

**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, 2009 to December 31, 2010



**FILED**  
05/11/2011



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OFFICIALS

Office

Official

Term

Clerk-Treasurer

Debra K. Clawson

01-01-09 to 12-31-11

President of the  
Town Council

Marcus King

01-01-09 to 12-31-11



**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, 2009 to December 31, 2010. 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 present fairly, in all material respects, the financial information of the Town for the years ended December 31, 2009 and 2010, 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

March 14, 2011

TOWN OF CHALMERS  
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES  
As Of And For The Years Ended December 31, 2009 And 2010

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ 46,398	\$ 98,583	\$ 97,647	\$ 47,334
Motor Vehicle Highway	30,968	16,042	30,096	16,914
Local Road and Street	347	2,354	2,701	-
Park and Recreation	19,382	2,475	5,510	16,347
Law Enforcement Continuing Education	2,015	665	1,382	1,298
Riverboat	9,395	3,210	-	12,605
Rainy Day	4,234	1,790	4,234	1,790
SIDNE Program - donations	525	-	-	525
Cumulative Capital Improvement	2,663	1,573	-	4,236
Cumulative Capital Development	8,761	7,072	12,810	3,023
Trash Fund	-	21,220	17,686	3,534
Proprietary Funds:				
Water Utility - Operating	(44,086)	85,581	66,228	(24,733)
Water Utility - Bond and Interest	21,152	25,460	23,274	23,338
Water Utility - Depreciation	43	-	-	43
Water Utility - Customer Deposit	4,590	1,625	195	6,020
Water Utility - Grant	1	-	1	-
Water Utility - Construction	11,435	1	-	11,436
Water Utility - Debt Service Reserve	7,612	5,159	-	12,771
Wastewater Utility - Operating	207,542	132,544	222,866	117,220
Wastewater Utility - Bond and Interest	10,389	93,089	42,055	61,423
Wastewater Utility - Reserve	119,973	41,712	23,250	138,435
Electric Utility - Operating	(152,320)	336,115	349,072	(165,277)
Electric Utility - Depreciation	116,052	4,258	-	120,310
Electric Utility - Customer Deposit	11,256	2,590	496	13,350
Electric Utility - Reserve	35,947	-	-	35,947
Fiduciary Fund:				
Payroll	(1,618)	139,131	140,154	(2,641)
<b>Totals</b>	<b>\$ 472,656</b>	<b>\$ 1,022,249</b>	<b>\$ 1,039,657</b>	<b>\$ 455,248</b>

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
Governmental Funds:				
General	\$ 47,334	\$ 169,160	\$ 108,411	\$ 108,083
Motor Vehicle Highway	16,914	24,039	10,693	30,260
Local Road and Street	-	2,407	501	1,906
Park and Recreation	16,347	13,423	10,476	19,294
Law Enforcement Continuing Education	1,298	190	80	1,408
Riverboat	12,605	3,210	-	15,815
Rainy Day	1,790	3,451	1,790	3,451
SIDNE Program - donations	525	-	-	525
Cumulative Capital Improvement	4,236	1,502	-	5,738
Cumulative Capital Development	3,023	6,967	9,547	443
Trash Fund	3,534	21,412	19,415	5,531
Levy Excess	-	230	-	230
Proprietary Funds:				
Water Utility - Operating	(24,733)	95,960	70,860	367
Water Utility - Bond and Interest	23,338	23,116	23,275	23,179
Water Utility - Depreciation	43	-	-	43
Water Utility - Customer Deposit	6,020	1,335	135	7,220
Water Utility - Construction	11,436	-	-	11,436
Water Utility - Debt Service Reserve	12,771	5,158	-	17,929
Wastewater Utility - Operating	117,220	135,547	203,435	49,332
Wastewater Utility - Bond and Interest	61,423	93,000	139,832	14,591
Wastewater Utility - Reserve	138,435	17,422	-	155,857
Electric Utility - Operating	(165,277)	383,675	407,271	(188,873)
Electric Utility - Depreciation	120,310	1,498	68,515	53,293
Electric Utility - Customer Deposit	13,350	1,600	330	14,620
Electric Utility - Reserve	35,947	-	-	35,947
Fiduciary Fund:				
Payroll	(2,641)	144,286	138,519	3,126
<b>Totals</b>	<b>\$ 455,248</b>	<b>\$ 1,148,588</b>	<b>\$ 1,213,085</b>	<b>\$ 390,751</b>

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 treatment and distribution, wastewater collection and treatment, electricity distribution, 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). 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 CHALMERS  
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.

