

B27798

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

EXAMINATION REPORT

OF

TOWN OF CHANDLER

WARRICK COUNTY, INDIANA

January 1, 2004 to December 31, 2005



FILED
08/30/2006

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Sharon A. Gammon	01-01-00 to 12-31-07
President of the Town Council	Brian K. Lucas	01-01-04 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 CHANDLER, WARRICK COUNTY, INDIANA

We have examined the schedules of receipts, disbursements, and cash and investment balances of the Town of Chandler (Town), for the period of January 1, 2004 to December 31, 2005. The Town's management is responsible for the schedules. 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 schedules referred to above present fairly, in all material respects, the cash transactions of the Town for the years ended December 31, 2004 and 2005, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

August 8, 2006

TOWN OF CHANDLER
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY AND FIDUCIARY FUND TYPES
As Of And For The Years Ended December 31, 2004 And 2005

	Cash and Investments			Cash and Investments
	01-01-04	Receipts	Disbursements	
Governmental Funds:				
General	\$ 19,192	\$ 1,009,090	\$ 947,706	\$ 80,576
Motor Vehicle Highway	145,560	134,420	106,623	173,357
Local Road and Street	36,877	31,571	54,547	13,901
Park and Recreation	13,720	56,717	27,118	43,319
Law Enforcement Continuing Education	2,101	1,305	3,324	82
Economic Development Income Tax	880	476,537	150,772	326,645
Sidewalk	24,213	-	-	24,213
Forfeiture	323	-	-	323
Cumulative Capital Improvement	12,777	11,546	14,452	9,871
Cumulative Capital Development	121	97,450	21,989	75,582
Proprietary Funds:				
Water Utility - Operating	172,764	2,229,602	2,323,092	79,274
Water Utility - Bond and Interest	270,891	657,270	658,420	269,741
Water Utility - Reserve	496,335	28,477	-	524,812
Water Utility - Depreciation	5,349	6,000	5,499	5,850
Water Utility - Construction	2,441	269,061	269,616	1,886
Water Utility - Customer Deposit	215,272	25,740	17,593	223,419
Wastewater Utility - Operating	47,559	1,440,369	1,448,858	39,070
Wastewater Utility - Bond and Interest	60,353	611,022	671,375	-
Wastewater Utility - Reserve	589,360	17,960	101,947	505,373
Wastewater Utility - Depreciation	3,043	6,000	2,467	6,576
Wastewater Utility - Construction	52,244	9,482	60,323	1,403
Wastewater Utility - Customer Deposit	94,709	25,575	12,774	107,510
Fiduciary Funds:				
Eye Care	1,481	3,000	2,220	2,261
Levy Excess	-	73,866	73,866	-
Payroll	21,456	1,598,770	1,600,273	19,953
Totals	\$ 2,289,021	\$ 8,820,830	\$ 8,574,854	\$ 2,534,997

	Cash and Investments			Cash and Investments
	01-01-05	Receipts	Disbursements	
Governmental Funds:				
General	\$ 80,576	\$ 555,528	\$ 613,543	\$ 22,561
Motor Vehicle Highway	173,357	132,249	75,981	229,625
Local Road and Street	13,901	31,771	3,350	42,322
Park and Recreation	43,319	72,686	71,491	44,514
Law Enforcement Continuing Education	82	2,006	1,556	532
Economic Development Income Tax	326,645	242,070	478,955	89,760
Sidewalk	24,213	-	24,213	-
Forfeiture	323	-	-	323
Riverboat	-	19,510	-	19,510
Cumulative Capital Improvement	9,871	9,564	13,847	5,588
Cumulative Capital Development	75,582	38,665	74,708	39,539
Proprietary Funds:				
Water Utility - Operating	79,274	3,028,448	2,691,088	416,634
Water Utility - Bond and Interest	269,741	429,667	407,977	291,431
Water Utility - Reserve	524,812	1,207	250,000	276,019
Water Utility - Depreciation	5,850	6,000	-	11,850
Water Utility - Construction	1,886	1,250,539	606,410	646,015
Water Utility - Customer Deposit	223,419	26,675	15,120	234,974
Wastewater Utility - Operating	39,070	3,059,353	1,852,945	1,245,478
Wastewater Utility - Bond and Interest	-	718,889	718,889	-
Wastewater Utility - Reserve	505,373	116,483	4,093	617,763
Wastewater Utility - Depreciation	6,576	6,000	10,828	1,748
Wastewater Utility - Construction	1,403	-	1,403	-
Wastewater Utility - Customer Deposit	107,510	31,275	13,288	125,497
Stormwater Utility - Operating	-	124,536	116,694	7,842
Fiduciary Funds:				
Eye Care	2,261	-	1,445	816
Payroll	19,953	1,613,401	1,607,995	25,359
Totals	\$ 2,534,997	\$ 11,516,522	\$ 9,655,819	\$ 4,395,700

The accompanying notes are an integral part of the schedules.

