

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

EXAMINATION REPORT
OF
TOWN OF CHALMERS
WHITE COUNTY, INDIANA
January 1, 2005 to December 31, 2006



FILED
05/15/2007

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Debra K. Clawson	01-01-04 to 12-31-07
President of the Town Council	Marcus King	01-01-05 to 12-31-07
Superintendent of Utilities	Perry Hughes	01-01-05 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 CHALMERS, WHITE COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Chalmers (Town), for the period of January 1, 2005 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 years ended December 31, 2005 and 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 a required part 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

April 3, 2007

TOWN OF CHALMERS
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, 2005 And 2006

	Cash and Investments		Cash and Investments	
	01-01-05	Receipts	Disbursements	12-31-05
Governmental Funds:				
General	\$ 52,517	\$ 74,656	\$ 86,696	\$ 40,477
Motor Vehicle Highway	56,519	29,943	27,645	58,817
Local Road and Street	2,457	2,756	707	4,506
Park and Recreation	37,416	15,182	1,318	51,280
Law Enforcement Continuing Education	211	132	200	143
Riverboat	6,479	3,235	-	9,714
Rainy Day	10,558	-	-	10,558
SIDNE Program - donations	-	525	-	525
Cumulative Capital Improvement	47,134	2,034	-	49,168
Cumulative Capital Development	26,743	6,107	9,382	23,468
Proprietary Funds:				
Water Utility - Operating	28,942	62,123	109,826	(18,761)
Water Utility - Depreciation	44,097	728	-	44,825
Water Utility - Customer Deposit	4,122	300	165	4,257
Water Utility - Grant	-	44,100	44,100	-
Wastewater Utility - Operating	427,141	147,418	181,356	393,203
Wastewater Utility - Bond and Interest	5,056	91,237	90,930	5,363
Wastewater Utility - Reserve	64,420	9,752	-	74,172
Electric Utility - Operating	155,480	247,935	309,362	94,053
Electric Utility - Depreciation	264,799	4,378	-	269,177
Electric Utility - Customer Deposit	10,550	685	425	10,810
Electric Utility - Reserve	31,736	518	-	32,254
Fiduciary Fund:				
Payroll	3,540	118,080	116,327	5,293
Totals	\$ 1,279,917	\$ 861,824	\$ 978,439	\$ 1,163,302

	Cash and Investments		Cash and Investments	
	01-01-06	Receipts	Disbursements	12-31-06
Governmental Funds:				
General	\$ 40,477	\$ 106,872	\$ 92,490	\$ 54,859
Motor Vehicle Highway	58,817	19,136	24,658	53,295
Local Road and Street	4,506	2,651	5,376	1,781
Park and Recreation	51,280	8,240	30,844	28,676
Law Enforcement Continuing Education	143	20	-	163
Riverboat	9,714	3,228	-	12,942
Rainy Day	10,558	-	-	10,558
SIDNE Program - donations	525	-	-	525
Cumulative Capital Improvement	49,168	2,512	-	51,680
Cumulative Capital Development	23,468	6,811	1,701	28,578
Levy Excess	-	1,800	-	1,800
Proprietary Funds:				
Water Utility - Operating	(18,761)	73,615	70,368	(15,514)
Water Utility - Depreciation	44,825	1,106	-	45,931
Water Utility - Customer Deposit	4,257	285	155	4,387
Wastewater Utility - Operating	393,203	195,735	226,013	362,925
Wastewater Utility - Bond and Interest	5,363	92,287	91,475	6,175
Wastewater Utility - Reserve	74,172	14,594	-	88,766
Electric Utility - Operating	94,053	286,057	322,459	57,651
Electric Utility - Depreciation	269,177	6,645	-	275,822
Electric Utility - Customer Deposit	10,810	685	590	10,905
Electric Utility - Reserve	32,254	788	-	33,042
Fiduciary Fund:				
Payroll	5,293	114,637	115,755	4,175
Totals	\$ 1,163,302	\$ 937,704	\$ 981,884	\$ 1,119,122

The accompanying notes are an integral part of the schedules.

TOWN OF CHALMERS
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, and general administrative services, electric, 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. 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.

Note 6. Subsequent Event

The Water Utility is in the process of doing water line work, replacing their existing water tower, and upgrading the water plant. Total project costs are approximately \$1,004,285. The Town has obtained a \$500,000 Indiana Department of Commerce – Community Focus Fund (CFF) grant, and has been approved for a \$234,285 State Revolving Loan. The remaining \$270,000 will be funded from current Water Utility cash balances.

