

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

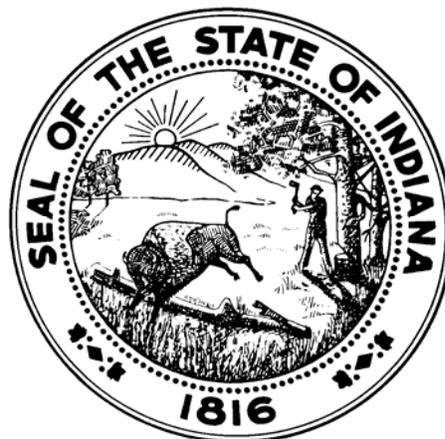
EXAMINATION REPORT

OF

TOWN OF DYER

LAKE COUNTY, INDIANA

January 1, 2006 to December 31, 2006



**FILED**  
08/27/2007



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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 Debbie J. Astor Paul A. Hayes	01-01-06 to 11-27-06 11-28-06 to 12-31-06 01-01-07 to 12-31-07
Town Manager	Joseph W. Neeb	01-01-06 to 12-31-07
Superintendent of Street and Water Treatment	David Proud	01-01-06 to 03-03-06
Director of Public Works	David Proud	03-04-06 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  
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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial information presented herein of the Town of Dyer (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 3, 2007