TOWN OF CHANDLER
NOTES TO SCHEDULES

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. All property taxes collected by the County Treasurer and available for distribution were distributed to the Town on or prior to December 31 of the year collected.

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 CHANDLER
NOTES TO SCHEDULES
(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. Long-Term Debt

The Town has entered into various debts such as bonds for water and wastewater utility improvements and bond anticipation notes for additional water improvements. The outstanding principal at December 31, 2005, was \$2,710,000, \$8,290,000 and \$1,175,000, respectively.

Note 8. Subsequent Events

The water utility plans to complete a bond issue in late 2006 which will pay off the bond anticipation notes. Construction for both the water and wastewater utilities has continued in 2006.

TOWN OF CHANDLER
EXAMINATION RESULTS AND COMMENTS

INTERNAL CONTROLS (Applies to Town, Water, Wastewater and Storm Water Utilities)

As stated in the prior Audit Report B23208, controls over the receipting, disbursing, recording, and accounting for the financial activities were insufficient:

- (a) The endorsement sides of the warrants were not included in the optical images returned with the bank statements. This deficiency was corrected in late 2005.
- (b) The computerized system used for recordkeeping produces ledgers that contained many deficiencies. The fund report receipts and disbursements did not agree to the detail of receipts and disbursements. The cash account did not agree to the detail of receipts and disbursements. The system permitted some transactions to be posted twice. The Town Annual Report did not agree to the ledger because the Clerk-Treasurer had to adjust the amounts to reconcile with the bank by using deposits, checks, and independent determination of outstanding checks.
- (c) The Town did not use approved charts of accounts for the ledger for the entire unit and billing/accounts receivable transactions for the utilities.
- (d) The capital asset subsidiary account sheets do not agree to the ledger.
- (e) No reconciliation was performed for the payroll fund to identify balances.

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)

At all times, the manual and/or 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)

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)

APPROVAL OF FORMS (Applies to Town, Water and Wastewater Utilities)

The Town of Chandler is substituting forms which have not been approved for use in lieu of the following prescribed forms:

- Payroll Schedule and Voucher, General Form 99 (Rev. 1993)
- Employee's Earnings Record, General Form 99B (Rev. 1993)
- Ledger of Receipts, Disbursements and Balances, City and Town Form 208 (Rev. 1967)
- Ledger of Appropriations, Encumbrances, Disbursements and Balances, City and Town Form 209 (Rev. 1967)
- Capital Assets Ledger, City and Town Form 211 (2003)
- Wastewater Utility Journal, Utility Form 309 (Rev. 1998)

TOWN OF CHANDLER
EXAMINATION RESULTS AND COMMENTS
(Continued)

Register of Daily Cash Receipts - Consumers (Water and Sewage Utilities Combined),
Utility Form 313C (Rev. 1966)
Consumer's Ledger (Municipal Water and Sewage Utilities Combined),
Utility Form 322 (Rev. 1966)
Revenue Register (Class A and B Water and Wastewater) Utility Form 330 (1997)
Expense Register (Class A and B Water and Wastewater) Utility Form 331 (1997)

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)

OFFICIAL BOND (Applies to Town, Water, Wastewater, and Storm Water Utilities)

Employees other than the Clerk-Treasurer who handled money, i.e. the utility clerks and the police secretary, were not bonded or covered by a crime policy based on evidence provided.

Indiana Code 5-4-1-5.1(b) states in part: "Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder. . . ."

All employees who handle cash should be covered by some type of bond or crime insurance policy. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

SALARY OVERPAYMENT (Applies to Town)

The Clerk-Treasurer was paid in excess of the salary ordinance in 2004. The clerk-treasurer repaid the overpayment on August 8, 2006.

Indiana Code 36-4-7-2 states:

"(b) The city legislative body shall, by ordinance, fix the annual compensation of all elected city officers. The ordinance must be published under IC 5-3-1, with the first publication at least thirty (30) days before final passage by the legislative body."

"(c) The compensation of an elected city officer may not be changed in the year for which it is fixed, nor may it be reduced below the amount fixed for the previous year."

