

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

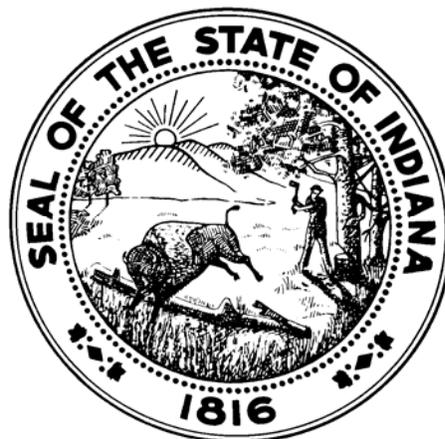
EXAMINATION REPORT

OF

TOWN OF SCHERERVILLE

LAKE COUNTY, INDIANA

January 1, 2006 to December 31, 2006



FILED

08/23/2007

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Accountant's Report	3
Financial Information:	
Schedule of Receipts, Disbursements, and Cash and Investment Balances	4
Notes to Financial Information.....	5-6
Supplementary Information:	
Schedule of Capital Assets	7
Schedule of Long-Term Debt.....	8
Examination Results and Comments:	
Customer Deposit Register.....	9
Police Gun Permits	9
Town Court Bank Reconciliation	9
Exit Conference	10

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Janice M. Malinowski	01-01-04 to 12-31-07
President of the Town Council	Robert Guetzloff Michael Troxell	01-01-06 to 12-31-06 01-01-07 to 12-31-07



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 ACCOUNTANT'S REPORT

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

We have examined the financial information presented herein of the Town of Schererville (Town), for the period of January 1, 2006 to December 31, 2006. The Town's management is responsible for the financial information presented herein. 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 financial information presented herein 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 financial information referred to above presents fairly, in all material respects, the financial information of the Town for the year ended December 31, 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information, and accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

