

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

TOWN OF CHESTERFIELD
MADISON COUNTY, INDIANA

January 1, 2011 to December 31, 2012



FILED
05/30/2013

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Candy Bennett Deborah Dunham	01-01-08 to 12-31-11 01-01-12 to 12-31-15
President of the Town Council	Ron Branham Jack Taylor	01-01-11 to 12-31-11 01-01-12 to 12-31-13
Superintendent of Utilities	Dustin Bennett	01-01-11 to 12-31-13



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying financial statement of the Town of Chesterfield (Town), which comprises the financial position and results of operations for the period of January 1, 2011 to December 31, 2012, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. 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 statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As discussed in Note 1 of the financial statement, the Town prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the Town for the period of January 1, 2011 to December 31, 2012.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the Town for the period of January 1, 2011 to December 31, 2012, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated April 25, 2013, 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 integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Accompanying Information

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the Town's financial statement. 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 financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other reports used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Our audit was conducted for the purpose of forming an opinion on the Town's financial statement. The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Payables and Receivables, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

Other Information

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



Bruce Hartman
State Examiner

April 25, 2013



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, 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, the financial statement of the Town of Chesterfield (Town), which comprises the financial position and results of operations for the period of January 1, 2011 to December 31, 2012, and the related notes to the financial statement, and have issued our report thereon dated April 25, 2013, wherein we noted the Town followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2012-1 and 2012-2 to be material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statement is 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*.

Town of Chesterfield's Response to Findings

The Town's response to the findings identified in our audit is described in the accompanying Official Response and Corrective Action Plan. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Bruce Hartman
State Examiner

April 25, 2013

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FINANCIAL STATEMENT

The financial statement and accompanying notes were approved by management of the Town. The financial statement and notes are presented as intended by the Town.

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TOWN OF CHESTERFIELD
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Years Ended December 31, 2011 and 2012

Fund	Cash and Investments			Cash and Investments			Cash and Investments
	01-01-11	Receipts	Disbursements	12-31-11	Receipts	Disbursements	12-31-12
General Fund	\$ 262,862	\$ 677,925	\$ 682,046	\$ 258,741	\$ 872,150	\$ 781,845	\$ 349,046
M.V.H. Distribution	160,602	130,490	99,728	191,364	118,209	95,414	214,159
Local Road & Street	12,674	23,717	9,764	26,627	22,401	29,170	19,858
Trash And Garbage	10,077	116,032	117,209	8,900	116,296	118,959	6,237
Local Law Enf. Cont. Ed.	6,722	1,473	292	7,903	2,896	52	10,747
Riverboat	17,540	18,580	3,386	32,734	15,082	4,000	43,816
Park	71,344	96,510	91,743	76,111	134,457	99,063	111,505
Rainy Day Fund	9,129	-	1,780	7,349	-	1,294	6,055
Levy Excess Fund	1,457	1	1,458	-	-	-	-
Slot Machine Wagering Fee	52,629	134,376	123,781	63,224	147,720	4,357	206,587
Cum. Cap. Dvlp.	5,592	3,813	7,690	1,715	8,284	1,604	8,395
Cum. Cap. Impr.	14,632	8,526	830	22,328	6,755	10,582	18,501
Reserve Officer Fund	-	-	-	-	750	-	750
Joshua May Crisis Fund	-	-	-	-	1,133	-	1,133
Police Eq Court Fund	-	-	-	-	525	-	525
Town General Donation	14	394	366	42	11	-	53
Indiana Criminal Justice	162	-	-	162	-	-	162
Park Donation	2,162	3,341	2,760	2,743	648	1,350	2,041
Parade Donation	685	980	844	821	995	164	1,652
Fireworks Donation	83	4,715	4,700	98	3,589	4,750	(1,063)
Diamond Celebration Fund	2,097	-	150	1,947	40	-	1,987
Indiana Housing Grant	-	185,097	185,097	-	-	-	-
DUI Task Force	1,082	-	-	1,082	-	-	1,082
LLEAF Cop Grant	11	-	-	11	-	-	11
Aggressive Driving Grant	12	-	-	12	-	-	12
Chemical Task Grant	(4,175)	4,175	-	-	-	-	-
2009 Chemical Task Grant	339	5,000	3,591	1,748	4,000	3,688	2,060
IN Highway Safety Program	459	3,247	2,149	1,557	3,615	4,792	380
Aomc	10	-	-	10	-	-	10
Block Grant	2	-	-	2	-	-	2
Police Training/Schooling	197	-	-	197	-	-	197
Police Equip/Training Fund	243	-	-	243	7,627	71	7,799
Police Donation Fund	4,551	2,545	3,519	3,577	3,051	3,515	3,113
Loit-Public Safety	53,499	43,112	31,649	64,962	48,871	66,124	47,709
General Revenue Bond	56,701	58,800	57,427	58,074	58,800	57,542	59,332
Food/Bev.Tax/Sewer Plant	100,000	-	100,000	-	35,000	-	35,000
Payroll Fund	6,787	578,612	578,527	6,872	596,787	595,877	7,782
State Revolving Fund Wastewater	-	1,437,091	1,437,091	-	6,067,333	6,067,333	-
Sewage Reserve (DRS)	331,713	94,759	-	426,472	45,901	-	472,373
Sewage Bond (Sinking Fund)	259,398	549,821	680,854	128,365	443,400	201,226	370,539
Sewage Operating	146,840	1,907,520	1,959,708	94,652	1,851,838	2,106,094	(159,604)
Sewage Depr. & Repl.	31,310	12,000	-	43,310	12,000	-	55,310
Water Operating	270,109	429,005	533,701	165,413	463,640	490,934	138,119
Water Depreciation	127,228	18,232	-	145,460	18,103	-	163,563
Water Meter Deposit	38,770	4,973	2,718	41,025	11,255	4,167	48,113
Totals	\$ 2,055,549	\$ 6,554,862	\$ 6,724,558	\$ 1,885,853	\$ 11,123,162	\$ 10,753,967	\$ 2,255,048