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)

ORDINANCES AND RESOLUTIONS (Applies to Water and Wastewater Utilities)

The Town of Chandler passed bond ordinances (Ordinance 2005-6 and Ordinance 2005-13) requiring separate bank accounts for the Water and Wastewater sinking funds. However, these funds are maintained in one combined utility bank account.

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)

TOWN OF CHANDLER
EXAMINATION RESULTS AND COMMENTS
(Continued)

APPROPRIATIONS (Applies to Town)

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

<u>Fund</u>	<u>Years</u>	<u>Excess Amount Expended</u>
Park and Recreation	2004	\$ 7
Park and Recreation	2005	251
Economic Development Income Tax	2005	146,167

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."

UNIDENTIFIED BALANCES IN PAYROLL FUND (Applies to Town)

The payroll fund has an unidentified balance at the end of each year in the examination period.

Payroll deductions will be accumulated in the payroll fund, and then disbursed from this fund at the proper time to the various receiving agencies by payroll warrants. It is suggested the payroll fund ledger sheet be supported by subsidiary ledger sheets for each type of payroll deduction in order to see that no unidentified balance is allowed to accumulate in the payroll fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 3)

GUARANTEE DEPOSIT REGISTER (Applies to Water and Wastewater Utilities)

The Guarantee Deposit Registers for both the Water and Wastewater Utilities were not in balance with the Water Utility and Wastewater Utility meter deposit fund cash balances.

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)

CAPITAL ASSET RECORDS (Applies to Town, Water, Wastewater and Storm Water Utilities)

The Town does not maintain accurate capital asset records.

Information presented for audit indicates the Utilities do not maintain sufficient detailed records of capital assets for its Utility Plant in Service accounts. Upon purchase, the costs of the capital assets are added to an aggregate Utility Plant in Service account, and to subsidiary accounts for land, buildings, etc., in the General Ledger. However, records providing historical costs for some of the Utility's capital assets are not available, and records classifying and summarizing the Utility's capital assets are incomplete. Deletions or disposals of capital assets are not recorded.

TOWN OF CHANDLER
EXAMINATION RESULTS AND COMMENTS
(Continued)

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 form. 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)

OLD OUTSTANDING CHECKS (WARRANTS) (Applies to Water and Wastewater Utilities)

Our review of the bank reconcilements as of December 31, 2005, revealed checks outstanding in excess of two years.

Indiana Code 5-11-10.5-2 states, in part: "All warrants or checks drawn upon public funds of a political subdivision that are outstanding and unpaid for a period of two (2) or more years as of the last day of December of each year are void."

Indiana Code 5-11-10.5-3 states, in part: "Not later than March 1 of each year, the treasurer of each political subdivision shall prepare or cause to be prepared a list in triplicate of all warrants or checks that have been outstanding for a period of two (2) or more years as of December 31 of the preceding year. The original copy of each list shall be filed with the board of finance of the political subdivision or the fiscal body of a city or town. The duplicate copy shall be transmitted to the disbursing officer of the political subdivision. The triplicate copy of each list shall be filed in the office of the treasurer of the political subdivision. If the treasurer serves also as the disbursing officer of the political subdivision, only two (2) copies of each list need be prepared or caused to be prepared by the treasurer."

Indiana Code 5-11-10.5-5 states:

"(a) Upon the preparation and transmission of the copies of the list of the outstanding warrants or checks, the treasurer of the political subdivision shall enter the amounts so listed as a receipt into the fund or funds from which they were originally drawn and shall also remove the warrants or checks from the record of outstanding warrants or checks.

(b) If the disbursing officer does not serve also as treasurer of the political subdivision, the disbursing officer shall also enter the amounts so listed as a receipt into the fund or funds from which the warrants or checks were originally drawn. If the fund from which the warrant or check was originally drawn is not in existence, or cannot be ascertained, the amount of the outstanding warrant or check shall be receipted into the general fund of the political subdivision."

POLICE DEPARTMENT RECEIPTS AND FEES (Applies to Town)

Receipts and fees collected by the police department were remitted to the Clerk-Treasurer less frequently than once a week.

Receipts and fees collected by a police department should be remitted to the Clerk-Treasurer or city controller at least once each week. (Cities and Towns Bulletin and Uniform Compliance Guidelines, September 2003)

TOWN OF CHANDLER
EXIT CONFERENCE

The contents of this report were discussed on August 9, 2006, with Sharon A. Gammon, Clerk-Treasurer; Robert Hess, Councilman; and Jeannette Lance, Councilwoman. The officials concurred with our findings.