

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

EXAMINATION REPORT
OF
TOWN OF CHESTERTON
PORTER COUNTY, INDIANA
January 1, 2008 to December 31, 2009



FILED
11/18/2010

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Gayle Polakowski	01-01-08 to 12-31-11
President of the Town Council	James Ton	01-01-08 to 12-31-08
	Emerson Delaney	01-01-09 to 12-31-09
	Jeff Trout	01-01-10 to 12-31-10
President of the Utility Service Board	Lawrence Brandt	01-01-08 to 12-31-10
President of the Storm Water Management Board	Lawrence Brandt	01-01-08 to 12-31-08
	Thomas Kopko	01-01-09 to 12-31-10
Superintendent of Utilities	Steven Yagelski	01-01-08 to 02-15-09
	(Vacant)	02-16-09 to 08-16-09
	James Christopher Shank	08-17-09 to 08-25-09
	(Vacant)	08-26-09 to 02-28-10
	Patrick Geisendorfer	03-01-10 to 05-21-10
	(Vacant)	05-22-10 to 07-31-10
	Robert Lovell	08-01-10 to 12-31-10



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF CHESTERTON, PORTER COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Chesterton (Town), for the period of January 1, 2008 to December 31, 2009. 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, 2008 and 2009, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

September 2, 2010

TOWN OF CHESTERTON
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, 2008 And 2009

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ (959,860)	\$ 7,081,691	\$ 6,121,468	\$ 363
Motor Vehicle Highway	(264,444)	1,174,237	909,633	160
Local Road and Street	78,559	125,082	128,368	75,273
Riverboat	-	65,792	65,779	13
Redevelopment TIF	794,773	675,011	199,392	1,270,392
Redevelopment Bond Proceeds	-	999,612	974,853	24,759
Rainy Day Fund	344,383	273,944	452,506	165,821
CEDIT	377,777	881,661	895,354	364,084
Major Moves	1,363,142	16,280	1,055,284	324,138
Park Bond Proceeds	327,603	5,236	264,262	68,577
Park Debt	(110,359)	368,260	257,901	-
Park and Recreation	(170,517)	506,537	336,020	-
Park Nonreverting Operating	96,899	151,128	113,726	134,301
Park Nonreverting Land	60,916	-	-	60,916
Park Gift	40,743	5,915	1,910	44,748
Park Impact Fees	-	38,643	-	38,643
Tree Gift	3,384	1,050	528	3,906
Police Continuing Education	5,838	12,112	10,000	7,950
Police Gift Fund	5,253	9,618	10,000	4,871
Debt Service GO 2002	(71,399)	192,004	120,605	-
Cumulative Capital Development	159,264	173,012	83,792	248,484
Cumulative Street and Sewer	392,639	43,442	21,035	415,046
Cumulative Capital Improvement	2,847	35,153	38,000	-
Grants	91,973	10,945	94,003	8,915
DUI Grants	4,186	31,000	32,510	2,676
Fire Department Gift Fund	7,435	2,458	1,364	8,529
Town Gift	-	-	-	-
Excess Levy	-	-	-	-
Redevelopment Debt Service Reserve	-	-	-	-
Proprietary Funds:				
Wastewater Utility - Operating	756,819	3,332,302	3,528,064	561,057
Wastewater Utility - Sinking	276,112	503,280	503,255	276,137
Wastewater Utility - Depreciation	296,533	428,212	706,523	18,222
Wastewater Utility - Plant Maintenance and Improvement	162,841	65,698	143,090	85,449
Wastewater Utility - Debt Reserve/srf	511,500	-	-	511,500
Wastewater Utility - Customer Deposits	81,662	32,300	27,529	86,433
Wastewater Utility - Dickenson Road Escrow	696,496	24,240	720,736	-
Wastewater Utility - Dickenson Road Operating	-	709,152	56,212	652,940
Wastewater Utility - Kat Escrow	500	6,037	6,037	500
Wastewater Utility - Bond Proceeds	-	-	-	-
Stormwater District - Project 2000	34,961	-	12,575	22,386
Stormwater District - Debt Service	(53,829)	468,111	414,282	-
Stormwater District - Debt Service Flood Control	(232,148)	380,502	98,725	49,629
Stormwater District - MS4	250,669	457,158	284,670	423,157
Health Insurance	391,161	1,633,518	1,667,974	356,705
Fiduciary Funds:				
Police Officers' Pension	397,504	58,129	90,027	365,606
Firefighters' Pension	286,753	19,054	55,100	250,707
Letters of Credit	18,048	100	18,148	-
Payroll	140,002	4,805,864	4,801,370	144,496
Totals	<u>\$ 6,596,619</u>	<u>\$ 25,803,480</u>	<u>\$ 25,322,610</u>	<u>\$ 7,077,489</u>

