

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

AUDIT REPORT

OF

TOWN OF CHESTERFIELD

MADISON COUNTY, INDIANA

January 1, 2007 to December 31, 2008



FILED
10/29/2009

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Christopher Parrish Candy Bennett	01-01-04 to 01-31-09 02-01-09 to 12-31-11
President of the Town Council	Jack Taylor	01-01-07 to 12-31-09
Superintendent of Utilities	Christopher Walters	01-01-07 to 12-31-09



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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF THE TOWN OF CHESTERFIELD, MADISON COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Chesterfield (Town), as of and for the years ended December 31, 2007 and 2008, which collectively comprise the Town's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the fourth paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the Town prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Funds were misappropriated during the audit period. As a result, the financial statements include disbursements that were not obligations of the Town.

In our opinion, except for the effects, if any, of disbursements that were not obligations of the Town being reported on the financial statements as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of December 31, 2007 and 2008, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

In accordance with Government Auditing Standards, we have also issued a report dated September 23, 2009, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Schedule of Funding Progress, as listed in the Table of Contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Town has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The Combining Schedules, as listed in the Table of Contents, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, except for the effects, if any, of disbursements that were not obligations of the Town being reported on the financial statements as discussed in the fourth paragraph, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Long-Term Debt has not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on it

STATE BOARD OF ACCOUNTS

September 23, 2009



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE TOWN OF CHESTERFIELD, MADISON COUNTY, INDIANA

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Chesterfield (Town), as of and for the years ended December 31, 2007 and 2008, which collectively comprise the Town's basic financial statements and have issued our report thereon dated September 23, 2009. The opinions to the financial statements were qualified due to the misappropriation of funds that resulted in disbursements being recorded that were not obligations of the Town. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we considered to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in item 2008-1 of the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency in internal control over financial reporting.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, of the significant deficiencies described above, we consider item 2008-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The Town's response to the findings identified in our audit is described in the accompanying section of the report entitled Official Response and Corrective Action Plan. We did not audit the Town's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Town's management, Town Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

September 23, 2009

TOWN OF CHESTERFIELD
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2007

Functions/Programs	Program Receipts			Net (Disbursement) Receipt and Changes in Net Assets		Totals
	Disbursements	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	
Primary government:						
Governmental activities:						
General government	\$ 263,332	\$ 27,809	\$ -	\$ (235,523)	\$ -	\$ (235,523)
Public safety	610,093	35,757	9,833	(564,503)	-	(564,503)
Highways and streets	122,209	-	134,165	11,956	-	11,956
Sanitation	93,106	-	119,781	26,675	-	26,675
Culture and recreation	115,565	-	-	(115,565)	-	(115,565)
Interest on long-term debt	48,059	-	-	(48,059)	-	(48,059)
Total governmental activities	1,252,364	63,566	263,779	(925,019)	-	(925,019)
Business-type activities:						
Water	440,604	317,324	-	-	(123,280)	(123,280)
Wastewater	949,696	685,477	-	-	(264,219)	(264,219)
Total business-type activities	1,390,300	1,002,801	-	-	(387,499)	(387,499)
Total primary government	\$ 2,642,664	\$ 1,066,367	\$ 263,779	(925,019)	(387,499)	(1,312,518)
General receipts:						
Property taxes				466,377	-	466,377
Other local sources				388,919	19,699	408,618
Unrestricted investment earnings				-	13,284	13,284
Total general receipts				855,296	32,983	888,279
Change in net assets				(69,723)	(354,516)	(424,239)
Net assets - beginning				529,833	944,469	1,474,302
Net assets - ending				\$ 460,110	\$ 589,953	\$ 1,050,063
Assets						
Cash and investments				\$ 164,302	\$ 448,316	\$ 612,618
Restricted assets:						
Cash and investments				295,808	141,637	437,445
Total cash and investment assets - December 31				\$ 460,110	\$ 589,953	\$ 1,050,063
Net Assets						
Restricted for:						
Public safety				\$ 13,175	\$ -	\$ 13,175
Highways and streets				96,515	-	96,515
Culture and recreation				65,680	-	65,680
Debt service				51,940	15,097	67,037
Other purposes				68,498	126,540	195,038
Unrestricted				164,302	448,316	612,618
Total net assets				\$ 460,110	\$ 589,953	\$ 1,050,063

The notes to the financial statements are an integral part of this statement.

TOWN OF CHESTERFIELD
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2007

	General	Motor Vehicle Highway	General Revenue Bond	Other Governmental Funds	Totals
Receipts:					
Taxes	\$ 371,730	\$ -	\$ -	\$ 111,819	\$ 483,549
Licenses and permits	2,597	-	-	965	3,562
Intergovernmental	222,725	102,128	-	93,647	418,500
Charges for services	26,939	-	-	119,945	146,884
Fines and forfeits	-	-	-	23,480	23,480
Other	10,092	4,823	74,686	17,066	106,667
Total receipts	634,083	106,951	74,686	366,922	1,182,642
Disbursements:					
General government	202,560	-	-	744	203,304
Public safety	504,304	-	-	105,787	610,091
Highways and streets	-	103,138	-	19,071	122,209
Sanitation	-	-	-	93,107	93,107
Culture and recreation	-	-	-	115,567	115,567
Debt service:					
Principal	-	-	25,000	-	25,000
Interest	-	-	48,059	-	48,059
Capital outlay:					
Highways and streets	-	-	-	2,500	2,500
Culture and recreation	-	-	-	32,528	32,528
Total disbursements	706,864	103,138	73,059	369,304	1,252,365
Excess (deficiency) of receipts over disbursements	(72,781)	3,813	1,627	(2,382)	(69,723)
Other financing sources (uses):					
Transfers in	34,361	-	-	42,611	76,972
Transfers out	(37,485)	-	-	(39,487)	(76,972)
Total other financing sources (uses)	(3,124)	-	-	3,124	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(75,905)	3,813	1,627	742	(69,723)
Cash and investment fund balance - beginning	230,766	61,954	50,313	186,800	529,833
Cash and investment fund balance - ending	<u>\$ 154,861</u>	<u>\$ 65,767</u>	<u>\$ 51,940</u>	<u>\$ 187,542</u>	<u>\$ 460,110</u>
<u>Cash and Investment Assets - December 31</u>					
Cash and investments	\$ 154,861	\$ -	\$ -	\$ 9,441	\$ 164,302
Restricted assets:					
Cash and investments	-	65,767	51,940	178,101	295,808
Total cash and investment assets - December 31	<u>\$ 154,861</u>	<u>\$ 65,767</u>	<u>\$ 51,940</u>	<u>\$ 187,542</u>	<u>\$ 460,110</u>
<u>Cash and Investment Fund Balance - December 31</u>					
Restricted for:					
Public safety	\$ -	\$ -	\$ -	\$ 13,175	\$ 13,175
Highways and streets	-	65,767	-	30,748	96,515
Culture and recreation	-	-	-	65,680	65,680
Debt service	-	-	51,940	-	51,940
Other purposes	-	-	-	68,498	68,498
Unrestricted	154,861	-	-	9,441	164,302
Total cash and investment fund balance - December 31	<u>\$ 154,861</u>	<u>\$ 65,767</u>	<u>\$ 51,940</u>	<u>\$ 187,542</u>	<u>\$ 460,110</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF CHESTERFIELD
STATEMENT OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUNDS
As Of And For The Year Ended December 31, 2007

