

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

EXAMINATION REPORT  
OF  
TOWN OF CHANDLER  
WARRICK COUNTY, INDIANA  
January 1, 2007 to December 31, 2009



**FILED**  
12/14/2010



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Sharon A. Gammon Timothy D. Osha	01-01-04 to 12-31-07 01-01-08 to 12-31-11
President of the Town Council	Brian K. Lucas	01-01-06 to 12-31-10



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial information presented herein of the Town of Chandler (Town), for the period of January 1, 2007 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, 2007, 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 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

October 13, 2010

TOWN OF CHANDLER  
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, 2008 And 2009

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
<b>Governmental Funds:</b>				
General	\$ 69,281	\$ 636,678	\$ 578,719	\$ 127,240
Motor Vehicle Highway	239,874	150,557	144,448	245,983
Local Road and Street	38,642	31,462	10,700	59,404
Park and Recreation	35,227	43,184	59,108	19,303
Law Enforcement Continuing Education	2,098	4,147	2,210	4,035
Economic Development Income Tax	166,873	244,861	278,372	133,362
Forfeiture	323	-	323	-
Riverboat	-	19,510	19,510	-
Cumulative Capital Improvement	8,509	10,867	12,410	6,966
Cumulative Capital Development	25,758	35,222	32,253	28,727
Park Donation	3,000	1,900	-	4,900
<b>Proprietary Funds:</b>				
Water Utility - Operating	683,104	2,835,754	2,670,796	848,062
Water Utility - Bond and Interest	367,927	550,271	465,791	452,407
Water Utility - Reserve	277,478	54,508	-	331,986
Water Utility - Depreciation	1,854	6,000	1,701	6,153
Water Utility - Customer Deposit	245,236	24,175	15,930	253,481
Water Utility - Construction	180,055	5,903,656	2,134,297	3,949,414
Water Utility - Improvement	213,912	71,304	-	285,216
Water Utility - System Development	62,828	93,264	-	156,092
Wastewater Utility - Operating	252,220	2,060,782	1,611,168	701,834
Wastewater Utility - Bond and Interest	3,175	705,020	698,436	9,759
Wastewater Utility - Reserve	628,327	11,780	-	640,107
Wastewater Utility - Depreciation	5,867	6,000	7,900	3,967
Wastewater Utility - Customer Deposit	135,700	25,950	18,000	143,650
Wastewater Utility - Construction	985,284	88,213	760,119	313,378
Wastewater Utility - System Development	36,000	35,500	-	71,500
Storm Water Utility - Operating	24,086	120,117	100,896	43,307
<b>Fiduciary Funds:</b>				
Eye Care	1,284	381	1,665	-
Basic Healthcare	-	12,155	12,155	-
Payroll	42,321	1,545,373	1,547,554	40,140
<b>Totals</b>	<u>\$ 4,736,243</u>	<u>\$ 15,328,591</u>	<u>\$ 11,184,461</u>	<u>\$ 8,880,373</u>

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

TOWN OF CHANDLER  
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, 2008 And 2009  
(Continued)

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
<b>Governmental Funds:</b>				
General	\$ 127,240	\$ 573,576	\$ 620,872	\$ 79,944
Motor Vehicle Highway	245,983	126,089	158,008	214,064
Local Road and Street	59,404	27,818	26,957	60,265
Park and Recreation	19,303	34,724	59,742	(5,715)
Law Enforcement Continuing Education	4,035	4,114	2,504	5,645
Economic Development Income Tax	133,362	165,822	44,577	254,607
Riverboat	-	19,409	-	19,409
Cumulative Capital Improvement	6,966	4,775	-	11,741
Cumulative Capital Development	28,727	20,284	-	49,011
Park Donation	4,900	-	4,900	-
<b>Proprietary Funds:</b>				
Water Utility - Operating	848,062	2,794,730	2,358,209	1,284,583
Water Utility - Bond and Interest	452,407	309,297	584,260	177,444
Water Utility - Reserve	331,986	14,113	875	345,224
Water Utility - Depreciation	6,153	-	-	6,153
Water Utility - Customer Deposit	253,481	23,990	19,485	257,986
Water Utility - Construction	3,949,414	472,797	4,840,621	(418,410)
Water Utility - Improvement	285,216	-	-	285,216
Water Utility - System Development	156,092	79,821	-	235,913
Wastewater Utility - Operating	701,834	2,001,003	1,722,774	980,063
Wastewater Utility - Bond and Interest	9,759	125,164	125,486	9,437
Wastewater Utility - Reserve	640,107	5,032	82,795	562,344
Wastewater Utility - Depreciation	3,967	-	-	3,967
Wastewater Utility - Customer Deposit	143,650	27,000	22,609	148,041
Wastewater Utility - Construction	313,378	2,427	63,862	251,943
Wastewater Utility - System Development	71,500	16,000	-	87,500
Storm Water Utility - Operating	43,307	106,326	82,816	66,817
<b>Fiduciary Funds:</b>				
Eye Care	-	4,743	3,775	968
Basic Healthcare	-	13,459	10,836	2,623
Payroll	40,140	1,625,672	1,628,500	37,312
	<u>\$ 8,880,373</u>	<u>\$ 8,598,185</u>	<u>\$ 12,464,463</u>	<u>\$ 5,014,095</u>

