

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

EXAMINATION REPORT
OF
TOWN OF CHALMERS
WHITE COUNTY, INDIANA
January 1, 2007 to December 31, 2008



FILED
11/03/2009

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Debra K. Clawson	01-01-06 to 12-31-09
President of the Town Council	Marcus King	01-01-07 to 12-31-09



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF CHALMERS, WHITE COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Chalmers (Town), for the period of January 1, 2007 to December 31, 2008. The Town's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the Town for the years ended December 31, 2007 and 2008, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

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

STATE BOARD OF ACCOUNTS

September 28, 2009

TOWN OF CHALMERS
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
As Of And For The Years Ended December 31, 2007 And 2008

	Cash and Investments		Cash and Investments	
	01-01-07	Receipts	Disbursements	12-31-07
Governmental Funds:				
General	\$ 54,859	\$ 211,930	\$ 239,069	\$ 27,720
Motor Vehicle Highway	53,295	20,748	28,705	45,338
Local Road and Street	1,781	2,672	4,045	408
Park and Recreation	28,676	1,564	6,342	23,898
Law Enforcement Continuing Education	163	100	-	263
Riverboat	12,942	3,235	10,000	6,177
Rainy Day	10,558	-	10,000	558
Donations	525	-	-	525
Cumulative Capital Improvement	51,680	3,495	-	55,175
Cumulative Capital Development	28,578	6,417	2,573	32,422
Levy Excess	1,800	-	-	1,800
Proprietary Funds:				
Water Utility - Operating	(15,514)	69,534	81,961	(27,941)
Water Utility - Depreciation	45,931	1,675	47,563	43
Water Utility - Customer Deposit	4,387	2,101	1,981	4,507
Water Utility - Grant	-	231,788	231,788	-
Water Utility - Construction	-	686,143	459,544	226,599
Water Utility - Debt Service Reserve	-	1,993	-	1,993
Wastewater Utility - Operating	362,925	141,225	213,307	290,842
Wastewater Utility - Bond and Interest	6,175	93,039	90,936	8,278
Wastewater Utility - Reserve	88,766	19,246	6,345	101,666
Electric Utility - Operating	57,651	250,306	326,173	(18,216)
Electric Utility - Depreciation	275,822	11,382	175,000	112,204
Electric Utility - Customer Deposit	10,905	590	280	11,215
Electric Utility - Reserve	33,042	176,959	175,000	35,001
Fiduciary Fund:				
Payroll	4,175	133,469	138,249	(605)
Totals	\$ 1,119,122	\$ 2,069,611	\$ 2,248,862	\$ 939,871

	Cash and Investments		Cash and Investments	
	01-01-08	Receipts	Disbursements	12-31-08
Governmental Funds:				
General	\$ 27,720	\$ 99,730	\$ 81,052	\$ 46,398
Motor Vehicle Highway	45,338	15,630	30,000	30,968
Local Road and Street	408	2,492	2,553	347
Park and Recreation	23,898	11,271	15,787	19,382
Law Enforcement Continuing Education	263	1,940	188	2,015
Riverboat	6,177	3,218	-	9,395
Rainy Day	558	3,676	-	4,234
Donation	525	-	-	525
Cumulative Capital Improvement	55,175	2,488	55,000	2,663
Cumulative Capital Development	32,422	6,577	30,238	8,761
Levy Excess	1,800	-	1,800	-
Proprietary Funds:				
Water Utility - Operating	(27,941)	103,025	119,170	(44,086)
Water Utility - Depreciation	43	-	-	43
Water Utility - Customer Deposit	4,507	2,184	2,101	4,590
Water Utility - Grant	-	291,124	291,123	1
Water Utility - Construction	226,599	1,827	216,991	11,435
Water Utility - Debt Service Reserve	1,993	5,619	-	7,612
Wastewater Utility - Operating	290,842	196,170	279,470	207,542
Wastewater Utility - Bond and Interest	8,278	93,040	90,929	10,389
Wastewater Utility - Reserve	101,666	26,057	7,750	119,973
Electric Utility - Operating	(18,216)	259,705	393,809	(152,320)
Electric Utility - Depreciation	112,204	3,848	-	116,052
Electric Utility - Customer Deposit	11,215	575	534	11,256
Electric Utility - Reserve	35,001	946	-	35,947
Fiduciary Fund:				
Payroll	(605)	147,178	148,191	(1,618)
Totals	\$ 939,871	\$ 1,278,320	\$ 1,766,686	\$ 451,505