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

TOWN OF CHESTERTON
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, 2008 And 2009
(Continued)

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ 363	\$ 6,706,769	\$ 6,705,338	\$ 1,794
Motor Vehicle Highway	160	1,239,222	1,204,054	35,328
Local Road and Street	75,273	120,361	124,917	70,717
Riverboat	13	65,634	-	65,647
Redevelopment TIF	1,270,392	2,126,106	28,751	3,367,747
Redevelopment Bond Proceeds	24,759	4,832,922	4,154,154	703,527
Rainy Day Fund	165,821	389,026	268,018	286,829
CEDIT	364,084	984,604	823,422	525,266
Major Moves	324,138	307,934	80,131	551,941
Park Bond Proceeds	68,577	-	68,577	-
Park Debt	-	397,365	261,235	136,130
Park and Recreation	-	627,599	517,235	110,364
Park Nonreverting Operating	134,301	154,134	151,988	136,447
Park Nonreverting Land	60,916	-	-	60,916
Park Gift	44,748	151,951	24,927	171,772
Park Impact Fees	38,643	23,420	-	62,063
Tree Gift	3,906	-	15	3,891
Police Continuing Education	7,950	12,052	8,225	11,777
Police Gift Fund	4,871	3,949	3,464	5,356
Debt Service GO 2002	-	286,909	121,368	165,541
Cumulative Capital Development	248,484	159,679	282,578	125,585
Cumulative Street and Sewer	415,046	41,582	8,707	447,921
Cumulative Capital Improvement	-	32,160	-	32,160
Grants	8,915	22,651	-	31,566
DUI Grants	2,676	41,500	39,756	4,420
Fire Department Gift Fund	8,529	11,546	10,515	9,560
Town Gift	-	200	-	200
Excess Levy	-	15,854	-	15,854
Redevelopment Debt Service Reserve	-	358,620	-	358,620
Proprietary Funds:				
Wastewater Utility - Operating	561,057	3,436,317	3,221,282	776,092
Wastewater Utility - Sinking	276,137	508,860	508,825	276,172
Wastewater Utility - Depreciation	18,222	466,500	290,353	194,369
Wastewater Utility - Plant Maintenance and Improvement	85,449	23,741	22,880	86,310
Wastewater Utility - Debt Reserve/srf	511,500	-	-	511,500
Wastewater Utility - Customer Deposits	86,433	32,800	29,124	90,109
Wastewater Utility - Dickenson Road Escrow	-	-	-	-
Wastewater Utility - Dickenson Road Operating	652,940	8,167	660,258	849
Wastewater Utility - Kat Escrow	500	1,034	1,034	500
Wastewater Utility - Bond Proceeds	-	2,207,700	134,238	2,073,462
Stormwater District - Project 2000	22,386	-	22,386	-
Stormwater District - Debt Service	-	409,720	409,720	-
Stormwater District - Debt Service Flood Control	49,629	49,816	99,445	-
Stormwater District - MS4	423,157	433,233	491,832	364,558
Health Insurance	356,705	1,412,578	1,139,267	630,016
Fiduciary Funds:				
Police Officers' Pension	365,606	92,694	92,896	365,404
Firefighters' Pension	250,707	183,529	190,826	243,410
Letters of Credit	-	-	-	-
Payroll	144,496	4,914,828	4,910,263	149,061
Totals	\$ 7,077,489	\$ 33,295,266	\$ 27,112,004	\$ 13,260,751

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

TOWN OF CHESTERTON
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 (police and fire), highways and streets, culture and recreation, public improvements, planning and zoning, general administrative services, wastewater, storm water, and urban development.

Note 2. Fund Accounting

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

Note 3. Budgets

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

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Town in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively.

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 CHESTERTON
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plan

1. Agent Multiple-Employer and Single Employer Defined Benefit Pension Plans

a. Public Employees' Retirement Fund

Plan Description

The Town contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the Town authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

b. 1925 Police Officers' Pension Plan

Plan Description

The Town contributes to the 1925 Police Officers' Pension Plan, which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-6). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

TOWN OF CHESTERTON
NOTES TO FINANCIAL INFORMATION
(Continued)

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute.

c. 1937 Firefighters' Pension Plan

Plan Description

The Town contributes to the 1937 Firefighters' Pension Plan, which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-7). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for the 1937 Firefighters' Pension Plan are established by state statute.

