

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, 2007 to December 31, 2007



FILED
10/31/2008

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Thomas G. Hoffman Patricia Hawrot	01-01-04 to 12-31-07 01-01-08 to 12-31-11
President of the Town Council	Paul A. Hayes Robert Rybicki	01-01-07 to 12-31-07 01-01-08 to 12-31-08
Town Manager	Joseph W. Neeb	01-01-07 to 12-31-08
Director of Public Works	David Proud	01-01-07 to 12-31-08



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 financial information presented herein of the Town of Dyer (Town), for the period of January 1, 2007 to December 31, 2007. 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, 2007, 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

September 3, 2008

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, 2007

	Cash and Investments		Cash and Investments	
	01-01-07	Receipts	Disbursements	12-31-07
Governmental Funds:				
General	\$ 719,252	\$ 7,357,440	\$ 7,568,032	\$ 508,660
Motor Vehicle Highway	237,974	657,605	555,430	340,149
Local Road and Street	28,258	168,680	144,308	52,630
Park and Recreation	7,297	396,412	338,248	65,461
Law Enforcement Continuing Education	94,075	44,841	45,363	93,553
Cumulative Capital Improvement	62,320	52,063	87,589	26,794
Cumulative Capital Development	219,330	91,927	137,749	173,508
Local Major Moves Construction	331,806	11,517	-	343,323
Operation Pullover	720	5,536	6,591	(335)
Asset Seizure	18,462	4,498	9,051	13,909
Park Activities	98,756	102,940	111,150	90,546
Partners/Drug Free Lake County	6,127	-	-	6,127
General Obligation Bond 2004	316,005	501	118,246	198,260
Park Bonds of 2006	4,500,000	226,162	211,319	4,514,843
Park Donations	5,097	9,057	6,753	7,401
Gift Fund	7,218	11,192	4,591	13,819
Police Gift Fund	11,005	15,298	12,800	13,503
LUST Site Remediation	16,113	508	-	16,621
Subdivision Professional Fees	131,055	84,416	145,150	70,321
Economic Development Revitalization	387	-	-	387
Bi-Town Animal Control	31,576	38,674	61,903	8,347
DUI/State Grant	-	36,790	36,790	-
Operation Safespeed	-	4,860	4,860	-
Community Events Special	-	31,134	30,251	883
Non-Reverting Technology	36,548	1,199	13,946	23,801
Town Hall Lease Rental	(67,102)	77,966	-	10,864
Big City/County Seat Belt Grant	1,000	3,210	3,878	332
Parks Non-Reverting	30,321	11,544	25,000	16,865
Cumulative Fire Equipment	94,310	30,316	17,686	106,940
Solid Waste	520,374	754,521	1,040,624	234,271
General Obligation Bonds of 2007	-	2,021,068	1,792,908	228,160
Park Bond and Interest	-	163,776	-	163,776
Casino Gaming Revenue	331,280	137,629	223,000	245,909
Bullet Proof Vest Program	942	-	-	942
Employee Comp Medical Insurance	25,319	701	18,845	7,175
Innkeepers Tax	15,313	5,674	9,500	11,487
State Recycling Fund	710	22	-	732
Debt Service Fund (Calumet Ave Bond & Int)	339,823	416,433	546,700	209,556
Redevelopment Special Revenue	194,651	4,157,182	3,943,477	408,356
Redevelopment 2005 Special Revenue	16,560	2,547,835	2,548,453	15,942
Redevelopment 2005 Debt Service	3,728,924	3,446,229	3,694,025	3,481,128
Redevelopment 2007 Debt Service	-	225,665	459	225,206
Redevelopment 2005 Capital Projects	1,266,001	2,320,662	3,586,663	-
Redevelopment 2007 Capital Projects	-	5,300,000	5,300,000	-
Proprietary Funds:				
Water Utility - Operating	338,782	2,131,549	2,117,331	353,000
Water Utility - Bond and Interest	45,617	286,032	256,146	75,503
Water Utility - Customer Deposit	162,266	27,210	17,590	171,886
Water Utility - Costanza Construction Performance Escrow	-	-	-	-
Water Utility - Improvement	684,884	785,299	431,789	1,038,394
Water Utility PRIMECO	5,715	202	-	5,917
Water Utility - Water Debt Service	238,000	4,546	241,667	879
Water Utility - Water District Bond and Interest	-	593,663	408,185	185,478
Water Utility - Water Revenue	-	2,628,767	2,628,767	-
Wastewater Utility - Operating	344,066	2,402,279	2,390,226	356,119
Wastewater Utility - Bond and Interest	74,632	400,865	392,889	82,608
Wastewater Utility - Improvement	1,660,884	1,410,723	2,002,309	1,069,298
Wastewater Utility - Wastewater Revenue	-	2,820,923	2,820,923	-
Wastewater Utility - Wastewater Debt Service	443,000	16,185	-	459,185
Wastewater Utility - Wastewater Tap	794,110	62,502	-	856,612
Wastewater Utility - Sanitary District Bond and Interest	57,904	823,441	538,270	343,075
Wastewater Utility - Sanitary District Operating	169,243	194,052	322,940	40,355
Storm Water Utility - Operating	216,503	612,581	709,120	119,964
Storm Water Utility - Improvement	-	306,500	232,701	73,799
Storm Water Utility - Bond Anticipation Note	-	408,777	197,288	211,489
Fiduciary Funds:				
Police Officers' Pension	4,035	193,164	177,474	19,725
Occupancy/Permit Escrow	252,418	185,505	301,796	136,127
Insurance Clearing	-	1,437,476	1,437,476	-
Unemployment Clearing	-	17,677	17,677	-
Violation Escrow	279	4,659	4,932	6
Gasoline Clearing	1,488	162,247	166,765	(3,030)
Telephone Clearing	-	25,355	25,355	-
Park Escrow	340	2,320	2,270	390
Dyer GONE Project Construction Fund	-	181,309	181,309	-
Redevelopment General Fund	-	382,432	382,432	-
Redevelopment 2007 Agency Fund	-	10,833,268	10,779,277	53,991
Payroll	61,115	5,569,118	5,565,202	65,031
Totals	\$ 18,933,088	\$ 65,884,309	\$ 67,151,444	\$ 17,665,953