	Water Utility	Wastewater Utility	Totals
Operating receipts:			
Residential/Commercial	\$ 274,291	\$ 685,477	\$ 959,768
Fire protection receipts	38,259	-	38,259
Other	15,399	8,989	24,388
	<u>327,949</u>	<u>694,466</u>	<u>1,022,415</u>
Total operating receipts			
Operating disbursements:			
Salaries and wages	129,231	131,663	260,894
Employee pensions and benefits	67,455	61,026	128,481
Purchased power	14,545	-	14,545
Sewage to Anderson for treatment	-	200,529	200,529
Chemicals	2,573	541	3,114
Material and supplies	8,843	8,021	16,864
Contractual services	14,582	323,582	338,164
Equipment	30,394	31,739	62,133
Transportation disbursements	13,424	14,101	27,525
Insurance disbursements	15,298	15,298	30,596
Miscellaneous disbursements	114,858	113,984	228,842
	<u>411,203</u>	<u>900,484</u>	<u>1,311,687</u>
Total operating disbursements			
Deficiency of operating receipts over operating disbursements	<u>(83,254)</u>	<u>(206,018)</u>	<u>(289,272)</u>
Nonoperating receipts (disbursements):			
Interest and investment receipts	6,948	6,419	13,367
Interest and investment disbursement	-	(19,811)	(19,811)
Miscellaneous disbursements	(29,400)	(29,400)	(58,800)
	<u>(22,452)</u>	<u>(42,792)</u>	<u>(65,244)</u>
Total nonoperating receipts (disbursements)			
Deficiency of receipts over disbursements and nonoperating receipts (disbursements)	(105,706)	(248,810)	(354,516)
Cash and investment fund balance - beginning	<u>441,282</u>	<u>503,187</u>	<u>944,469</u>
Cash and investment fund balance - ending	<u>\$ 335,576</u>	<u>\$ 254,377</u>	<u>\$ 589,953</u>
<u>Cash and Investment Assets - December 31</u>			
Cash and investments	\$ 254,808	\$ 193,508	\$ 448,316
Restricted assets:			
Cash and investments	<u>80,768</u>	<u>60,869</u>	<u>141,637</u>
Total cash and investment assets - December 31	<u>\$ 335,576</u>	<u>\$ 254,377</u>	<u>\$ 589,953</u>
<u>Cash and Investment Fund Balance - December 31</u>			
Restricted for:			
Debt service	\$ -	\$ 15,097	\$ 15,097
Other purposes	80,768	45,772	126,540
Unrestricted	<u>254,808</u>	<u>193,508</u>	<u>448,316</u>
Total cash and investment fund balance - December 31	<u>\$ 335,576</u>	<u>\$ 254,377</u>	<u>\$ 589,953</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF CHESTERFIELD
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUND
For The Year Ended December 31, 2007

	<u>Agency Fund</u>
Cash and investment fund balance - ending	<u>\$ 3,123</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF CHESTERFIELD
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2008

Functions/Programs	Program Receipts				Net (Disbursement) Receipt and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Totals
Primary government:							
Governmental activities:							
General government	\$ 253,319	\$ 20,684	\$ 208,302	\$ -	\$ (24,333)	\$ -	\$ (24,333)
Public safety	579,946	2,330	10,277	-	(567,339)	-	(567,339)
Highways and streets	113,266	-	99,380	-	(13,886)	-	(13,886)
Sanitation	100,947	119,103	-	-	18,156	-	18,156
Health and welfare	13,500	-	-	-	(13,500)	-	(13,500)
Culture and recreation	97,963	-	-	3,300	(94,663)	-	(94,663)
Urban redevelopment	183,301	-	-	-	(183,301)	-	(183,301)
Interest on long-term debt	15,660	-	-	-	(15,660)	-	(15,660)
Total governmental activities	1,357,902	142,117	317,959	3,300	(894,526)	-	(894,526)
Business-type activities:							
Water	396,723	313,636	-	-	-	(83,087)	(83,087)
Wastewater	1,161,792	841,355	-	-	-	(320,437)	(320,437)
Total business-type activities	1,558,515	1,154,991	-	-	-	(403,524)	(403,524)
Total primary government	\$ 2,916,417	\$ 1,297,108	\$ 317,959	\$ 3,300	(894,526)	(403,524)	(1,298,050)
General receipts:							
Property taxes					252,087	-	252,087
Other local sources					405,644	88,773	494,417
Bonds and loans					250,000	-	250,000
Special items:							
Sale of property					-	19,312	19,312
Transfers					(25,000)	25,000	-
Total general receipts, special items, and transfers					882,731	133,085	1,015,816
Change in net assets					(11,795)	(270,439)	(282,234)
Net assets - beginning					460,110	589,953	1,050,063
Net assets - ending					\$ 448,315	\$ 319,514	\$ 767,829
Assets							
Cash and investments					\$ 244,242	\$ 177,027	\$ 421,269
Restricted assets:							
Cash and investments					204,073	142,487	346,560
Total cash and investment assets - December 31					\$ 448,315	\$ 319,514	\$ 767,829
Net Assets							
Restricted for:							
Public safety					\$ 14,163	\$ -	\$ 14,163
Highways and streets					68,083	-	68,083
Culture and recreation					21,303	-	21,303
Debt service					82,079	30,488	112,567
Other purposes					18,445	111,999	130,444
Unrestricted					244,242	177,027	421,269
Total net assets					\$ 448,315	\$ 319,514	\$ 767,829

The notes to the financial statements are an integral part of this statement.

TOWN OF CHESTERFIELD
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2008

	General	Motor Vehicle Highway	General Revenue Bond	Indiana Housing Grant	Other Governmental Funds	Totals
Receipts:						
Taxes	\$ 407,684	\$ -	\$ -	\$ -	\$ 7,776	\$ 415,460
Licenses and permits	2,500	-	-	-	1,420	3,920
Intergovernmental	54,581	74,066	-	183,301	89,580	401,528
Charges for services	18,184	-	-	-	119,410	137,594
Fines and forfeits	-	-	-	-	34,308	34,308
Other	239	-	58,800	-	69,262	128,301
Total receipts	483,188	74,066	58,800	183,301	321,756	1,121,111
Disbursements:						
General government	165,302	-	-	-	41,574	206,876
Public safety	549,513	-	-	-	30,435	579,948
Highways and streets	-	83,580	-	-	29,686	113,266
Sanitation	-	-	-	-	100,947	100,947
Health and welfare	13,500	-	-	-	-	13,500
Culture and recreation	-	-	-	-	97,963	97,963
Urban redevelopment and housing	-	-	-	183,301	-	183,301
Debt service:						
Principal	-	-	13,000	-	-	13,000
Interest	-	-	15,661	-	-	15,661
Capital outlay:						
General government	-	-	-	-	2,200	2,200
Highways and streets	-	2,588	-	-	17,823	20,411
Total disbursements	728,315	86,168	28,661	183,301	320,628	1,347,073
Excess (deficiency) of receipts over disbursements	(245,127)	(12,102)	30,139	-	1,128	(225,962)
Other financing sources (uses):						
Loan proceeds	250,000	-	-	-	-	250,000
Transfers in	80,865	-	-	-	-	80,865
Transfers out	-	-	-	-	(105,865)	(105,865)
Other disbursements	(10,833)	-	-	-	-	(10,833)
Total other financing sources (uses)	320,032	-	-	-	(105,865)	214,167
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	74,905	(12,102)	30,139	-	(104,737)	(11,795)
Cash and investment fund balance - beginning	154,861	65,767	51,940	-	187,542	460,110
Cash and investment fund balance - ending	\$ 229,766	\$ 53,665	\$ 82,079	\$ -	\$ 82,805	\$ 448,315
Cash and Investment Assets - December 31						
Cash and investments	\$ 229,766	\$ -	\$ -	\$ -	\$ 18,385	\$ 248,151
Restricted assets:						
Cash and investments	-	53,665	82,079	-	64,420	200,164
Total cash and investment assets - December 31	\$ 229,766	\$ 53,665	\$ 82,079	\$ -	\$ 82,805	\$ 448,315
Cash and Investment Fund Balance - December 31						
Restricted for:						
Public safety	\$ -	\$ -	\$ -	\$ -	14,163	\$ 14,163
Highways and streets	-	53,665	-	-	14,418	68,083
Culture and recreation	-	-	-	-	21,303	21,303
Debt service	-	-	82,079	-	-	82,079
Other purposes	-	-	-	-	18,445	18,445
Unrestricted	229,766	-	-	-	14,476	244,242
Total cash and investment fund balance - December 31	\$ 229,766	\$ 53,665	\$ 82,079	\$ -	\$ 82,805	\$ 448,315

The notes to the financial statements are an integral part of this statement.

