

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

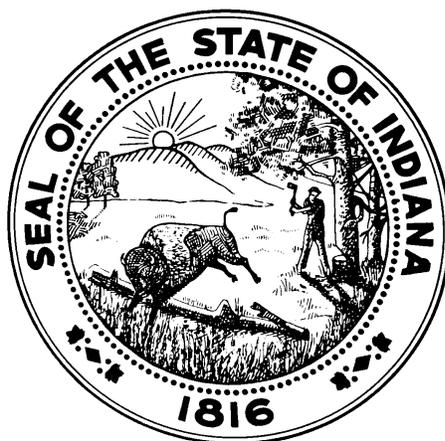
EXAMINATION REPORT

OF

TOWN OF CHANDLER

WARRICK COUNTY, INDIANA

January 1, 2006 to December 31, 2006



**FILED**  
01/15/2008



## 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 Long-Term Debt .....	7
Examination Results and Comments:	
Internal Controls .....	8
Approval of Forms .....	8-9
Appropriations.....	9
Capital Asset Records .....	9
Ordinances and Resolutions .....	9
Unidentified Balance in Payroll Fund.....	10
Police Department Receipts and Fees .....	10
Exit Conference.....	11

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Sharon A. Gammon	01-01-04 to 12-31-07
President of the Town Council	Brian K. Lucas	01-01-06 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  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF CHANDLER, WARRICK COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Chandler (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 Long Term Debt, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the basic financial information. It has not been subjected to the examination procedures applied to the basic financial information, and accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

December 19, 2007

TOWN OF CHANDLER  
SCHEDULES 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	\$ 22,561	\$ 589,022	\$ 542,302	\$ 69,281
Motor Vehicle Highway	229,625	174,692	164,443	239,874
Local Road and Street	42,322	31,367	35,047	38,642
Park and Recreation	44,514	35,943	45,230	35,227
Law Enforcement Continuing Education	532	3,428	1,862	2,098
Economic Development Income Tax	89,760	175,588	98,475	166,873
Forfeiture	323	-	-	323
Riverboat	19,510	19,470	38,980	-
Cumulative Capital Improvement	5,588	11,054	8,133	8,509
Cumulative Capital Development	39,539	31,281	45,062	25,758
Park Donation	-	16,125	13,125	3,000
<b>Proprietary Funds:</b>				
Water Utility - Operating	416,634	2,592,779	2,326,309	683,104
Water Utility - Bond and Interest	291,431	377,727	301,231	367,927
Water Utility - Reserve	276,019	1,459	-	277,478
Water Utility - Depreciation	11,850	6,000	15,996	1,854
Water Utility - Customer Deposit	234,974	28,970	18,708	245,236
Water Utility - Construction	646,015	146,702	612,662	180,055
Water Utility - Improvement	-	213,912	-	213,912
Water Utility - System Development	-	62,828	-	62,828
Wastewater Utility - Operating	1,245,478	1,943,393	2,936,651	252,220
Wastewater Utility - Bond and Interest	-	701,091	697,916	3,175
Wastewater Utility - Reserve	617,763	12,112	1,548	628,327
Wastewater Utility - Depreciation	1,748	6,000	1,881	5,867
Wastewater Utility - Customer Deposit	125,497	29,200	18,997	135,700
Wastewater Utility - Construction	-	1,106,153	120,869	985,284
Wastewater Utility - System Development	-	36,000	-	36,000
Storm Water Utility - Operating	7,842	106,228	89,984	24,086
<b>Fiduciary Funds:</b>				
Eye Care	816	3,000	2,532	1,284
Payroll	25,359	1,625,766	1,608,804	42,321
<b>Totals</b>	<u>\$ 4,395,700</u>	<u>\$ 10,087,290</u>	<u>\$ 9,746,747</u>	<u>\$ 4,736,243</u>

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

TOWN OF CHANDLER  
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, general administrative services and water, wastewater and storm water.

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 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. Subsequent Event

The Town of Chandler issued Waterworks Revenue Bonds of 2007, dated April 5, 2007, in the amount of \$5,540,000, with interest rates from 3.75% to 4.10%, to advance refund the 1999 bonds, pay the bond anticipation notes and to make improvements to the waterworks system.

TOWN OF CHANDLER  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 December 31, 2006

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Business-type Activities:		
Water Utility		
Bond Anticipation Notes Payable	\$ 1,175,000	\$ 1,212,270
Revenue bonds:		
2005 Refunding Bonds	<u>2,540,000</u>	<u>266,441</u>
Total Water Utility	<u>3,715,000</u>	<u>1,478,711</u>
Wastewater Utility		
Revenue bonds:		
1999 Improvement Bonds	6,145,000	89,103
2005 Extension Bonds	<u>1,725,000</u>	<u>42,291</u>
Total Wastewater Utility	<u>7,870,000</u>	<u>131,394</u>
Total business-type activities debt	<u>\$ 11,585,000</u>	<u>\$ 1,610,105</u>

TOWN OF CHANDLER  
EXAMINATION RESULTS AND COMMENTS

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

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

- (a) 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's 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.
- (b) The Town did not use approved charts of accounts for the ledger for the entire unit and billing/accounts receivable transactions for the Utilities.
- (c) The capital assets subsidiary account sheets do not agree to the ledger.
- (d) 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, Wastewater, and Storm Water 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)

TOWN OF CHANDLER  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

- Capital Assets Ledger, City and Town Form 211 (2003)
- Wastewater Utility Journal, Utility Form 309 (Rev. 1998)
- 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)

APPROPRIATIONS (Applies to Town)

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

Fund	Excess Amount Expended
Motor Vehicle Highway	\$ 19,424

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."

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

The Town does not maintain up-to-date capital asset records.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded in the Capital Assets Ledger. 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)

ORDINANCES AND RESOLUTIONS (Applies to Water and Wastewater Utilities)

As stated in the prior report, the Town of Chandler passed bond ordinances (Ordinance 2005-6 for the Water Utility and Ordinance 2005-13 for the Wastewater Utility) requiring separate bank accounts for the Water and Wastewater sinking funds. However, these funds are maintained in the primary utility bank accounts for each utility.

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)

UNIDENTIFIED BALANCE IN PAYROLL FUND (Applies to Town)

The Payroll Fund has an unidentified balance at the end of the year.

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)

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 December 19, 2007, with Sharon A. Gammon, Clerk-Treasurer; Jeannette Lance, Councilwoman; and Timothy D. Osha, Clerk-Treasurer Elect. The officials concurred with our findings.