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.

TOWN OF DYER
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plans

A. Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plans

1. 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.

2. 1925 Police Officers' Pension Plan

Plan Description

The Town contributes to the 1925 Police Officers' Pension Plan, which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-6). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute.

TOWN OF DYER
NOTES TO FINANCIAL INFORMATION
(Continued)

B. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The Town contributes to the 1977 Police Officers' and Firefighters' Pension and Disability Fund, a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Employees' Retirement Plan (PERF) for all police officers and firefighters hired after April 30, 1977.

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting and requirements for contributions by employers and by employees. Covered employees may retire at age 55 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 55. The plan also provides for death and disability benefits.

PERF 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
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Ph. (317) 233-4162

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. Subsequent Events

Property tax rates and levies for 2007 taxes payable in 2008 were not established by February 15, 2008, 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.

TOWN OF DYER
NOTES TO FINANCIAL INFORMATION
(Continued)

The Town of Dyer received \$3,000,000 on January 7, 2008, and \$1,000,000 on May 12, 2008, totaling \$4,000,000, tax-exempt tax anticipation warrants for the General Fund. The General Fund paid back \$2,000,000 on March 27, 2008. Tax anticipation warrants for the General Fund still outstanding are \$2,000,000. The loans are to be used for meeting the operating expenses of the Town and are to be paid back prior to December 31, 2008.

The Town entered into a capital lease agreement for the purchase of four squad cars for the police department in the amount of \$111,366. The term of the lease agreement is for four years, and the semiannual lease payments are \$15,234.

TOWN OF DYER
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

For The Year Ended December 31, 2007

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	\$ 7,335,513
Infrastructure	36,243,297
Buildings	11,088,729
Improvements other than buildings	1,137,576
Machinery and equipment	6,516,860
Construction in progress	<u>157,473</u>
 Total governmental activities, capital assets not being depreciated	 <u><u>\$ 62,479,448</u></u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water District:	
Capital assets, not being depreciated:	
Land	\$ 1,415,900
Buildings	1,684,533
Improvements other than buildings	10,589,515
Machinery and equipment	<u>1,135,545</u>
 Total Water District capital assets	 <u>14,825,493</u>
Sanitary District:	
Capital assets, not being depreciated:	
Land	54,600
Buildings	4,331,257
Improvements other than buildings	12,513,856
Machinery and equipment	<u>2,389,581</u>
 Total Sanitary District capital assets	 <u>19,289,294</u>
Stormwater Utility:	
Capital assets, not being depreciated:	
Land	376,500
Construction in progress	750,871
Buildings	379,220
Improvements other than buildings	10,624,161
Machinery and equipment	<u>299,985</u>
 Total Stormwater Utility capital assets	 <u>12,430,737</u>
 Total business-type activities capital assets	 <u><u>\$ 46,545,524</u></u>

TOWN OF DYER
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
December 31, 2007

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital leases:		
2004 Squad Car Lease	\$ 13,600	\$ 13,776
2005 Squad Car Lease	65,775	34,815
2006 Squad Car Lease	68,659	24,628
2007 Squad Car Lease	109,527	15,430
Bonds payable:		
General obligation bonds:		
2004 Street Improvements	545,000	274,635
2006 Park Improvements	4,500,000	669,290
2007 Street Improvements	2,000,000	265,803
Revenue bonds:		
2005 Redevelopment Tax Increment Bonds	3,205,000	443,380
2005 Redevelopment Lease Rental Bonds	33,915,000	2,988,588
2007 Economic Lease Rental Bonds	<u>5,690,000</u>	<u>430,500</u>
Total governmental activities debt	<u>\$ 50,112,561</u>	<u>\$ 5,160,845</u>
Business-type Activities:		
Water District		
General obligation bonds:		
2003 Water District Improvements	<u>\$ 1,865,000</u>	<u>\$ 374,425</u>
Sanitary District		
General obligation bonds:		
1993 SRF Special Taxing District Bonds	1,745,000	356,900
1997 Sanitary District Construction Bonds	960,000	182,990
Revenue bonds:		
1993 SRF Sewer Utility Bonds	<u>1,762,190</u>	<u>395,488</u>
Total Sanitary District	<u>4,467,190</u>	<u>935,378</u>
Stormwater Utility		
Revenue bonds:		
2007 Bond Anticipation Note	<u>400,000</u>	<u>7,480</u>
Total business-type activities debt:	<u>\$ 6,732,190</u>	<u>\$ 1,317,283</u>