TOWN OF CHESTERFIELD
STATEMENT OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUNDS
As Of And For The Year Ended December 31, 2008

	Water Utility	Wastewater Utility	Totals
Operating receipts:			
Metered water receipts:			
Residential/Commercial	\$ 286,209	\$ 841,355	\$ 1,127,564
Fire protection receipts	27,427	-	27,427
Other	17,627	26,972	44,599
	<u>331,263</u>	<u>868,327</u>	<u>1,199,590</u>
Total operating receipts			
Operating disbursements:			
Salaries and wages	134,503	136,003	270,506
Employee pensions and benefits	79,866	79,665	159,531
Purchased power	16,329	-	16,329
Sewage to Anderson for treatment	-	301,114	301,114
Chemicals	3,948	875	4,823
Contractual services	20,338	137,469	157,807
Equipment	7,350	6,413	13,763
Transportation disbursements	8,353	16,922	25,275
Insurance disbursements	16,110	16,255	32,365
Miscellaneous disbursements	80,526	34,357	114,883
	<u>367,323</u>	<u>729,073</u>	<u>1,096,396</u>
Total operating disbursements			
Excess (deficiency) of operating receipts over operating disbursements	<u>(36,060)</u>	<u>139,254</u>	<u>103,194</u>
Nonoperating receipts (disbursements):			
Interest and investment receipts	-	19,312	19,312
Miscellaneous receipts	-	44,174	44,174
Debt service of principal	-	(14,000)	(14,000)
Interest and investment disbursement	-	(330,819)	(330,819)
Miscellaneous disbursements	(29,400)	(87,900)	(117,300)
	<u>(29,400)</u>	<u>(369,233)</u>	<u>(398,633)</u>
Total nonoperating receipts (disbursements)			
Deficiency of receipts over disbursements and nonoperating receipts (disbursements)	(65,460)	(229,979)	(295,439)
Transfers in	-	25,000	25,000
Deficiency of receipts, contributions and transfers in over disbursements and transfers out	(65,460)	(204,979)	(270,439)
Cash and investment fund balance - beginning	<u>335,576</u>	<u>254,377</u>	<u>589,953</u>
Cash and investment fund balance - ending	<u>\$ 270,116</u>	<u>\$ 49,398</u>	<u>\$ 319,514</u>
<u>Cash and Investment Assets - December 31</u>			
Cash and investments	\$ 175,890	\$ 1,138	\$ 177,028
Restricted assets:			
Cash and investments	94,226	48,260	142,486
Total cash and investment assets - December 31	<u>\$ 270,116</u>	<u>\$ 49,398</u>	<u>\$ 319,514</u>
<u>Cash and Investment Fund Balance - December 31</u>			
Restricted for:			
Debt service	\$ -	\$ 30,488	\$ 30,488
Other purposes	94,226	17,772	111,998
Unrestricted	175,890	1,138	177,028
Total cash and investment fund balance - December 31	<u>\$ 270,116</u>	<u>\$ 49,398</u>	<u>\$ 319,514</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF CHESTERFIELD
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUND
For The Year Ended December 31, 2008

	<u>Agency Fund</u>
Cash and investment fund balance - ending	<u>\$ 5,918</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF CHESTERFIELD
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The Town was established under the laws of the State of Indiana. The Town operates under a Town Council form of government and provides the following services: public safety (police and fire), highways and streets, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, and urban redevelopment and housing.

The Town's financial reporting entity is composed of the following:

Primary Government: Town of Chesterfield

In determining the financial reporting entity, the Town complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The Town reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The motor vehicle highway fund accounts for state motor vehicle highway distributions. It is used principally for the construction and maintenance of streets and alleys as allowed by IC 8-14-1-5.

The general revenue bond fund is used to account for resources accumulated to repay the outstanding general revenue bond issue.

The housing grant fund accounts for the receipts and disbursements related to the community development block grant - homeowner repair and improvement program.

TOWN OF CHESTERFIELD
NOTES TO FINANCIAL STATEMENTS
(Continued)

The Town reports the following major proprietary funds:

The water utility fund accounts for the operation of the water distribution system.

The wastewater utility fund accounts for the operation of the pumping stations and collection systems.

Additionally, the Town reports the following fund type:

The agency fund accounts for assets held by the Town as an agent and serves as control of accounts for certain cash transactions during the time they are a liability to the Town.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund, and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The cash and investment basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial statements.

If the Town utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Town, Water Utility, and Wastewater Utility. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating receipts of the enterprise funds are charges to customers for sales and services. Operating disbursements for enterprise funds include the cost of sales and services and administrative costs. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements. Internal service funds are used to account for activities provided to other departments or agencies primarily with the government. The Town does not have any internal service funds.

TOWN OF CHESTERFIELD
NOTES TO FINANCIAL STATEMENTS
(Continued)

D. Assets and Cash and Investment Balances

1. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as interest receipts in the year of the sale of the investment.

2. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Town in June and in 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).

3. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

4. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

5. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the Town's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

TOWN OF CHESTERFIELD
NOTES TO FINANCIAL STATEMENTS
(Continued)

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

TOWN OF CHESTERFIELD
NOTES TO FINANCIAL STATEMENTS
(Continued)

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

Prior to the first required publication, the fiscal officer of the Town submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the Town receives approval of the Indiana Department of Local Government Finance.

The Town's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

B. Cash and Investment Balance Deficits

At December 31, 2007 and 2008, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines and state statute:

Fund	2007	2008
Parade Donation	\$ 3,372	\$ -
Park	-	224
Police Equipment Training	18,912	-
Diamond Celebration	11,668	-
Chemical Task Grant	1,078	3,685
Trash and Garbage	-	2,154

Cash and investment deficits arose primarily from disbursements exceeding receipts due to the underestimate of current requirements; these deficits are to be repaid from future receipts.

III. Detailed Notes on All Funds

A. Deposits and Investments

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository

TOWN OF CHESTERFIELD
NOTES TO FINANCIAL STATEMENTS
(Continued)

eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The Town does not have a deposit policy for custodial credit risk. At December 31, 2008, the Town had deposit balances in the amount of \$796,469.

The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

B. Interfund Transfers

Interfund transfers for the years ended December 31, 2007 and 2008, were as follows:

Transfer From	Transfer To	2007	2008
General Fund	Other governmental funds	\$ 37,485	\$ -
Other governmental funds	General Fund	34,361	80,865
Other governmental funds	Wastewater Utility	-	25,000
Other governmental funds	Other governmental funds	5,126	-
Totals		<u>\$ 76,972</u>	<u>\$ 105,865</u>

The Town typically uses transfers for cash flow purposes as provided by various statutory provisions.

IV. Other Information

A. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

Job Related Illness or Injuries to Employees

During 2000, the Town joined with other governmental entities in the Indiana Public Employee's Plan, Inc., a public entity risk pool currently operating as a common risk management and insurance program for governmental entities. This risk pool was formed in 1990. The purpose of the risk pool is to provide a medium for the funding and administration of job related illnesses or injuries to employees. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$1,000,000 per insured event.

TOWN OF CHESTERFIELD
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Subsequent Event

On August 4, 2009, the Town Council approved to increase the Water and Wastewater Utility rates. The increase will become effective in September 2009 and will amount to approximately a 30% increase in water rates and an 18.95% increase in sewer rates.

C. Contingencies

The Town has been named as a defendant in a lawsuit with an engineering firm for services allegedly owed by the Town related to the Wastewater separation project in the approximate amount of \$205,140.25. The Town denies any liability and will be defending this case. In the event the Town does not prevail, payment for this amount would most likely be from the State Revolving Fund project, which is being used to finance the separation project.

D. Rate Structure – Enterprise Funds

Water Utility

On August 1, 1984, the Town Council adopted Ordinance 84-5 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Council on November 16, 2006.

Wastewater Utility

The current rate structure was approved by the Town Council on November 16, 2006.

E. 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 the 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 member's 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. The 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

TOWN OF CHESTERFIELD
NOTES TO FINANCIAL STATEMENTS
(Continued)

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The Town's annual pension cost and related information, as provided by the actuary, is presented in this note.