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, 2006

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
<b>Governmental Funds:</b>				
General	\$ 1,420,474	\$ 4,815,856	\$ 5,517,078	\$ 719,252
Motor Vehicle Highway	214,869	614,285	591,180	237,974
Local Road and Street	14,579	168,709	155,030	28,258
Park and Recreation	1,606	446,647	440,956	7,297
Law Enforcement Continuing Education	65,264	43,367	14,556	94,075
Cumulative Capital Improvement	53,232	89,866	80,778	62,320
Cumulative Capital Development	171,600	201,636	153,906	219,330
Local Major Moves Construction	-	331,806	-	331,806
Operation Pullover	1,099	7,515	7,894	720
Asset Seizure	19,300	31,970	32,808	18,462
Park Activities	67,543	86,513	55,300	98,756
Partners/Drug Free LC	6,127	-	-	6,127
GO Bond 2004	1,144,384	597,109	1,425,488	316,005
Park Bonds of 2006	-	4,500,000	-	4,500,000
Park Donations	5,324	6,301	6,528	5,097
Gift Fund	5,095	2,123	-	7,218
Police Gift Fund	9,532	3,575	2,102	11,005
LUST Site Remediation	15,359	754	-	16,113
Subdivision Professional Fees	131,287	66,575	66,807	131,055
Economic Development Revitalization	387	-	-	387
Bi-Town Animal Control	30,789	90,126	89,339	31,576
LC Drug Task Force	3,013	-	3,013	-
DUI/State Grant	-	29,039	29,039	-
Operation Safespeed	-	20,682	20,682	-
Non-Reverting Technology	44,074	2,103	9,629	36,548
Town Hall Lease Rental	27,653	193,774	288,529	(67,102)
Big City/County Seat Belt Grant	1,156	3,469	3,625	1,000
Parks Non-Reverting	15,607	31,851	17,137	30,321
Cumulative Fire Equipment	81,443	57,122	44,255	94,310
Solid Waste	463,961	761,076	704,663	520,374
Child Safety Seat Grant	27	-	27	-
Casino Gaming Revenue	200,651	286,479	155,850	331,280
Bullet Proof Vest Program	942	-	-	942
Town Hall Building/Maintenance Improvement	132	9,478	9,610	-
Employee Comp Medical Insurance	40,471	1,408	16,560	25,319
Innkeepers Tax	9,551	5,762	-	15,313
State Recycling Fund	4,800	75	4,165	710
Debt Service Fund (Calumet Ave Bond & Int)	24,345	1,163,658	848,180	339,823
Redevelopment Special Revenue	1,483,945	2,099,318	3,388,612	194,651
Redevelopment 2005 Special Revenue	1,619,438	2,097,301	3,700,179	16,560
Redevelopment 2005 Debt Service	3,905,940	3,978,883	4,155,899	3,728,924
Redevelopment Capital Projects	-	20,521	20,521	-
Redevelopment 2005 Capital Projects	94,594	4,643,543	3,472,136	1,266,001
<b>Proprietary Funds:</b>				
Water Utility - Operating	313,000	1,971,445	1,945,663	338,782
Water Utility - Bond and Interest	42,839	267,968	265,190	45,617
Water Utility - Customer Deposit	147,474	31,423	16,631	162,266
Water Utility - Costanza Construction Performance Escrow	-	40,323	40,323	-
Water Utility - Improvement	355,777	881,266	552,159	684,884
Water Utility PRIMECO	5,448	267	-	5,715
Water Utility - Water Debt Service	238,000	12,328	12,328	238,000
Water Utility - Water District Bond and Interest	230,693	587,661	818,354	-
Water Utility - Water Revenue	-	2,397,266	2,397,266	-
Wastewater Utility - Operating	342,076	2,282,618	2,280,628	344,066
Wastewater Utility - Bond and Interest	163,720	305,799	394,887	74,632
Wastewater Utility - Improvement	1,260,303	695,271	294,690	1,660,884
Wastewater Utility - Wastewater Revenue	-	2,748,118	2,748,118	-
Wastewater Utility - Wastewater Debt Service	443,000	22,948	22,948	443,000
Wastewater Utility - Wastewater Tap	708,069	86,041	-	794,110
Wastewater Utility - Sanitary District Bond and Interest	240,533	827,783	1,010,412	57,904
Wastewater Utility - Sanitary District Operating	138,004	360,221	328,982	169,243
Stormwater Utility - Operating	153,532	627,818	564,847	216,503
Stormwater Utility - Improvement	185,154	759,164	944,318	-
<b>Fiduciary Funds:</b>				
Police Officers' Pension	65,285	127,334	188,584	4,035
Occupancy/Permit Escrow	288,835	265,058	301,475	252,418
Insurance Clearing	-	1,428,435	1,428,435	-
Unemployment Clearing	-	16,835	16,835	-
Violation Escrow	6	2,376	2,103	279
Sheffield Avenue Road Escrow	7,740	-	7,740	-
Gasoline Clearing	(5,562)	154,938	147,888	1,488
Telephone Clearing	-	26,239	26,239	-
Park Escrow	325	2,800	2,785	340
Dyer GONE Project Construction Fund	-	113,053	113,053	-
Developers Reimbursement	-	75,043	75,043	-
Redevelopment General Fund	-	182,308	182,308	-
Payroll	60,109	5,126,703	5,125,697	61,115
<b>Totals</b>	<b>\$ 16,783,953</b>	<b>\$ 49,937,125</b>	<b>\$ 47,787,990</b>	<b>\$ 18,933,088</b>

The accompanying notes are an integral part of the financial information.

TOWN OF DYER  
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, 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 FINANCIAL INFORMATION  
(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. 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 8. Tax Levies and Rates

Property tax rates and levies for 2004 taxes payable in 2005 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 2005 property tax rates and levies were not established until October 2005; thus, the property taxes were not billed or collected timely. 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.

TOWN OF DYER  
NOTES TO FINANCIAL INFORMATION  
(Continued)

Note 9. Subsequent Events

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.

On May 30, 2007, the Town issued \$2,000,000 of general obligation bonds for the purpose of providing funds to be used for costs of the construction of road infrastructure improvements and to pay issuance costs.

The Town entered into a capital lease agreement for the purchase of land for the Park Department in the amount of \$8,337,000. The term of the lease agreement is for 22 years and the annual lease payments range from \$2,500 to \$452,500.

The Storm Water Utility received bond anticipation note proceeds in the amount of \$400,000 to finance the Storm Water Berm Project. The debt is due March 20, 2009, with an interest rate of 3.74%.