TOWN OF CHALMERS
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	\$ 1,003
Infrastructure	74,542
Buildings	30,857
Improvements other than buildings	173,402
Machinery and equipment	<u>323,202</u>
Total governmental activities, capital assets not being depreciated	 <u>\$ 603,006</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 1
Improvements other than buildings	85,024
Machinery and equipment	<u>15,891</u>
Total Water Utility capital assets	 <u>100,916</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	12
Buildings	456,000
Improvements other than buildings	478,735
Machinery and equipment	<u>9,796</u>
Total Wastewater Utility capital assets	 <u>944,543</u>
Electric Utility:	
Capital assets, not being depreciated:	
Land	2,500
Buildings	42,192
Improvements other than buildings	52,243
Machinery and equipment	<u>62,194</u>
Total Electric Utility capital assets	 <u>159,129</u>
Total business-type activities capital assets	 <u>\$ 1,204,588</u>

TOWN OF CHALMERS
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 For The Year Ended December 31, 2006

Description of Debt	Principal 12/31/2006	Due Within One Year
Business-type Activities:		
Wastewater Utility Loans Payable:		
Wastewater SRF Loan of 2003	\$ 932,470	\$ 20,048
Revenue bonds:		
1972 Sewage Improvement Revenue Bonds	<u>102,000</u>	<u>-</u>
Total business-type activities long-term debt:	<u>\$ 1,034,470</u>	<u>\$ 20,048</u>

TOWN OF CHALMERS
EXAMINATION RESULTS AND COMMENTS

ANNUAL REPORT

The annual report for 2005 was incomplete and inaccurate. The Clerk-Treasurer did not submit an annual report for 2006 by March 1, 2007, as required.

Indiana Code 5-3-1-3(a) states in part: "Within sixty (60) days after the expiration of each calendar year, the fiscal officer of each civil city and town in Indiana shall publish an annual report of the receipts and expenditures of the city or town . . ."

CONDITION OF RECORDS

The following deficiencies, relating to the recordkeeping that were cited in the prior report, were again present during our period of audit:

- (1) Record balances were not reconciled to depository balances during the two year period.

Indiana Code 5-13-6-1(e) states in part: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

- (2) There were a considerable number of posting errors. These errors included deposits not receipted and checks and receipts not recorded in the proper amounts.
- (3) Ledgers for the Town and the Utilities were not posted in a timely manner and required totals and balances were not maintained.

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)

TOWN EXPENSES PAID BY ELECTRIC UTILITY

The Electric Utility paid for gasoline for the town's mower, fogger, police car and utility truck.

Expenses paid from utility funds should be directly related to the operation of the municipally owned utility. Expenditures for city and town operating costs should not be paid from utility funds. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PAYROLL ORDINANCE

The Salary Ordinance did not specify an hourly rate for part-time employees. The ordinance did state that "Part-time employees will receive no less than minimum wage which will be negotiated." The unit did not present any written evidence to support the \$7.00 per hour rate paid to their part-time employees during 2005 and 2006.

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 CHALMERS
EXAMINATION RESULTS AND COMMENTS
(Continued)

PREScribed FORMS

The following prescribed or approved forms were not in use:

Employee's Service Record, General Payroll Form 99A
Employee's Earnings Record, General Payroll Form 99B
Investment Register Form 350

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)

CUSTOMER DEPOSIT REGISTER

The detailed customer deposit registers for the Electric and Water Utilities do not reconcile with the customer deposit amounts recorded on the simplified cash journals for each Utility. We noted undetected errors such as deposits not recorded or recorded for the wrong amount, and amounts applied or refunded not recorded. A similar comment was made in prior Report B26741.

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)

DELINQUENT WASTEWATER ACCOUNTS

Delinquent wastewater fees and penalties had not been recorded with the County Recorder nor were they certified to the County Auditor which would result in a lien against the property. A similar comment was in the prior Reports B22455 and B26741.

Indiana Code 36-9-23-33 states in part:

"(b) Except as provided in subsection (l), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:

- (1) a list of the delinquent fees and penalties that are enforceable under this section, which must include the following:
 - (A) the name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent;
 - (B) a description of the premises, as shown by the records of the county auditor; and
 - (C) the amount of the delinquent fees, together with the penalty; or
- (2) an individual instrument for each lot or parcel of real property on which the fees are delinquent."

TOWN OF CHALMERS
EXAMINATION RESULTS AND COMMENTS
(Continued)

"(c) The officer shall record a copy of each list or each individual instrument with the county recorder. . . ."

"(e) Using the lists and instruments prepared under subsection (b) and recorded under subsection (c), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (c), certify to the county auditor a list of the liens that remain unpaid for collection in the next May. . . ."

RATE ORDINANCES

The Town of Chalmers pays \$2,500 each year to its Water Utility for hydrant rental and \$4,000 each year to its Electric Utility for street lights. These amounts do not appear to be included in the Utilities' rate ordinances. A similar comment was included in prior Report B26741.

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)

OVERDRAWN FUND BALANCE - WATER OPERATING

The Water Utility – Operating Fund was overdrawn during 2005 and 2006.

The fund 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)

TOWN OF CHALMERS
EXIT CONFERENCE

The contents of this report were discussed on April 3, 2007, with Debra K. Clawson, Clerk-Treasurer.