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 36,984
Interest on net pension obligation	(2,014)
Adjustment to annual required contribution	2,295
Annual pension cost	37,265
Contributions made	42,355
Decrease in net pension obligation	(5,090)
Net pension obligation, beginning of year	(27,784)
Net pension obligation, end of year	\$ (32,874)

	PERF
Contribution rates:	
Town	7.25% & 7.75%
Plan members	3%
Actuarial valuation date	07-01-07
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	30 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

<u>Actuarial Assumptions</u>	PERF
Investment rate of return	7.25%
Projected future salary increases:	
Total	5%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	2%

TOWN OF CHESTERFIELD
NOTES TO FINANCIAL STATEMENTS
(Continued)

Three Year Trend Information

	<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
PERF	07-01-06	\$ 30,427	115%	\$ (21,888)
	07-01-07	32,191	118%	(27,784)
	07-01-08	37,265	114%	(32,874)

TOWN OF CHESTERFIELD
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-06	\$ 585,209	\$ 639,870	\$ (54,661)	91%	\$ 531,262	(10%)
07-01-07	681,265	755,265	(74,000)	90%	573,455	(13%)
07-01-08	778,509	857,597	(79,088)	91%	572,379	(14%)

TOWN OF CHESTERFIELD
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2007

	Riverboat	Rainy Day	Levy Excess	Town General Donation	AOMC	Parade Donation	Fireworks Donation
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	18,722	16,492	-	-	21,386	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Other	-	-	-	-	-	1,470	7,925
Total receipts	18,722	16,492	-	-	21,386	1,470	7,925
Disbursements:							
General government	684	-	-	60	-	-	-
Public safety	-	-	-	-	25,977	-	-
Highways and streets	-	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	6,208	9,254
Capital outlay:							
Highways and streets	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Total disbursements	684	-	-	60	25,977	6,208	9,254
Excess (deficiency) of receipts over disbursements	18,038	16,492	-	(60)	(4,591)	(4,738)	(1,329)
Other financing sources (uses):							
Transfers in	-	-	41,140	-	-	-	-
Transfers out	-	-	(11,832)	-	-	-	-
Total other financing sources (uses)	-	-	29,308	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	18,038	16,492	29,308	(60)	(4,591)	(4,738)	(1,329)
Cash and investment fund balance - beginning	3,911	1,201	27,557	308	4,591	1,366	2,685
Cash and investment fund balance - ending	\$ 21,949	\$ 17,693	\$ 56,865	\$ 248	\$ -	\$ (3,372)	\$ 1,356
Cash and Investment Assets - December 31							
Cash and investments	\$ 21,949	\$ 17,693	\$ -	\$ -	\$ -	\$ (3,372)	\$ -
Restricted assets:							
Cash and investments	-	-	56,865	248	-	-	1,356
Total cash and investment assets - December 31	\$ 21,949	\$ 17,693	\$ 56,865	\$ 248	\$ -	\$ (3,372)	\$ 1,356
Cash and Investment Fund Balance - December 31							
Restricted for:							
Public safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Highways and streets	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	1,356
Other purposes	-	-	56,865	248	-	-	-
Unrestricted	21,949	17,693	-	-	-	(3,372)	-
Total cash and investment fund balance - December 31	\$ 21,949	\$ 17,693	\$ 56,865	\$ 248	\$ -	\$ (3,372)	\$ 1,356

TOWN OF CHESTERFIELD
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2007
 (Continued)

	Local Road and Street	Flags/Christmas Decorations	Police Equipment/ Training	Police Equipment Court	Police Donation	Local Law Enforcement Continuing Education	Park
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 103,160
Licenses and permits	-	-	-	-	-	965	-
Intergovernmental	27,215	-	-	-	-	-	-
Charges for services	-	-	-	-	-	164	-
Fines and forfeits	-	-	-	11,965	-	11,515	-
Other	-	-	-	-	430	-	-
Total receipts	27,215	-	-	11,965	430	12,644	103,160
Disbursements:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	63,579	473	2,201	-
Highways and streets	19,071	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	80,581
Capital outlay:							
Highways and streets	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Total disbursements	19,071	-	-	63,579	473	2,201	80,581
Excess (deficiency) of receipts over disbursements	8,144	-	-	(51,614)	(43)	10,443	22,579
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	1,236
Transfers out	-	-	-	-	-	-	(2,933)
Total other financing sources (uses)	-	-	-	-	-	-	(1,697)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	8,144	-	-	(51,614)	(43)	10,443	20,882
Cash and investment fund balance - beginning	22,604	469	943	32,702	314	858	42,512
Cash and investment fund balance - ending	<u>\$ 30,748</u>	<u>\$ 469</u>	<u>\$ 943</u>	<u>\$ (18,912)</u>	<u>\$ 271</u>	<u>\$ 11,301</u>	<u>\$ 63,394</u>
<u>Cash and Investment Assets - December 31</u>							
Cash and investments	\$ -	\$ -	\$ 943	\$ (18,912)	\$ -	\$ -	\$ -
Restricted assets:							
Cash and investments	30,748	469	-	-	271	11,301	63,394
Total cash and investment assets - December 31	\$ 30,748	\$ 469	\$ 943	\$ (18,912)	\$ 271	\$ 11,301	\$ 63,394
<u>Cash and Investment Fund Balance - December 31</u>							
Restricted for:							
Public safety	\$ -	\$ -	\$ -	\$ -	\$ 271	\$ 11,301	\$ -
Highways and streets	30,748	-	-	-	-	-	-
Culture and recreation	-	469	-	-	-	-	63,394
Other purposes	-	-	-	-	-	-	-
Unrestricted	-	-	943	(18,912)	-	-	-
Total cash and investment fund balance - December 31	\$ 30,748	\$ 469	\$ 943	\$ (18,912)	\$ 271	\$ 11,301	\$ 63,394

TOWN OF CHESTERFIELD
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2007
 (Continued)

	Park Donation	Cumulative Capital Improvement	Cumulative Capital Development	Diamond Celebration	Block Grant	Police Training/ Schooling	Highway Safety Program
Receipts:							
Taxes	\$ -	\$ -	\$ 8,659	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	2,750
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Other	300	-	-	6,941	-	-	-
Total receipts	300	-	8,659	6,941	-	-	2,750
Disbursements:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	2,672
Highways and streets	-	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-
Culture and recreation	882	-	-	18,642	-	-	-
Capital outlay:							
Highways and streets	-	2,500	-	-	-	-	-
Culture and recreation	-	-	32,528	-	-	-	-
Total disbursements	882	2,500	32,528	18,642	-	-	2,672
Excess (deficiency) of receipts over disbursements	(582)	(2,500)	(23,869)	(11,701)	-	-	78
Other financing sources (uses):							
Transfers in	-	-	235	-	-	-	-
Transfers out	-	-	(722)	-	-	-	-
Total other financing sources (uses)	-	-	(487)	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(582)	(2,500)	(24,356)	(11,701)	-	-	78
Cash and investment fund balance - beginning	1,043	3,144	35,095	33	2	197	318
Cash and investment fund balance - ending	\$ 461	\$ 644	\$ 10,739	\$ (11,668)	\$ 2	\$ 197	\$ 396
Cash and Investment Assets - December 31							
Cash and investments	\$ -	\$ -	\$ -	\$ (11,668)	\$ -	\$ 197	\$ -
Restricted assets:							
Cash and investments	461	644	10,739	-	2	-	396
Total cash and investment assets - December 31	\$ 461	\$ 644	\$ 10,739	\$ (11,668)	\$ 2	\$ 197	\$ 396
Cash and Investment Fund Balance - December 31							
Restricted for:							
Public safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 396
Highways and streets	-	-	-	-	-	-	-
Culture and recreation	461	-	-	-	-	-	-
Other purposes	-	644	10,739	-	2	-	-
Unrestricted	-	-	-	(11,668)	-	197	-
Total cash and investment fund balance - December 31	\$ 461	\$ 644	\$ 10,739	\$ (11,668)	\$ 2	\$ 197	\$ 396

TOWN OF CHESTERFIELD
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2007
 (Continued)