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The Town contributes to the 1977 Police Officers' and Firefighters' Pension and Disability Fund, a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Employees' Retirement Plan (PERF) for all police officers and firefighters hired after April 30, 1977.

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting and requirements for contributions by employers and by employees. Covered employees may retire at age 55 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 55. The plan also provides for death and disability benefits.

PERF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

TOWN OF CHESTERTON
NOTES TO FINANCIAL INFORMATION
(Continued)

Funding Policy and Annual Pension Costs

Plan members are required to contribute 6% of the first-class police officers' and firefighters' salary and the government is to contribute at an actuarially determined rate. The current rate, which has not changed since the inception of the plan, is 21% of the first-class police officers' and firefighters' salary. The contribution requirements of plan members and the government are established by the Board of Trustees of PERF.

Note 7. Subsequent Event

In August 2010, the Town issued \$2,000,000 of General Obligation Bonds to finance the costs of constructing a new municipal building at 15th Avenue.

TOWN OF CHESTERTON
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 For The Year Ended December 31, 2009

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 1,254,362
Infrastructure	16,827,950
Buildings	2,277,293
Vehicles	3,918,862
Machinery and Equipment	<u>912,520</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 25,190,987</u>
Business-type activities:	
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	\$ 131,418
Construction in Progress	130,930
Buildings	13,192,297
Improvements Other Than Buildings	2,631,560
Lift Stations	2,241,544
Sewer Lines	9,311,043
Machinery and Equipment	615,645
Transportation Equipment	<u>547,101</u>
Total Wastewater Utility capital assets	<u>28,801,538</u>
Stormwater District:	
Capital assets, not being depreciated:	
Storm Drainage System	<u>11,344,166</u>
Total business-type activities - capital assets	<u>\$ 40,145,704</u>

TOWN OF CHESTERTON
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
December 31, 2009

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:		
2006 Dump Truck	\$ 17,376	\$ 18,256
Dump Truck	99,650	28,817
Loader	21,143	22,161
Bucket Truck	54,000	19,441
Fire Truck	-	61,499
Grapple Truck	126,284	21,047
Bonds payable:		
General obligation bonds:		
2001 Street Paving & Sidewalk Construction	285,000	121,664
2005 Park District Improvements	1,515,000	264,121
2009 Redevelopment Bonds	<u>4,755,000</u>	<u>354,758</u>
Total governmental activities debt	<u><u>\$ 6,873,453</u></u>	<u><u>\$ 911,764</u></u>
Business-type activities:		
Wastewater Utility:		
Capital leases:		
Vactor Truck	\$ 128,332	\$ 41,671
Notes and Loans Payable:		
State Revolving Fund Loan Payable	2,885,000	503,713
Commercial Loan	332,053	28,761
Bonds Payable:		
Sewer Works Revenue Bonds 2009	<u>2,230,000</u>	<u>91,321</u>
Total Wastewater Utility	<u>5,575,385</u>	<u>665,466</u>
Stormwater District:		
General Obligation Bonds:		
1998 Refunding Bonds	1,125,000	408,458
2000 Drainage Improvement	<u>185,000</u>	<u>99,898</u>
Total Stormwater District	<u>1,310,000</u>	<u>508,356</u>
Total business-type activities debt	<u><u>\$ 6,885,385</u></u>	<u><u>\$ 1,173,822</u></u>

TOWN OF CHESTERTON
EXAMINATION RESULTS AND COMMENTS

APPROPRIATIONS

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

<u>Fund</u>	<u>Years</u>	<u>Excess Amount Expended</u>
Rainy Day	2008	\$ 412,506
Fire Pension	2009	25,726
Rainy Day	2009	215,685

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."

OFFICIAL BOND

Official bonds were not found to be filed in the Office of the County Recorder for all bonded employees in our examination period.

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

DEPOSITS

Park receipts were remitted to the Clerk-Treasurer up to 20 days after the issuance of the park receipt.

IC 5-13-6-1(d) states: "A city (other than a consolidated city) or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and (2) approved as depositories of state funds."

TOWN OF CHESTERTON
EXIT CONFERENCE

The contents of this report were discussed on September 2, 2010, with Gayle Polakowski, Clerk-Treasurer; Jeff Trout, President of the Town Council; C. Bernard Doyle, Town Manager; and Joanne Lewis, Clerk. The officials concurred with our findings.