July 17, 2007

TOWN OF SCHERERVILLE
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, 2006

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 1,151,364	\$ 13,648,906	\$ 13,914,397	\$ 885,872
Motor Vehicle Highway	347,215	2,010,184	1,785,887	571,512
Local Road and Street	172,981	298,033	150,852	320,162
Park and Recreation	131,902	1,030,615	1,123,433	39,085
Park and Recreation - Nonreverting	16,063	132,358	126,443	21,978
Law Enforcement Continuing Education	26,597	27,488	50,186	3,899
Lake County Gaming Tax	634,117	233,928	543,489	324,556
Special Ambulance Equipment - Nonreverting	-	100	-	100
Ambulance Service	417,757	595,120	611,340	401,537
Drainage	46,815	59,125	67,520	38,420
Cumulative Capital Improvement	369,430	88,780	83,213	374,997
Cumulative Capital Development	439,510	464,610	503,714	400,406
Cable TV	219,588	254,049	205,737	267,900
Pennsy/Greenway Bike Trail	-	250	-	250
Video	19,523	2,900	1,820	20,602
Police Equipment	53,210	37,206	60,641	29,775
Police Training	19,090	12,442	23,090	8,442
Fire Equipment	35,973	13,239	13,121	36,091
Redevelopment District Bond Debt Services	105,325	464,547	394,205	175,667
Storm Sewer Bond Debt Services	58,956	325,720	263,372	121,304
77th Ave Road Improvement	3,087	-	-	3,087
77th Ave Bridge Bond Proceeds	45	-	40	5
Donation	112,956	78,103	27,479	163,579
Impact Fees	21,789	-	-	21,789
Park District Bond Debt Services	-	223,396	150,207	73,189
77th Ave Bridge Debt Services	-	313,586	242,374	71,212
Park Impact Fees	320,765	45,824	4,216	362,374
Asset Forfeiture - Federal	29,472	25,299	28,718	26,053
Asset Forfeiture - State	400	4	-	404
Asset Seizure	361	2	-	363
Solid Waste Management	484,823	1,277,747	1,171,138	591,432
Building Corporation Lease	237,710	2,359,030	2,297,914	298,826
Police Grants	3,314	3,000	-	6,314
Schererville Safe Kids Chapter	5,775	3,249	6,284	2,740
Emergency Medical Services	999	2,300	2,897	402
2005 TIF Construction	13,990	54	12,327	1,717
2004 Park District Bond Proceeds	445,370	31,198	172,172	304,396
Schererville Newspaper	2,500	5,200	6,200	1,500
Major Moves Construction	-	590,940	-	590,940
Kennedy Ave TIF District Debt Services	4,797,555	2,144,767	3,912,205	3,030,117
Special Deferral Program	39,881	61,578	44,596	56,864
Adult Probation Services	43,716	59,710	84,236	19,190
Clerk's Perpetuation	33	4,457	3,629	861
Public Defender	460	7,670	3,000	5,130
US Postage Stamp	863	4,927	5,265	525
Central Purchasing	5,070	12,651	17,631	90
Proprietary Funds:				
Water Utility - Operating	246,013	4,150,983	4,128,433	268,562
Water Utility - Bond and Interest	768,398	998,110	953,086	813,422
Water Utility - Improvement	1,154,065	1,454,305	1,149,395	1,458,975
Water Utility - Revenue	-	5,316,462	5,316,462	-
Water Utility - Bond Debt Service	27,144	-	-	27,144
Water Utility - Meter Deposit	576,225	64,450	49,512	591,163
Water Utility - Debt Service Revenue	805,172	-	-	805,172
Wastewater Utility - Operating	195,318	3,301,263	3,368,255	128,325
Wastewater Utility - Bond and Interest	578,715	812,058	782,934	607,839
Wastewater Utility - Deposits	15,050	850	549	15,351
Wastewater Utility - Revenue	-	4,528,742	4,528,742	-
Wastewater Utility - Bond and Interest Special Reserve	814,827	-	-	814,827
Wastewater Utility - Operating Reserve	1,688,660	702,026	240,684	2,150,002
Wastewater Utility - Improvement	3,972,673	2,491,751	3,907,105	2,557,318
Fiduciary Funds:				
Police Officers' Pension	20,872	208,594	207,979	21,486
Payroll	129,438	11,621,115	11,642,933	107,620
Employee Benefits	620,593	1,864,514	1,443,459	1,041,648
Town Court	353,133	1,049,005	1,034,566	367,572
Deposits Nonreverting Escrow Fund	200	2,010	1,734	476
Totals	\$ 22,802,842	\$ 65,520,528	\$ 66,870,816	\$ 21,452,555

The accompanying notes are an integral part of the schedules.

TOWN OF SCHERERVILLE
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

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

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.

TOWN OF SCHERERVILLE
NOTES TO FINANCIAL INFORMATION
(Continued)

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 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. Tax Levies and Rates

The final settlement of the 2004 taxes payable in 2005 was distributed to the various governmental entities in March 2006.

Property tax rates and levies for 2005 taxes payable in 2006 were not established by February 15, 2006, as required by state statute due to the delay in the completion of the reassessment of Lake County. The tax bills were mailed to Lake County residents in August 2006. They were due in two installments on August 29, 2006 and November 14, 2006. The final settlement of the 2005 taxes payable in 2006 was distributed to the various governmental entities on January 4, 2007.

Note 8. Subsequent Event

Property tax rates and levies for 2006 taxes payable in 2007 were not established by February 15, 2007, as required by state statute due to the delay in the completion of the reassessment of Lake County. Currently, tax bills have not been mailed for the spring installment, normally due May 10.

In June 2007 the Town issued \$4,833,000 of tax anticipation warrants on 2007 property tax revenue. The warrants have an interest rate of 4.35% and are due December 31, 2007, to Chase Bank.

TOWN OF SCHERERVILLE
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 For The Year Ended December 31, 2006

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.

General infrastructure assets are included if acquired (purchased, constructed, or donated) after July 1, 1980, or if they received major renovations, restorations, or improvements after that date. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are reported at historical cost.