	ILEAF Cop Grant	DUI Task Force	Indiana Criminal Justice	Chemical Task Grant	Trash and Garbage	Bulletproof Vest	Totals
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 111,819
Licenses and permits	-	-	-	-	-	-	965
Intergovernmental	-	2,364	-	4,718	-	-	93,647
Charges for services	-	-	-	-	119,781	-	119,945
Fines and forfeits	-	-	-	-	-	-	23,480
Other	-	-	-	-	-	-	17,066
Total receipts	-	2,364	-	4,718	119,781	-	366,922
Disbursements:							
General government	-	-	-	-	-	-	744
Public safety	-	1,528	955	5,916	-	2,486	105,787
Highways and streets	-	-	-	-	-	-	19,071
Sanitation	-	-	-	-	93,107	-	93,107
Culture and recreation	-	-	-	-	-	-	115,567
Capital outlay:							
Highways and streets	-	-	-	-	-	-	2,500
Culture and recreation	-	-	-	-	-	-	32,528
Total disbursements	-	1,528	955	5,916	93,107	2,486	369,304
Excess (deficiency) of receipts over disbursements	-	836	(955)	(1,198)	26,674	(2,486)	(2,382)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	42,611
Transfers out	-	-	-	-	(24,000)	-	(39,487)
Total other financing sources (uses)	-	-	-	-	(24,000)	-	3,124
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	836	(955)	(1,198)	2,674	(2,486)	742
Cash and investment fund balance - beginning	11	192	1,123	120	1,015	2,486	186,800
Cash and investment fund balance - ending	<u>\$ 11</u>	<u>\$ 1,028</u>	<u>\$ 168</u>	<u>\$ (1,078)</u>	<u>\$ 3,689</u>	<u>\$ -</u>	<u>\$ 187,542</u>
Cash and Investment Assets - December 31							
Cash and investments	\$ -	\$ -	\$ -	\$ (1,078)	\$ 3,689	\$ -	\$ 9,441
Restricted assets:							
Cash and investments	11	1,028	168	-	-	-	178,101
Total cash and investment assets - December 31	<u>\$ 11</u>	<u>\$ 1,028</u>	<u>\$ 168</u>	<u>\$ (1,078)</u>	<u>\$ 3,689</u>	<u>\$ -</u>	<u>\$ 187,542</u>
Cash and Investment Fund Balance - December 31							
Restricted for:							
Public safety	\$ 11	\$ 1,028	\$ 168	\$ -	\$ -	\$ -	\$ 13,175
Highways and streets	-	-	-	-	-	-	30,748
Culture and recreation	-	-	-	-	-	-	65,680
Other purposes	-	-	-	-	-	-	68,498
Unrestricted	-	-	-	(1,078)	3,689	-	9,441
Total cash and investment fund balance - December 31	<u>\$ 11</u>	<u>\$ 1,028</u>	<u>\$ 168</u>	<u>\$ (1,078)</u>	<u>\$ 3,689</u>	<u>\$ -</u>	<u>\$ 187,542</u>

TOWN OF CHESTERFIELD
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUND
 For The Year Ended December 31, 2007

	Payroll
Additions:	
Agency fund additions	\$ 632,726
Deductions:	
Agency fund deductions	635,148
Deficiency of total additions over total deductions	(2,422)
Cash and investment fund balance - beginning	5,545
Cash and investment fund balance - ending	\$ 3,123

TOWN OF CHESTERFIELD
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2008

	Riverboat	Rainy Day	Levy Excess	Town General Donation	AOMC	Parade Donation	Fireworks Donation	Local Road and Street
Receipts:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	18,625	2,322	-	-	-	-	-	25,314
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Other	-	-	-	850	10	4,469	3,740	-
Total receipts	18,625	2,322	-	850	10	4,469	3,740	25,314
Disbursements:								
General government	36,190	4,300	-	1,084	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-	29,686
Sanitation	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	1,096	-	-
Capital outlay:								
General government	-	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-	11,958
Total disbursements	36,190	4,300	-	1,084	-	1,096	-	41,644
Excess (deficiency) of receipts over disbursements	(17,565)	(1,978)	-	(234)	10	3,373	3,740	(16,330)
Other financing sources (uses):								
Transfers out	-	-	(56,865)	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(17,565)	(1,978)	(56,865)	(234)	10	3,373	3,740	(16,330)
Cash and investment fund balance - beginning	21,949	17,693	56,865	248	-	(3,372)	1,356	30,748
Cash and investment fund balance - ending	<u>\$ 4,384</u>	<u>\$ 15,715</u>	<u>\$ -</u>	<u>\$ 14</u>	<u>\$ 10</u>	<u>\$ 1</u>	<u>\$ 5,096</u>	<u>\$ 14,418</u>
<u>Cash and Investment Assets - December 31</u>								
Cash and investments	\$ 4,384	\$ 15,715	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:								
Cash and investments	-	-	-	14	10	1	5,096	14,418
Total cash and investment assets - December 31	<u>\$ 4,384</u>	<u>\$ 15,715</u>	<u>\$ -</u>	<u>\$ 14</u>	<u>\$ 10</u>	<u>\$ 1</u>	<u>\$ 5,096</u>	<u>\$ 14,418</u>
<u>Cash and Investment Fund Balance - December 31</u>								
Restricted for:								
Public safety	\$ -	\$ -	\$ -	\$ -	\$ 10	\$ -	\$ -	\$ -
Highways and streets	-	-	-	-	-	-	-	14,418
Culture and recreation	-	-	-	-	-	1	5,096	-
Other purposes	-	-	-	14	-	-	-	-
Unrestricted	4,384	15,715	-	-	-	-	-	-
Total cash and investment fund balance - December 31	<u>\$ 4,384</u>	<u>\$ 15,715</u>	<u>\$ -</u>	<u>\$ 14</u>	<u>\$ 10</u>	<u>\$ 1</u>	<u>\$ 5,096</u>	<u>\$ 14,418</u>

TOWN OF CHESTERFIELD
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2008
 (Continued)

	Flags/Christmas Decorations	State Revolving Grant	Police Equipment/ Training	Police Equipment Court	Police Donation	Local Law Enforcement Continuing Education	Park
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,830
Licenses and permits	-	-	-	-	-	1,420	-
Intergovernmental	-	25,000	-	-	-	-	-
Charges for services	-	-	-	-	-	306	-
Fines and forfeits	-	-	-	33,714	-	594	-
Other	-	-	-	-	2,826	-	15,114
Total receipts	-	25,000	-	33,714	2,826	2,320	17,944
Disbursements:							
General government	-	-	-	-	-	-	-
Public safety	-	-	700	6,885	100	10,735	-
Highways and streets	-	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-
Culture and recreation	200	-	-	-	-	-	81,562
Capital outlay:							
General government	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	2,119	-	-
Total disbursements	200	-	700	6,885	2,219	10,735	81,562
Excess (deficiency) of receipts over disbursements	(200)	25,000	(700)	26,829	607	(8,415)	(63,618)
Other financing sources (uses):							
Transfers out	-	(25,000)	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(200)	-	(700)	26,829	607	(8,415)	(63,618)
Cash and investment fund balance - beginning	469	-	943	(18,912)	271	11,301	63,394
Cash and investment fund balance - ending	<u>\$ 269</u>	<u>\$ -</u>	<u>\$ 243</u>	<u>\$ 7,917</u>	<u>\$ 878</u>	<u>\$ 2,886</u>	<u>\$ (224)</u>
<u>Cash and Investment Assets - December 31</u>							
Cash and investments	\$ -	\$ -	\$ 243	\$ -	\$ -	\$ -	\$ (224)
Restricted assets:							
Cash and investments	269	-	-	7,917	878	2,886	-
Total cash and investment assets - December 31	<u>\$ 269</u>	<u>\$ -</u>	<u>\$ 243</u>	<u>\$ 7,917</u>	<u>\$ 878</u>	<u>\$ 2,886</u>	<u>\$ (224)</u>
<u>Cash and Investment Fund Balance - December 31</u>							
Restricted for:							
Public safety	\$ -	\$ -	\$ -	\$ 7,917	\$ 878	\$ 2,886	\$ -
Highways and streets	-	-	-	-	-	-	-
Culture and recreation	269	-	-	-	-	-	-
Other purposes	-	-	-	-	-	-	-
Unrestricted	-	-	243	-	-	-	(224)
Total cash and investment fund balance - December 31	<u>\$ 269</u>	<u>\$ -</u>	<u>\$ 243</u>	<u>\$ 7,917</u>	<u>\$ 878</u>	<u>\$ 2,886</u>	<u>\$ (224)</u>

TOWN OF CHESTERFIELD
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2008
 (Continued)