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

TOWN OF CHALMERS
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The Town was established under the laws of the State of Indiana. The Town provides the following services: public safety, health and social services, culture and recreation, water, wastewater, electric and general administrative services.

Note 2. Fund Accounting

The Town uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Town in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance).

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statute (IC 5-13-9) authorizes the Town to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

TOWN OF CHALMERS
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
Business-type activities:		
Water Utility:		
Revenue bonds:		
2007 Waterworks Revenue Bonds	\$ 300,118	\$ 23,501
Wastewater Utility:		
Loans Payable:		
Wastewater SRF Loan of 2003	876,903	30,023
Revenue bonds:		
1972 Sewage Improvement Revenue Bonds	70,550	23,200
Total Wastewater Utility	947,453	53,223
Total business-type activities debt	\$ 1,247,571	\$ 76,724

TOWN OF CHALMERS
EXAMINATION RESULTS AND COMMENTS

ANNUAL REPORT

An annual report for 2008 was not completed. A similar comment was made in the prior Report B29881.

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

PRESCRIBED FORMS

The following prescribed or approved forms were not always in use:

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

A similar comment was made in the prior Report B29881.

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)

CAPITAL ASSET RECORDS

Neither the Town nor its Utilities have maintained a detailed record of capital assets. The last entry to the capital asset record was dated March 31, 2007.

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)

OPTICAL IMAGES OF WARRANTS

The financial institution did not return the actual cancelled checks with the monthly bank statements, but instead returned only an optical image of the front side of the checks.

IC 5-15-6-3 concerning optical imaging of checks states in part:

"(a) . . . 'original records' . . . includes the optical image of a check or deposit document when:

- (1) the check or deposit document is recorded, copied, or reproduced by an optical imaging process . . . ; and
- (2) the drawer of the check receives an optical image of the check after the check is processed for payment . . ."

TOWN OF CHALMERS
EXAMINATION RESULTS AND COMMENTS
(Continued)

Further, IC 26-2-8-111 states in part:

"(a) If a law requires that certain records be retained, that requirement is met by retaining an electronic record of the information in the record that:

- (1) accurately reflects the information set forth in the record after it was first generated in its final form as an electronic record or otherwise: and
- (2) remains accessible for later reference."

"(e) If a law requires retention of a check, that requirement is satisfied by retention of an electronic record of the information on the front and back of the check in accordance with subsection (a)."

CUSTOMER DEPOSIT REGISTER

The detailed customer deposit register does not reconcile with the customer deposit amount recorded on the simplified cash journal. The Water Utility and Electric Utility meter deposits are cash short \$156.00 and \$254.00, respectively. Similar comments have been made in the last two Reports B26741 and B29881.

At all times, the manual and computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OVERDRAWN FUND BALANCES

The Water Utility Operating Fund, Electric Utility Operating Fund, and Payroll Fund were overdrawn in 2007 and 2008.

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

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were not presented for examination.

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."

A similar comment was made in the prior Report B29881.

TOWN OF CHALMERS
EXAMINATION RESULTS AND COMMENTS
(Continued)

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)

DELINQUENT WASTEWATER ACCOUNTS

Delinquent wastewater fees and penalties had not been recorded with the County Recorder nor were they certified to the County Auditor which would result in a lien against the property. A similar comment was in the prior Reports B22455, B26741, and B29881.

IC 36-9-23-33 states in part:

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

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

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

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

TOWN OF CHALMERS
EXIT CONFERENCE

The contents of this report were discussed on September 28, 2009, with Debra K. Clawson, Clerk-Treasurer. The official concurred with our findings.