	Ending Balance
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 3,322,889
Infrastructure	45,681,369
Buildings	10,175,904
Improvements other than buildings	12,086,219
Machinery and equipment	9,368,182
Construction in progress	6,845,124

Total governmental activities, capital assets not being depreciated	\$ 87,479,687
---	---------------

	Ending Balance
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 27,887
Infrastructure	20,439,961
Buildings	3,783,208
Improvements other than buildings	5,319,855
Machinery and equipment	673,159
Construction in progress	2,512,713
Total Water Utility capital assets	32,756,783

Wastewater Utility:	
Capital assets, not being depreciated:	
Land	78,798
Infrastructure	15,399,286
Buildings	10,537,572
Improvements other than buildings	2,298,869
Machinery and equipment	2,206,923
Construction in progress	5,141,460
Total Wastewater Utility capital assets	35,662,908

Total business-type activities capital assets	\$ 68,419,691
---	---------------

TOWN OF SCHERERVILLE
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT

For The Year Ended December 31, 2006

Description of Asset	Ending Balance	Due Within One Year
Governmental Activities:		
Capital leases:		
2002 Town Hall/Police Station	\$ 10,837,500	\$ 255,000
2005 Police Cars	131,627	21,274
2006 Ambulance/Mower	137,978	75,620
Bonds payable:		
General obligation bonds:		
1994 Storm Sewer Bonds	600,000	145,000
1996 Redevelopment Bonds	2,340,000	180,000
2004 Park District Bond	1,900,000	60,000
2004 Bonds for 77th Ave Bridge	1,680,000	150,000
2005 TIF District Redevelopment Bonds	<u>7,140,000</u>	<u>255,000</u>
Total governmental activities long-term debt	<u>\$ 24,767,105</u>	<u>\$ 1,141,894</u>
Business-type Activities:		
Water Utility:		
Revenue bonds:		
1995 Water Refunding Bonds	\$ 1,920,000	\$ 610,000
1999 Water District Improvement Bonds	<u>2,590,000</u>	<u>145,000</u>
Total Water Utility	<u>4,510,000</u>	<u>755,000</u>
Wastewater Utility:		
Notes and loans payable (SRF Loan)	1,710,000	80,000
Revenue bonds:		
1995A Sewage Refunding Bonds	<u>1,785,000</u>	<u>565,000</u>
Total Wastewater Utility	<u>3,495,000</u>	<u>645,000</u>
Total business-type activities long-term debt:	<u>\$ 8,005,000</u>	<u>\$ 1,400,000</u>

TOWN OF SCHERERVILLE
EXAMINATION RESULTS AND COMMENTS

CUSTOMER DEPOSIT REGISTER

The Water and Wastewater Utilities maintain a computerized and a manual customer deposit register which do not agree. Neither the computerized or manual ledger agree to the fund balance. The Water Utility's computerized customer deposit register balance exceeded the fund balance by \$861.69. The Sewer Utility fund balance exceeded the computerized customer deposit register by \$650.61.

At all times, the manual and computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

POLICE GUN PERMITS

The Police Department collects a fee (\$10 to \$50) for gun permit applications. A corresponding receipt could not be located for 11% of the permit applications tested.

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN COURT BANK RECONCILEMENT

The Town Court of Schererville bank balance does not reconcile to the ledger balance. The bank balance exceeded the ledger balance by \$2,017.98 at December 31, 2006. Some checks that did not clear the bank were not included in the outstanding check list for that month. Since converging with Lake County Court's computer system in July 2006 the bank balance has not reconciled to the ledger.

Financial records of a city or town court shall be reconciled with the balance statements provided by the respective depository (or depositories) at least monthly. [IC 5-13-6-1(e)] (Account and Uniform Compliance Guidelines Manual for City and Town Courts, Chapter 4)

TOWN OF SCHERERVILLE
EXIT CONFERENCE

The contents of this report were discussed on July 17, 2007, with Carol Clark, Deputy Clerk-Treasurer; Janice Malinowski, Clerk-Treasurer; and Robert Volkman, Town Manager.