	Park Donation	Cumulative Capital Improvement	Cumulative Capital Development	Diamond Celebration	Block Grant	Police Training/ Schooling	Highway Safety Program
Receipts:							
Taxes	\$ -	\$ -	\$ 4,946	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	4,582	3,460	-	-	-	2,590
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Other	18,910	-	4	23,339	-	-	-
Total receipts	18,910	4,582	8,410	23,339	-	-	2,590
Disbursements:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	2,625
Highways and streets	-	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-
Culture and recreation	3,511	-	-	11,594	-	-	-
Capital outlay:							
General government	-	-	2,200	-	-	-	-
Highways and streets	-	3,746	-	-	-	-	-
Total disbursements	3,511	3,746	2,200	11,594	-	-	2,625
Excess (deficiency) of receipts over disbursements	15,399	836	6,210	11,745	-	-	(35)
Other financing sources (uses):							
Transfers out	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	15,399	836	6,210	11,745	-	-	(35)
Cash and investment fund balance - beginning	461	644	10,739	(11,668)	2	197	396
Cash and investment fund balance - ending	<u>\$ 15,860</u>	<u>\$ 1,480</u>	<u>\$ 16,949</u>	<u>\$ 77</u>	<u>\$ 2</u>	<u>\$ 197</u>	<u>\$ 361</u>
Cash and Investment Assets - December 31							
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 197	\$ -
Restricted assets:							
Cash and investments	15,860	1,480	16,949	77	2	-	361
Total cash and investment assets - December 31	<u>\$ 15,860</u>	<u>\$ 1,480</u>	<u>\$ 16,949</u>	<u>\$ 77</u>	<u>\$ 2</u>	<u>\$ 197</u>	<u>\$ 361</u>
Cash and Investment Fund Balance - December 31							
Restricted for:							
Public safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 361
Highways and streets	-	-	-	-	-	-	-
Culture and recreation	15,860	-	-	77	-	-	-
Other purposes	-	1,480	16,949	-	2	-	-
Unrestricted	-	-	-	-	-	197	-
Total cash and investment fund balance - December 31	<u>\$ 15,860</u>	<u>\$ 1,480</u>	<u>\$ 16,949</u>	<u>\$ 77</u>	<u>\$ 2</u>	<u>\$ 197</u>	<u>\$ 361</u>

TOWN OF CHESTERFIELD
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2008
 (Continued)

	ILEAF Cop Grant	DUI Task Force	Indiana Criminal Justice	Chemical Task Grant	Trash and Garbage	Bulletproof Vest	Totals
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,776
Licenses and permits	-	-	-	-	-	-	1,420
Intergovernmental	-	4,084	-	3,603	-	-	89,580
Charges for services	-	-	-	-	119,104	-	119,410
Fines and forfeits	-	-	-	-	-	-	34,308
Other	-	-	-	-	-	-	69,262
Total receipts	-	4,084	-	3,603	119,104	-	321,756
Disbursements:							
General government	-	-	-	-	-	-	41,574
Public safety	-	3,174	6	6,210	-	-	30,435
Highways and streets	-	-	-	-	-	-	29,686
Sanitation	-	-	-	-	100,947	-	100,947
Culture and recreation	-	-	-	-	-	-	97,963
Capital outlay:							
General government	-	-	-	-	-	-	2,200
Highways and streets	-	-	-	-	-	-	17,823
Total disbursements	-	3,174	6	6,210	100,947	-	320,628
Excess (deficiency) of receipts over disbursements	-	910	(6)	(2,607)	18,157	-	1,128
Other financing sources (uses):							
Transfers out	-	-	-	-	(24,000)	-	(105,865)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	910	(6)	(2,607)	(5,843)	-	(104,737)
Cash and investment fund balance - beginning	11	1,028	168	(1,078)	3,689	-	187,542
Cash and investment fund balance - ending	<u>\$ 11</u>	<u>\$ 1,938</u>	<u>\$ 162</u>	<u>\$ (3,685)</u>	<u>\$ (2,154)</u>	<u>\$ -</u>	<u>\$ 82,805</u>
Cash and Investment Assets - December 31							
Cash and investments	\$ -	\$ -	\$ -	\$ (3,685)	\$ (2,154)	\$ -	\$ 14,476
Restricted assets:							
Cash and investments	11	1,938	162	-	-	-	68,329
Total cash and investment assets - December 31	<u>\$ 11</u>	<u>\$ 1,938</u>	<u>\$ 162</u>	<u>\$ (3,685)</u>	<u>\$ (2,154)</u>	<u>\$ -</u>	<u>\$ 82,805</u>
Cash and Investment Fund Balance - December 31							
Restricted for:							
Public safety	\$ 11	\$ 1,938	\$ 162	\$ -	\$ -	\$ -	\$ 14,163
Highways and streets	-	-	-	-	-	-	14,418
Culture and recreation	-	-	-	-	-	-	21,303
Other purposes	-	-	-	-	-	-	18,445
Unrestricted	-	-	-	(3,685)	(2,154)	-	14,476
Total cash and investment fund balance - December 31	<u>\$ 11</u>	<u>\$ 1,938</u>	<u>\$ 162</u>	<u>\$ (3,685)</u>	<u>\$ (2,154)</u>	<u>\$ -</u>	<u>\$ 82,805</u>

TOWN OF CHESTERFIELD
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUND
 For The Year Ended December 31, 2008

	Payroll
Additions:	
Agency fund additions	\$ 659,647
Deductions:	
Agency fund deductions	656,852
Excess of total additions over total deductions	2,795
Cash and investment fund balance - beginning	3,123
Cash and investment fund balance - ending	\$ 5,918

TOWN OF CHESTERFIELD
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2008

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:		
2 Dodge Charger Police Vehicles	\$ 19,913	\$ 20,907
Police Car Lap Top Computers	20,031	7,493
Notes and loans payable	249,167	254,456
Bonds payable:		
Revenue bonds:		
Town Hall Renovations	493,000	59,590
Total governmental activities debt	<u>\$ 782,111</u>	<u>\$ 342,446</u>

TOWN OF CHESTERFIELD
OTHER REPORT

The audit report presented herein was prepared in addition to the official report prepared for the Town as listed below:

Town of Chesterfield – Special

TOWN OF CHESTERFIELD
AUDIT RESULTS AND COMMENTS

FINANCIAL REPORT OPINION MODIFICATIONS

As described in the separate Audit Report entitled "Town of Chesterfield – Special," funds were misappropriated during the audit period. As a result, the financial statements include disbursements that were not obligations of the Town and are therefore not a true reflection of the Town's financial activity. Therefore, the State Board of Accounts was unable to provide an unqualified opinion on the Independent Auditors' Report for the financial statements.

Accounting records and other public records must be maintained in a manner that will support accurate financial statements. Anything other than an unqualified opinion on the Independent Auditors' Report on the financial statements may have adverse financial consequences with the possibility of an increase in interest rate cost to the taxpayers of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted several deficiencies in the internal control system of the Town related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

1. Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the Town to reduce risks to achievement of financial reporting objectives. The Town has not separated incompatible activities related to receipts (utility billings and collections), disbursements, payroll and related liabilities, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to undetected.
2. Payroll: Effective internal control over payroll transactions should include, but not be limited to, review and approval by persons other than the payroll preparer. The Town has not established a system of reviewing and approving specific payroll transactions, such as employee time cards, record of hours worked, payroll claim vouchers, etc. The lack of review and approval by those in management and the Town Council could allow for fraud or errors to occur and remain undetected.
3. Monitoring of Controls: Effective internal control over financial transactions and reporting requires the Town Council to monitor and assess the quality of the Town's system of internal control. The Town Council has not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility places the Town at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent or detect material financial statement misstatements and error or fraud in a timely manner. Additionally, the Town has no process to identify or communicate corrective actions to improve controls.

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 objections, 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.

TOWN OF CHESTERFIELD
AUDIT 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)

CASH NECESSARY TO BALANCE, BANK RECONCILIATIONS

The former Clerk-Treasurer, Christopher Parrish, resigned on January 31, 2009. A comparison of the records to the bank account on the date of his resignation indicated cash necessary to balance of \$11,657.86. We also compared the records to the bank account at December 31, 2007 and 2008. Each date also indicated cash necessary to balance of \$10,416.98 and \$11,837.36, respectively. We also looked at the reconcilements for each month of the audit period. The former Clerk-Treasurer, Christopher Parrish, attempted to reconcile the bank account to the ledger balance each month, but our observations indicated monthly unexplained variances.

IC 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."

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)

COMPENSATION PAID IN ADVANCE

The dates of some payroll transactions indicated that disbursements were made to some employees prior to the employee physically working the hours being paid. For example, payroll checks for the pay date of November 28, 2008, were issued to the former Clerk-Treasurer and the Town Marshal on November 10, 2008. These two checks were cashed by the employees on November 10, 2008, and November 12, 2008, respectively.