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

TOWN OF CHANDLER  
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, 2008 And 2009  
(Continued)

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
<b>Governmental Funds:</b>				
General	\$ 79,944	\$ 513,129	\$ 593,225	\$ (152)
Motor Vehicle Highway	214,064	117,675	31,026	300,713
Local Road and Street	60,265	30,878	113,994	(22,851)
Park and Recreation	(5,715)	46,830	47,189	(6,074)
Law Enforcement Continuing Education	5,645	8,179	5,437	8,387
Economic Development Income Tax	254,607	179,339	49,787	384,159
Riverboat	19,409	19,362	-	38,771
Cumulative Capital Improvement	11,741	9,487	-	21,228
Cumulative Capital Development	49,011	46,285	-	95,296
<b>Proprietary Funds:</b>				
Water Utility - Operating	1,284,583	3,027,484	3,516,903	795,164
Water Utility - Bond and Interest	177,444	487,729	450,664	214,509
Water Utility - Reserve	345,224	119,198	350	464,072
Water Utility - Depreciation	6,153	-	-	6,153
Water Utility - Customer Deposit	257,986	23,520	17,650	263,856
Water Utility - Construction	(418,410)	1,818,633	1,285,069	115,154
Water Utility - Improvement	285,216	-	-	285,216
Water Utility - System Development	235,913	46,637	-	282,550
Wastewater Utility - Operating	980,063	2,006,580	2,022,344	964,299
Wastewater Utility - Bond and Interest	9,437	336,764	346,201	-
Wastewater Utility - Reserve	562,344	116,621	678,965	-
Wastewater Utility - Depreciation	3,967	-	1,871	2,096
Wastewater Utility - Customer Deposit	148,041	28,200	19,951	156,290
Wastewater Utility - Construction	251,943	480,735	704,324	28,354
Wastewater Utility - System Development	87,500	12,250	-	99,750
Storm Water Utility - Operating	66,817	108,243	105,766	69,294
<b>Fiduciary Funds:</b>				
Eye Care	968	-	2,492	(1,524)
Basic Healthcare	2,623	-	26,353	(23,730)
Payroll	37,312	1,511,544	1,524,357	24,499
<b>Totals</b>	<u>\$ 5,014,095</u>	<u>\$ 11,095,302</u>	<u>\$ 11,543,918</u>	<u>\$ 4,565,479</u>

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

TOWN OF CHANDLER  
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

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

Note 2. Fund Accounting

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

Note 3. Budgets

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

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Town in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the Town on or prior to December 31 of the year collected.

Note 5. Deposits and Investments

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

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

TOWN OF CHANDLER  
NOTES TO FINANCIAL INFORMATION  
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

Note 7. Subsequent Events

The Water Utility issued Revenue bonds, Series 2010, dated May 26, 2010, in the amount of \$3,220,000.

The Water Utility increased its water rates effective February 8, 2010.

The Water Utility received a State Community Development Block Grant – Disaster Recovery Grant in the amount of \$3,834,328.

The Wastewater Utility received a State Community Development Block Grant – Disaster Recovery Grant in the amount of \$1,643,850.

TOWN OF CHANDLER  
 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
Business-type activities:		
Water Utility:		
Revenue bonds:		
2005 Refunding Bonds	\$ 2,000,000	\$ 269,010
2007 Revenue Bonds	<u>5,280,000</u>	<u>315,511</u>
Total Water Utility	<u>7,280,000</u>	<u>584,521</u>
Wastewater Utility:		
Revenue bonds:		
1999 Improvement Bonds	5,260,000	605,870
2005 Extension Bonds	1,725,000	84,581
2009 Improvement Bonds	941,000	23,324
Bond Anticipation Notes	<u>1,031,000</u>	<u>36,085</u>
Total Wastewater Utility	<u>8,957,000</u>	<u>749,860</u>
Total business-type activities debt	<u>\$ 16,237,000</u>	<u>\$ 1,334,381</u>

TOWN OF CHANDLER  
EXAMINATION RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES (Applies to Town and Water Utility)

The cash balances of the Basic Health Care Fund, Cumulative Capital Development Fund, General Fund, Local Road and Street Fund, Economic Development Income Tax Fund, and Eyecare Fund were overdrawn in 2007.

The cash balances of the Parks and Recreation Fund and Water Construction Fund were overdrawn in 2008.

The cash balances of the General Fund, Local Road and Street Fund, Parks and Recreation Fund, Eye Care Fund, and Basic Healthcare Fund were overdrawn in 2009.

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)

TRANSACTION RECORDING (Applies to Water Utility)

Some items, such as interest on construction certificates of deposit, were not entered in the records of the Water Utility.