TOWN OF DYER
EXAMINATION RESULTS AND COMMENTS

NEGATIVE CASH BALANCES

On December 31, 2007, the cash balance of the Operation Pullover Fund and Gasoline Clearing Fund were overdrawn by \$335 and \$3,030, respectively.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

HYDRANT RENTAL

The Town of Dyer Ordinance 97-17 establishes municipal hydrant rental at \$439.85 per hydrant. In 2007, the number of hydrants in the Town of Dyer was 1,004. The total rental fee for the 1,004 hydrants at \$439.85 per hydrant was \$441,609.40. In 2007, the Town paid the Water Utility \$176,819.70 for 402 hydrants. The Town still owes the Water Utility \$264,789.70 for hydrant rental in 2007. Historically the Town has not paid the full amount to the Water Utility in accordance with the Ordinance. It is unknown the total dollar amount outstanding.

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's residents are served by Prompt Ambulance, Inc., (Prompt) for emergency medical services. Prompt does its own billing and collecting for their services. In the event Prompt is unable to respond to an emergency call, the emergency call is redirected to Town of Dyer Volunteer Fire Department and its emergency ambulance services. The billing for these service runs is also performed by Prompt. The following deficiencies were noted:

1. The billing services provided by Prompt are based on a verbal agreement instead of a written contract.
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 on a regular basis. In addition, accounts receivable that was presented by Prompt which included amounts on behalf of the Volunteer Fire Department only included delinquent accounts since October 2004.
3. All payments from Insurance Companies and 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)

TOWN OF DYER
EXAMINATION RESULTS AND COMMENTS
(Continued)

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)

DYER COMMUNITY FOUNDATION

On November 15, 2006, the Town of Dyer created the Dyer Community Foundation. It was created to organize, coordinate, and assist in raising gifts and donations for the benefit of the residents of the Town of Dyer. Also, on November 15, 2006, the Town of Dyer entered into an Advised Endowment Agreement with the Legacy Foundation, Incorporated (Foundation) for the administration of gifts and donations received by the Dyer Community Foundation. Per the Agreement between the Foundation and the Town of Dyer, the Foundation created an endowment as an Advised Endowment Fund named The Town of Dyer Community Foundation Fund. The primary purpose of the fund is to provide support as directed by the board which is appointed by the Town Council, for a charitable or other exempt purpose that is consistent with the exempt purposes of the Foundation.

We noted the following problems:

1. On April 10, 2007, the Town gave \$10,000 from the Cumulative Capital Improvement fund to the Legacy Foundation, Inc., for the Town of Dyer Community Foundation Fund.
2. The agreement does not address the return of donations to the Town.

Indiana Code 6-7-1-31.1 (a) states in part: ". . . The city or town may only use money in its cumulative capital improvement fund to: (1) Purchase land, easements, or rights-of-way; (2) purchase buildings; (3) construct or improve city owned property; (4) design, develop, purchase, lease, upgrade, maintain, or repair: (A) computer hardware; (B) computer software; (C) wiring and computer networks; and (D) communications access systems used to connect with computer networks or electronic gateways; (5) pay for the services of full-time or part-time computer maintenance employees; (6) conduct nonrecurring in service technology training of unit employees; (7) undertake Internet application development; or (8) retire general obligation bonds issued by the city or town for one (1) of the purposes stated in clause (1), (2), (3) of this subsection. The money in the city's or town's cumulative capital improvement fund does not revert to its general fund." (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 3)

Indiana Code 36-1-14-1 Section 1 (c) states in part: ". . . Notwithstanding IC 8-1.5-26(d), a unit may donate the proceeds from the sale of a utility or facility or from a grant, a gift, a donation, an endowment, a bequest, a trust, or riverboat gaming revenue to a foundation under the following conditions: (1) The foundation is a charitable nonprofit community foundation. (2) The foundation retains all rights to the donation, including investment powers. (3) The foundation agrees to do the following: (A) Hold the donation as a permanent endowment. (B) Distribute the income from the donation only to the unit as directed by resolution of the fiscal body of the unit. (C) Return the donation to the general fund of the unit if the foundation: (i) loses the foundation's status as a public charitable organization; (ii) is liquidated; or (iii) violates any condition of the endowment set by the fiscal body of the unit.

TOWN OF DYER
EXIT CONFERENCE

The contents of this report were discussed on September 17, 2008, with Patricia Hawrot, Clerk-Treasurer; Brian Hudock, Accounting Supervisor; and Lily Schiltz, Deputy Clerk.

The contents of this report were mailed to Thomas Hoffman, former Clerk-Treasurer on September 17, 2008.