Compensation and any other payments for goods and services should not be paid in advance of receipt of the goods or services unless specifically authorized by statute. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OVERDRAWN CASH BALANCES

The cash balances of several funds were overdrawn during the audit period. The following schedule details the overdrawn cash balances at December 31, 2007 and 2008, respectively:

TOWN OF CHESTERFIELD
AUDIT RESULTS AND COMMENTS
(Continued)

Fund	2007	2008
Parade Donation	\$ (3,372)	\$ -
Police Equipment Donation	(18,912)	-
Diamond Celebration	(11,668)	-
Chemical Task Grant	(1,078)	(3,465)
Park	-	(224)
Trash and Garbage	-	(2,154)

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)

OVERSPENT APPROPRIATIONS

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

Fund	Years	Excess Amount Expended
Motor Vehicle Highway	2007	\$ 2,456
Cumulative Capital Development	2007	2,528
Local Road and Street	2008	8,143

IC 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."

TRANSACTION RECORDING

There were 11 posting errors found during the audit period. Of the errors noted, 6 were local and state tax distributions being posted in the wrong calendar year, posted to the wrong fund, and posted to an incorrect revenue account. The other 5 errors were State distributions that were never posted to the Town's ledger. The total of these errors for 2007 and 2008 were \$18,566 and \$17,478, respectively.

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF CHESTERFIELD
AUDIT RESULTS AND COMMENTS
(Continued)

PREScribed FORMS

The Town processes payroll on a weekly, bi-weekly, and monthly basis depending upon job description. The prescribed form, Payroll Schedule and Voucher, General Payroll Form 99, was not in use. This form lists each employee being paid, hours worked, gross pay, deductions, and net pay. The form also has certifications that the amounts being paid are due the employees, the employees worked and performed services for the time being paid, and that the voucher has been examined by the fiscal officer and approved by the Town Council. As this form was not in use, these certifications and allowances were not made.

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)

COMPENSATION AND BENEFITS

During the audit period, four employees received payments for services outside the scope of their job descriptions which were not included in the payroll system or on the salary ordinance. There was no record of these payments being processed through the Town's payroll function as required for all employee compensation.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

METER DEPOSIT FUND

The Meter Deposit Fund control ledger was \$3,816.26 less than the detail of individual customer balances. This variance has been carried by the Town since a correcting entry was made in 2001. A transfer should be made from the Water Operating Fund to the Meter Deposit Fund in order for the Meter Deposit Fund detail to agree with the control. A similar comment appeared in prior Report B30726.

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)

ORDINANCES AND RESOLUTIONS

Ordinance 2006-06 concerning the fee for residential water service states that for all bills not paid by the end of the month billed, a collection of deferred payment charge of 10% on the first \$3 and 5% on the excess over \$3 will be assessed. However, we noted the Town was only charging 3% on the excess over the \$3 delinquency.

TOWN OF CHESTERFIELD
AUDIT RESULTS AND COMMENTS
(Continued)

Ordinance 2006-01 concerning the collection fee for residential trash services states the penalty for a delinquent bill will result in a 1.5% charge of the monthly bill until paid. However, we noted the Town was charging a penalty of 10% during the audit period.

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)

ERRORS ON CLAIMS

Numerous errors were noted related to the preparation, reporting, and approval of claims for payment. The following deficiencies were noted during the audit period:

- (1) Claims were not adequately itemized and/or supported. Seven payments were observed which did not contain adequate supporting documentation, such as paid receipts, invoices, and other public records. Due to the lack of supporting information, the validity and accountability for some money disbursed could not be established.
- (2) Not all disbursements had approval of the Town Council. Bills that require payment between stated Council meetings are paid for by running a "manual" check. These disbursements can be printed by the computerized accounting system or handwritten. The former Clerk-Treasurer did not present manual checks to the Town Council for their approval.
- (3) Nine claims or invoices did not contain certification that the bill was true and correct and that materials or services being paid for were ordered and received.

IC 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services."

"(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

TOWN OF CHESTERFIELD
AUDIT RESULTS AND COMMENTS
(Continued)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PAYROLL WITHHOLDING SUBSIDIARY LEDGER

Records presented for audit did not provide sufficient detail to establish beginning balances, receipts, disbursements, or ending balances for the individual withholding accounts within the Payroll Fund. The former Clerk-Treasurer did not maintain an adequate, detailed subsidiary ledger of the individual withholding account activity and cash balances. Therefore, we were unable to verify that all monies had been timely and completely disbursed from the Payroll Fund. The Clerk-Treasurer should maintain separate subsidiary accounts for each payroll item withheld. A similar comment appeared in prior Report B30726.

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)

RECEIPT CLASSIFICATION

The Town uses the prescribed receipt, Clerk-Treasurer's Receipt Town Form 217, when monies are received. However, the classification of the monies received (cash, check, money order, etc.) was not always indicated on the receipt form. We noted 21 instances where the classification was not written on the receipt.

In accordance with the Public Depository Law cash receipts shall be deposited daily and also should be deposited in the same form as received and should equal the total amount of the day's collections. Each receipt shall note type of receipt (cash, check, money order, EFT, bank/credit card, other). (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 4)

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 OF CHESTERFIELD
AUDIT RESULTS AND COMMENTS
(Continued)

CAPITAL ASSET RECORDS

As stated in several prior audit reports, the Town did not maintain an inventory or record of capital assets for the Town or Utilities using the prescribed City and Town Form 211 or an approved alternate.

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)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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 AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE TOWN OF CHESTERFIELD, MADISON COUNTY, INDIANA

Compliance

We have audited the compliance of the Town of Chesterfield (Town) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended December 31, 2007 and 2008. The Town's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town's compliance with those requirements.

In our opinion, the Town complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2007 and 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2008-2.

Internal Control Over Compliance

The management of the Town is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

A control deficiency in a Town's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in item 2008-2 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs, we consider item 2008-2, to be material weaknesses.

The Town's response to the findings identified in our audit is described in the accompanying Official Response and Corrective Action Plan. We did not audit the Town's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Town's management, Town Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

September 23, 2009

TOWN OF CHESTERFIELD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended December 31, 2007 and 2008

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 12-31-07	Total Federal Awards Expended 12-31-08
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
Pass-Through Indiana Housing and Community Development Authority Community Development Block Grants/State's Programs and Non-Entitlement Grants in Hawaii	14.228	HD-007-004	\$ -	\$ 193,388
Total for federal grantor agency			-	193,388
<u>U.S. DEPARTMENT OF JUSTICE</u>				
Pass-Through Indiana Criminal Justice Institute Crime Victim Assistance	16.575	06VA078	18,274	-
Total for federal grantor agency			18,274	-
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>				
Pass-Through Indiana Criminal Justice Institute Highway Safety Cluster State and Community Highway Safety	20.600			
Operation Pullover		OP-07-01-01-09	1,950	-
Operation Pullover		OP-08-01-01-09	800	2,200
Operation Pullover		OP-09-01-01-09	-	390
Total for program			2,750	2,590
Pass-Through Madison County Sheriff's Department Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601			
		2007	5,916	-
		2008	-	6,210
Total for program			5,916	6,210
Total for cluster			8,666	8,800
Total for federal grantor agency			8,666	8,800
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>				
Pass-Through Indiana Finance Authority Capitalization Grants for Clean Water State Revolving Funds Sewer Separation Project	66.458	WW0625481	191,247	1,382,406
Total for federal grantor agency			191,247	1,382,406
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>				
Pass-Through Indiana Department of Homeland Security Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036			
EM 3274		095-12376-00	5,800	-
EM 1766			-	1,688
Total for program			5,800	1,688
Total for federal grantor agency			5,800	1,688
Total federal awards expended			\$ 223,987	\$ 1,586,282

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

TOWN OF CHESTERFIELD
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town of Chesterfield (Town) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with the Indiana Code (IC 5-11-1 et seq.), audits of Towns with populations under 5,000 shall be conducted biennially. Such audits shall include both years within the biennial period.

TOWN OF CHESTERFIELD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Qualified

Internal control over financial reporting:

Material weaknesses identified?	yes
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	yes
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
66.458	Capitalization Grants for Clean Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

FINDING 2008-1, INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted several deficiencies in the internal control system of the Town related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

1. Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the Town to reduce risks to achievement of financial reporting objectives. The Town has not separated incompatible activities related to receipts (utility billings and collections), disbursements, payroll and related liabilities, and cash and investment balances. The failure to establish these controls could enable material mis-statements or irregularities to undetected.