TOWN OF DYER  
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 (those reported by governmental activities) are included regardless of their acquisition date or amount. 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.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 1,962,150
Infrastructure	35,070,582
Buildings	11,088,729
Improvements other than buildings	1,131,974
Machinery and equipment	6,490,964
Construction in progress	<u>1,123,025</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 56,867,424</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water District:	
Capital assets, not being depreciated:	
Land	\$ 1,415,900
Construction in progress	312,674
Buildings	1,684,533
Improvements other than buildings	10,246,596
Machinery and equipment	<u>1,128,237</u>
 Total Water District capital assets	 <u>14,787,940</u>
Sanitary District:	
Capital assets, not being depreciated:	
Land	54,600
Construction in progress	200,096
Buildings	4,331,257
Improvements other than buildings	12,280,965
Machinery and equipment	<u>2,360,331</u>
 Total Sanitary District capital assets	 <u>19,227,249</u>
Stormwater Utility:	
Capital assets, not being depreciated:	
Land	376,500
Construction in progress	857,973
Buildings	379,220
Improvements other than buildings	10,183,085
Machinery and equipment	<u>270,735</u>
 Total Stormwater Utility capital assets	 <u>12,067,513</u>
 Total business-type activities capital assets	 <u>\$ 46,082,702</u>

TOWN OF DYER  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF LONG-TERM DEBT

For The Year Ended December 31, 2006

Description of Asset	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>		
Capital leases:		
2003 Squad Car Lease	\$ 12,898	\$ 12,898
2004 Squad Car Lease	40,800	27,200
2005 Squad Car Lease	98,662	32,887
2006 Squad Car Lease	89,676	21,018
Bonds payable:		
General obligation bonds:		
2004 Street Improvements	1,065,000	520,000
2006 Park Improvements	4,500,000	-
Revenue bonds:		
2005 Redevelopment Tax Increment Bonds	3,705,000	330,000
2005 Redevelopment Lease Rental Bonds	<u>35,165,000</u>	<u>765,000</u>
<b>Total governmental activities long-term debt</b>	<b><u>\$ 44,677,036</u></b>	<b><u>\$ 1,709,003</u></b>
<b>Business-type Activities:</b>		
Water District		
General obligation bonds:		
2003 Water District Improvements	\$ 2,165,000	\$ 300,000
Revenue bonds:		
1995 Water Utility Improvements	<u>250,000</u>	<u>250,000</u>
<b>Total Water District</b>	<b><u>2,415,000</u></b>	<b><u>550,000</u></b>
Sanitary District		
General obligation bonds:		
1993 SRF Special Taxing District Bonds	\$ 2,025,000	\$ 280,000
1997 Sanitary District Construction Bonds	1,090,000	130,000
Revenue bonds:		
1993 SRF Sewer Utility Bonds	<u>2,072,190</u>	<u>310,000</u>
<b>Total Sanitary District</b>	<b><u>5,187,190</u></b>	<b><u>720,000</u></b>
<b>Total business-type activities long-term debt:</b>	<b><u>\$ 7,602,190</u></b>	<b><u>\$ 1,270,000</u></b>

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 semiannual 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)

APPROPRIATIONS

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
Debt Service Fund	2006	\$ 375,273
Town Hall Lease Rental	2006	44,665
Local Road and Street	2006	50,155
Cumulative Fire Equipment	2006	8,042
Cumulative Capital Development	2006	2,637
Redevelopment Special Revenue	2006	21,818
Redevelopment 2005 Debt Service	2006	2,599,170

Additional appropriations for five out of the seven funds were approved locally by the governing board but not by the Department of Local Government Finance (DLGF) as required. If these five funds would have been approved by the DLGF, then only two funds' disbursements would have exceeded appropriations. The two funds are Town Hall Lease Rental \$44,665 and Redevelopment 2005 Debt Service \$2,599,170.

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."

TOWN OF DYER  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

INTERNAL CONTROLS

The Town 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:

- (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. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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 19, 2007, with Thomas G. Hoffman, Clerk-Treasurer; Nancy O'Drobinak, Chief Deputy; Brian Hudock, Accounting Supervisor; and Patricia Hawrot, Deputy.