TOWN OF CHALMERS  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 December 31, 2010

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	\$ 279,910	\$ 23,276
Total Water Utility	<u>279,910</u>	<u>23,276</u>
Wastewater Utility:		
Loans payable:		
Wastewater SRF Loan of 2003	815,566	66,780
Revenue bonds:		
1972 Sewage Improvement Revenue Bonds	<u>23,000</u>	<u>24,150</u>
Total Wastewater Utility	<u>838,566</u>	<u>90,930</u>
Total business-type activities debt	<u>\$ 1,118,476</u>	<u>\$ 114,206</u>

TOWN OF CHALMERS  
EXAMINATION RESULTS AND COMMENTS

SERVICE RECORDS

Employee service records were not maintained or presented for audit. The amount of leave time used could not be verified.

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)

HEALTH INSURANCE CONTRIBUTIONS

The Town's salary ordinance states in part: "Each full time employee will be paid \$5 per hours worked up to a minimum of \$10,000 per year for insurance." In practice, each employee was paid a total of \$10,000 regardless of the number of hours worked.

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)

CLERK-TREASURER COMPENSATION

The total compensation paid to the Clerk-Treasurer in 2010 was \$1,500 less than the amount established in the salary ordinance.

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)

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.

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; and
  - (C) the amount of the delinquent fees, together with the penalty; or
- (2) an individual instrument for each lot or parcel of real property on which the fees are delinquent.

TOWN OF CHALMERS  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

(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. . . ."

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)

INVESTMENT MATURITY LIMITATIONS

The Town purchased certain investments which have a stated maturity in excess of two years.

IC 5-13-9-5.6 states: "Investments made under IC 5-13-9 must have a stated final maturity of not more than two years after the date of purchase or entry into a repurchase agreement."

PRESCRIBED FORMS

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

Investment Register Form 350  
Employees Service Records, General Form 99A

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)

ANNUAL REPORTS

Annual reports for 2009 and 2010 were not complete when presented for examination.

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 . . ."

TOWN OF CHALMERS  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

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."

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)

BAD DEBTS AND UNCOLLECTIBLE ACCOUNTS

Accounts for the October 10, 2010, billings were adjusted without approval from the governing body. The Town does not have a written policy concerning a procedure for the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balances.

The governing body of a governmental unit should have a written policy concerning a procedure for the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balances.

Documentation should exist for all efforts made by the governmental unit to collect amounts owed prior to any write-offs.

Officials or employees authorizing, directing or executing write-offs or adjustments to records which are not documented or warranted may be held personally responsible. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CUSTOMER DEPOSIT REGISTER

The detailed customer deposit registers do not reconcile with the customer deposit amounts recorded on the general ledger. The last entry to the meter deposit books was made December 31, 2008.

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)

TOWN OF CHALMERS  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

REVENUE BOND PAYMENTS FROM TOWN FUNDS

Disbursements for Water Utility Bond and Interest payments were paid from the General Fund, Rainy Day and CEDIT Funds. The bond ordinance related to the water bonds makes provision for the required transfers from the utility revenues to a Bond and Interest Fund. This ordinance further indicates all bond and interest payments should be paid from this fund.

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)

OVERDRAWN FUND BALANCES

The Water Operating Fund, Electric Operating Fund, and Payroll Withholding Fund were overdrawn in 2009. The Electric Operating Fund was overdrawn in 2010. 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)

TOWN OF CHALMERS  
EXIT CONFERENCE

The contents of this report were discussed on March 14, 2011, with Debra K. Clawson, Clerk-Treasurer, and Marcus King, President of the Town Council. The officials concurred with our findings.