TOWN OF CHESTERFIELD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2. Payroll: Effective internal control over payroll transactions should include, but not be limited to, review and approval by persons other than the payroll preparer. The Town has not established a system of reviewing and approving specific payroll transactions, such as employee time cards, record of hours worked, payroll claim vouchers, etc. The lack of review and approval by those in management and the Town Council could allow for fraud or errors to occur and remain undetected.
3. Monitoring of Controls: Effective internal control over financial transactions and reporting requires the Town Council to monitor and assess the quality of the Town's system of internal control. The Town Council has not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility places the Town at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent or detect material financial statement misstatements and error or fraud in a timely manner. Additionally, the Town has no process to identify or communicate corrective actions to improve controls.

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 objections, 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.

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)

We recommended the Town establish internal controls that adequately segregate the accounting duties and provide better assurances regarding the reliability of the financial information, effectiveness of operations, and compliance with laws and regulations.

Section III – Federal Award Findings and Questioned Costs

FINDING 2008-2, INTERNAL CONTROL MATERIAL WEAKNESS/
EQUIPMENT AND REAL PROPERTY MANAGEMENT

Federal Agency: U.S. Department of Housing and Urban Development
Federal Program: Capitalization Grants for Clean Water State Revolving Funds
CFDA Number: 66.458
Federal Award Number: WW0625481
Pass-Through Entity: Indiana Finance Authority

The Town of Chesterfield, including its proprietary funds (Water and Wastewater Utilities), did not maintain a detailed capital asset record system which would account for all capital assets, including equipment, property purchased, and areas of construction in progress acquired with Federal monies. During the audit period, \$1,573,653 of monies from the State Revolving Fund loan were used to pay for construction of the sewer separation project, which should have been accounted for as construction-in-progress in the unit's capital asset records. A system was also not in place that separated and identified items acquired with Federal and non-Federal funds. Additionally, property and equipment inventories have not been conducted.

TOWN OF CHESTERFIELD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

As a result, the Utilities were unable to effectively monitor the retention or disposition of capital assets acquired with federal funds. Failure to maintain detailed and accurate equipment and property records and to reconcile physical inventory could result in assets being lost, stolen, misappropriated, or disposed of improperly and not detected within a reasonable time.

Pursuant to 24 CFR 84.34 (f) (1) through (3):

"(f) The recipient's property management standards for equipment acquired with Federal funds and federally-owned equipment shall include all of the following.

- (1) Equipment records shall be maintained accurately and shall include the following information.
 - (i) A description of the equipment.
 - (ii) Manufacturer's serial number, model number, Federal stock number, national stock number, or other identification number.
 - (iii) Source of the equipment, including the award number.
 - (iv) Whether title vests in the recipient or the Federal Government.
 - (v) Acquisition date (or date received, if the equipment was furnished by the Federal Government) and cost.
 - (vi) Information from which one can calculate the percentage of Federal participation in the cost of the equipment (not applicable to equipment furnished by the Federal Government).
 - (vii) Location and condition of the equipment and the date the information was reported.
 - (viii) Unit acquisition cost.
 - (ix) Ultimate disposition data, including date of disposal and sales price or the method used to determine current fair market value where a recipient compensates EPA for its share.
- (2) Equipment owned by the Federal Government shall be identified to indicate Federal ownership.
- (3) A physical inventory of equipment shall be taken and the results reconciled with the equipment records at least once every two years. Any differences between quantities determined by the physical inspection and those shown in the accounting records shall be investigated to determine the causes of the difference. The recipient shall, in connection with the inventory, verify the existence, current utilization, and continued need for the equipment."

TOWN OF CHESTERFIELD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

We recommended that the Town of Chesterfield design and properly monitor procedures that would ensure accurate detailed capital asset records are maintained and that inventories of property and equipment and construction-in-progress are conducted at least once every two years and reconciled to the detailed capital asset ledger. Any significant differences should be investigated and the appropriate adjustments made to the records. Also any assets acquired with Federal Funds must be designated as such so that they are not disposed of improperly.

TOWN OF CHESTERFIELD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

Town of Chesterfield
17 Veterans Blvd.
Chesterfield, IN 46017

Candy Bennett, Clerk-Treasurer

765-378-3331

CORRECTIVE ACTION PLAN

Finding 2008-1, Internal Controls Over Financial Transactions and Reporting

We have already begun to address how to better segregate the accounting issues. We plan to have better oversight by having Town Council approving payroll, as well as the monthly bank reconcilements. We will better segregate the issuance of receipts, posting of the records, deposit composition, and delivery of the deposit to the bank. We also plan to have the Town Council approve manual checks.

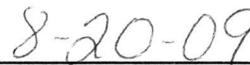
Finding 2008-2, Internal Control Material Weakness/Equipment and Real Property Management

Federal Agency: U.S. Department of Housing and Urban Development
Federal Program: Capitalization Grants for Clean Water State Revolving Funds
CFDA Number: 66.458
Auditee Contact Person: Candy Bennett
Title of Contract Person: Clerk-Treasurer
Phone Number: 765-378-3331
Expected Completion Date: December 31, 2009

The Town of Chesterfield plans to have a capital asset valuation performed for all assets belonging to the Town. With beginning values to work with, we will be able to track capital asset additions and deletions, including those acquired with and without Federal monies.



Candy Bennett
Chesterfield Clerk-Treasurer



Date

TOWN OF CHESTERFIELD
EXIT CONFERENCE

The contents of this report were discussed in executive session on September 23, 2009, with Candy Bennett, Clerk-Treasurer; Jack Taylor, President of the Town Council; Karen Wilson, Town Council member; Ron Branham, Town Council member; Rick Waldren, Town Council member; and William C. Kreegar, Town Attorney. The official response has been made a part of the report and may be found on pages 57 and 58

An exit conference was scheduled on September 24, 2009, with Christopher Parrish, former Clerk-Treasurer. Mr. Parrish was notified via certified mailing of the date and time of the exit conference. However, Mr. Parrish did not attend.

TOWN OF CHESTERFIELD
17 VETERANS BLVD. P.O. BOX 95
CHESTERFIELD, IN 46017
765-378-3331, FAX 765-378-4590

September 25, 2009

OFFICAL RESPONSE

RE: Response to Audit

Internal Controls over financial transactions. We have already started segregations of duties by putting all utilities with one person. One person will be posting all checks, receipts and payroll. All front office employees have their own password on the computer. All receipts are now marked if cash, money order, or EFT, they are also approved that the receipts matches the deposit going to the bank and the daily cash posting is being check to the deposit.

Payroll clerk figures the time cards before they are actually posted clerk treasurer double checks the time cards on the hours and overtime calculated correctly. Also supervisor and dept. heads are signing time cards to verify hours worked are correct.

Bank Reconciliation- We are balance as of now to the total per SBOA. Every month at the Town Council meeting the Clerk Treasurer will present fund reports and the bank reconciliation report to the Town Council to sign off on stating is balance, the Council will have access to the cancel checks to look over these also to insure balancing is being done.

Payroll checks in past were given out early . This will not be happen, checks will be given out on the pay date when due

Transaction recording – There eleven posting errors found by SBOA, these have now been corrected per SBOA.

Prescribed forms were not being used for payroll, this has been corrected. We are now using form 99 which is to be signed by Town Council, we are also printing out computer printout the hours posted to each employee for the Town Council to sign, this is a detail list of hours per employee.

We are also printing out dockets for checks and manuals to be signed by the Town Council.

Meter Deposit Fund control ledger was off, this has now been corrected per SBOA instructions. We have a spread sheet balancing to fund report , manual report and meter deposit report.

Corrections on the Water Ordinance and Trash Ordinance have been corrected due to penalties.

Errors on claims to ensure claims have the proper document. One person gets claims prepared, clerk treasurer then checks all claims that invoices, receipts are with each claim. This is then given back to clerk to input into computer. Any manuals wrote by clerk treasurer will be inputted by clerk.

Payroll subsidiary ledger is now being kept weekly by spread sheet.

Capital Asset report will be done in 2010 along with an inventory list of each department. Person doing claims will add to list when new items are being purchased to insure update of list.

Thank you



Candy Bennett
Clerk Treasurer