	-	30,577	30,577	-
Park Escrow	275	2,150	2,100	325
Berens Monaldi Phase #2	(76,972)	261,934	184,962	-
Dyer GONE Project Construction Fund	-	1,692,503	1,692,503	-
Redevelopment	-	194,711	194,711	-
Payroll	48,970	4,953,747	4,942,608	60,109
Totals	<u>\$ 13,718,759</u>	<u>\$ 42,039,804</u>	<u>\$ 38,974,610</u>	<u>\$ 16,783,953</u>

The accompanying notes are an integral part of the schedules.

TOWN OF DYER  
NOTES TO SCHEDULE

Note 1. Introduction

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

Note 2. Fund Accounting

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

Note 3. Budgets

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

Note 4. Property Taxes

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

Note 5. Deposits and Investments

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

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

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Town contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible

TOWN OF DYER  
NOTES TO SCHEDULE  
(Continued)

to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the Town authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

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

Funding Policy and Annual Pension Cost

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

Note 7. Short-Term Liabilities

1. Tax Anticipation Warrants

The Town issues tax anticipation warrants in advance of property tax collections, depositing the proceeds in the appropriate fund. Tax anticipation warrants are necessary to meet budgeted expenditures prior to the time when tax proceeds are distributed.

2. Other Short-Term Loans

The Town uses short-term loans as a cash flow tool. These loans are from one fund to another.

Short-term debt activity for the year ended December 31, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Payments</u>	<u>Ending Balance</u>
Tax Anticipation Warrants	\$ 2,000,000	\$ -	\$ -	\$ 2,000,000
Short-term Loans	<u>724,351</u>	<u>604,994</u>	<u>911,845</u>	<u>417,500</u>
Totals	<u>\$ 2,724,351</u>	<u>\$ 604,994</u>	<u>\$ 911,845</u>	<u>\$ 2,417,500</u>

TOWN OF DYER  
NOTES TO SCHEDULE  
(Continued)

Note 8. Long-Term Debt

The Town has entered into various debts such as bonds to provide funds for the acquisition and construction of major capital facilities, a loan for improvements to the wastewater treatment facility, and capital leases for a town hall and equipment. The outstanding principal at December 31, 2005, was as follows:

	<u>Governmental</u>	<u>Water</u>	<u>Wastewater</u>	<u>Stormwater</u>
General Obligation Bonds	\$ 2,000,000	\$ 2,455,000	\$ 3,505,000	\$ -
Revenue Bonds	38,530,000	490,000	-	-
State Revolving Loan	-	-	2,372,190	-
Capital Lease	<u>449,091</u>	<u>-</u>	<u>-</u>	<u>18,959</u>
Totals	<u>\$ 40,979,091</u>	<u>\$ 2,945,000</u>	<u>\$ 5,877,190</u>	<u>\$ 18,959</u>

Note 9. Circuit Breaker Agreement

In 2004, the state provided to Lake County, for the benefit of various taxing units, a circuit breaker loan. The loan was to cover tax bill amounts in excess of 2% of the property's assessed valuation, subject to the property having a homestead exemption on file. On January 11, 2005, the County entered into an agreement with the Town of Dyer and other taxing units receiving gaming tax distributions from Lake County for repayment of the loan. The Town will have its gaming distribution reduced by \$6,141 quarterly for five years, beginning in April 2005, to repay its share of the loan.

Note 10. Tax Levies and Rates for 2004 and 2005

Property tax rates and levies were not established by February 15, 2004, as required by state statute due to the delay in the completion of the reassessment of Lake County. The 2004 property tax rates and levies were not established until October 2004. The tax bills were not mailed until March 2005 with the first installment due in April 2005 and the second installment due by June 2005. The 2005 property tax rates and levies were not established until September 2005. The 2004 payable 2005 property tax bills were mail out October 31, 2005, with the first installment due November 18, 2005, and the second installment due February 10, 2006.

Note 11. Subsequent Event

Property tax rates and levies were not established by the Indiana Department of Local Government Finance as of February 15, 2006, as required by statute, due to the continued delay caused by the reassessment of Lake County. As of July 6, 2006, the 2005 pay 2006 property tax bills have not been mailed out.

TOWN OF DYER  
EXAMINATION RESULTS AND COMMENTS

PRESCRIBED FORMS

The Town hired an outside firm to process the Town's payroll. The new payroll system does not provide prescribed or approved employee's earnings or service records.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

WRITE-OFF OF BAD DEBTS AND UNCOLLECTIBLE UTILITY ACCOUNTS

As stated in the prior report, the Officials prepared a schedule of old outstanding accounts receivable totaling \$21,379 that should have been written off by December 31, 2004. The schedule also included old accounts with credit balances totaling \$3,218. This schedule was not presented to the governing board for approval nor were the accounts written off.

The write-off policy states in part that, "the Town or Town Agency or Department shall prepare a semi-annual schedule of final accounts. The semi-annual schedule . . . shall be submitted to the Town Council, which by Resolution may declare said accounts listed as uncollectible and may authorize the . . . Department to cease further collection procedures and expense the amounts outstanding on the accounts as bad debts."

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)

INTERNAL CONTROLS

The Town of Dyer provides residents with emergency medical services in the event that Prompt Ambulance, Inc. (Prompt) is unable to provide for this service. The Town is providing this service through the Town of Dyer Volunteer Fire Department Emergency Ambulance Service that is assigned and delegated to the Town of Dyer Volunteer Fire Department (Fire Department). The following deficiencies were noted:

TOWN OF DYER  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

- (1) The Town is provided with free ambulance billing services by Prompt. There is no written contract between the Town of Dyer and Prompt to provide for these services or the business arrangement. In addition, policies and procedures for actual fees charged for Basic/Advanced life support, mileage, equipment, and detailed payment/write-off were not provided for audit. Reports produced by Prompt were not approved by the State Board of Accounts.
- (2) There are no procedures or policies in place to track the amount owed to the Town by patients who used the Town of Dyer Volunteer Fire Department Emergency Ambulance Service. It can not be determined if all billable runs are being billed. In addition, accounts receivable at December 31, 2005, only included delinquent accounts since October 14, 2004, provided by Prompt.
- (3) The Town does not have its own Medicare/Medicaid billing number. The Fire Department incorrectly applied and received the Medicare/Medicaid billing number. All payments from Medicare/Medicaid are made out to the Fire Department instead of the Town of Dyer.

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 Cities and Towns, Chapter 7)

TOWN OF DYER  
EXIT CONFERENCE

The contents of this report were discussed on July 10, 2006, with Thomas G. Hoffman, Clerk-Treasurer; Nancy O'Drobinak, Chief Deputy; Brian Hudock, Accounting Supervisor; Joe Neeb, Town Manager; and Lily Shiltz, Records/Projects Clerk.