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)

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

The Town is not maintaining capital asset records for the town or the utilities.

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)

OLD OUTSTANDING CHECKS (WARRANTS) (Applies to Town, Water and Wastewater Utilities)

Our review of the bank reconcilements as of December 31, 2009, revealed checks outstanding in excess of two years.

IC 5-11-10.5-2 states in part: "All warrants or checks drawn upon public funds of a political subdivision that are outstanding and unpaid for a period of two (2) or more years as of the last day of December of each year are void."

TOWN OF CHANDLER  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

IC 5-11-10.5-3 states in part:

"Not later than March 1 of each year, the treasurer of each political subdivision shall prepare or cause to be prepared a list in triplicate of all warrants or checks that have been outstanding for a period of two (2) or more years as of December 31 of the preceding year. The original copy of each list shall be filed with the board of finance of the political subdivision or the fiscal body of a city or town. The duplicate copy shall be transmitted to the disbursing officer of the political subdivision. The triplicate copy of each list shall be filed in the office of the treasurer of the political subdivision. If the treasurer serves also as the disbursing officer of the political subdivision, only two (2) copies of each list need be prepared or caused to be prepared by the treasurer."

IC 5-11-10.5-5 states:

"(a) Upon the preparation and transmission of the copies of the list of the outstanding warrants or checks, the treasurer of the political subdivision shall enter the amounts so listed as a receipt into the fund or funds from which they were originally drawn and shall also remove the warrants or checks from the record of outstanding warrants or checks.

(b) If the disbursing officer does not serve also as treasurer of the political subdivision, the disbursing officer shall also enter the amounts so listed as a receipt into the fund or funds from which the warrants or checks were originally drawn. If the fund from which the warrant or check was originally drawn is not in existence, or cannot be ascertained, the amount of the outstanding warrant or check shall be receipted into the general fund of the political subdivision."

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

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

- (a) The computerized system used for recordkeeping for 2007 and 2008 produced ledgers that contained many deficiencies. The fund report receipts and disbursements did not agree to the detail of receipts and disbursements. The system permitted some transactions to be posted twice.
- (b) The Town Annual Report did not agree to the ledger.
- (c) The Town did not use the approved charts of accounts for the ledger and computer system used in 2007, 2008, or the new system used in 2009.
- (d) Numerous errors were made in the reconcilements during the examination period. Checks that had cleared were on the outstanding check list.
- (e) Some entries are made by netting two numbers in order to correct errors.

TOWN OF CHANDLER  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TEMPORARY TRANSFER OF FUNDS (Applies to Town and Wastewater Utility Funds)

A temporary transfer of \$200,000 was made in 2008 from the Wastewater Operating Fund to the General Fund and was not repaid as of December 31, 2009.

IC 36-1-8-4 concerning temporary transfer states in part:

"(a) (3) Except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs. (4) The amount transferred must be returned to the other fund at the end of the prescribed period. . . ."

"(b) If the fiscal body of a political subdivision determines that an emergency exists that requires an extension of the prescribed period of a transfer under this section, the prescribed period may be extended for not more than six (6) months beyond the budget year of the year in which the transfer occurs if the fiscal body does the following: (1) Passes an ordinance or a resolution that contains the following: (A) A statement that the fiscal body has determined that an emergency exists. (B) A brief description of the grounds for the emergency. (C) The date the loan will be repaid that is not more than six (6) months beyond the budget year in which the transfer occurs. (2) Immediately forwards the ordinance or resolution to the state board of accounts and the department of local government finance."

APPROPRIATIONS (Applies to Town)

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

TOWN OF CHANDLER  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

<u>Fund</u>	<u>Years</u>	<u>Excess Amount Expended</u>
General	2007	\$ 78,719
General	2008	120,872
General	2009	93,225
Economic Development Income Tax	2007	31,678
Parks and Recreation	2008	7,393
Local Road and Street	2009	38,994

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."

CUSTOMER DEPOSIT REGISTER (Applies to Water and Wastewater Utilities)

The detailed customer deposit registers for the water and wastewater utilities do not reconcile with the customer deposit amount recorded on the general ledger.

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)

UNIDENTIFIED BALANCE IN PAYROLL FUND (Applies to Town)

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

Payroll deductions will be accumulated in the payroll fund, and then disbursed from this fund at the proper time to the various receiving agencies by payroll warrants. It is suggested the payroll fund ledger sheet be supported by subsidiary ledger sheets for each type of payroll deduction in order to see that no unidentified balance is allowed to accumulate in the payroll fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 3)

CORRECTION OF ERRORS (Applies to Town, Water and Wastewater Utilities)

Some corrections and adjustments were made in the records without retaining recommended audit trails.

Receipt and disbursement corrections or other errors should be corrected by memorandum entry with the issuance of a check and receipt to document the flow of the transactions. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF CHANDLER  
EXIT CONFERENCE

The contents of this report were discussed on October 13, 2010, with Timothy D. Osha, Clerk-Treasurer; and Jeannette Lance, Councilwoman. The officials concurred with our findings.