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

TOWN OF CHESTERFIELD
NOTES TO FINANCIAL STATEMENT

Note 1. 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 some or all of the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, electric, gas, storm water, trash, aviation, and urban redevelopment and housing.

The accompanying financial statement presents the financial information for the Town.

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), 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 regulatory 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.

C. Cash and Investments

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

D. Receipts

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts include the following sources:

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the Town.

Licenses and permits which include amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state,

TOWN OF CHESTERFIELD
NOTES TO FINANCIAL STATEMENT
(Continued)

local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits which include receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

Utility fees which are comprised mostly of charges for current services.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Utility operating expenses which include all outflows for operating the utilities.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

TOWN OF CHESTERFIELD
NOTES TO FINANCIAL STATEMENT
(Continued)

F. Interfund Transfers

The Town may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the Town. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the Town. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the Town in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the Town submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the Town in June and December; however, situations can arise which would delay the distributions. 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 percent 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 normally become delinquent if not paid by May 10 and November 10, respectively.

Note 4. Deposits and Investments

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be 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 statutes authorize 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 CHESTERFIELD
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 5. Risk Management

The Town may be 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; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the Town to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is 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 Indiana Public Retirement System (INPRS) 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 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS 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:

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy and Annual Pension Cost

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

Note 7. Cash Balance Deficits

The financial statement contains one fund (Sewage Operating) with a material deficit in cash. This is a result of increased repair and maintenance costs coupled with lower operating revenues in 2012.

TOWN OF CHESTERFIELD
 NOTES TO FINANCIAL STATEMENT
 (Continued)

Note 8. Restatements

For the year ended December 31, 2011, certain changes have been made to some of the beginning balances of the financial statement to more appropriately reflect financial activity of the Town. The following schedule presents a summary of restated beginning balances.

Fund Name	Balance as of December 31, 2010	Prior Period Adjustment	Balance as of January 1, 2011
Sewage Reserve (DSR)	\$ -	\$ 331,713	\$ 331,713
Sewage Bond (Sinking Fund)	-	259,398	259,398

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Town's Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Annual Reports of the Town which are referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The supplementary information presented was approved by management of the Town. It is presented as intended by the Town.

TOWN OF CHESTERFIELD
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011

	General Fund	M.V.H. Distribution	Local Road & Street	Trash And Garbage	Local Law Enf. Cont. Ed.	Riverboat	Park	Rainy Day Fund	Levy Excess Fund	Slot Machine Wagering Fee
Cash and investments - beginning	\$ 262,862	\$ 160,602	\$ 12,674	\$ 10,077	\$ 6,722	\$ 17,540	\$ 71,344	\$ 9,129	\$ 1,457	\$ 52,629
Receipts:										
Taxes	421,312	-	-	-	-	-	81,650	-	-	-
Licenses and permits	1,100	-	-	-	640	-	-	-	-	-
Intergovernmental	194,143	130,475	23,717	-	-	18,580	11,736	-	-	134,376
Charges for services	-	-	-	116,032	123	-	-	-	1	-
Fines and forfeits	-	-	-	-	710	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-	-
Other receipts	61,370	15	-	-	-	-	3,124	-	-	-
Total receipts	677,925	130,490	23,717	116,032	1,473	18,580	96,510	-	1	134,376
Disbursements:										
Personal services	428,609	66,167	-	-	-	-	51,749	-	-	-
Supplies	26,361	5,091	-	-	-	-	10,757	-	-	-
Other services and charges	208,593	18,563	9,764	-	-	3,386	19,605	-	-	-
Capital outlay	12,528	9,907	-	-	-	-	9,632	-	-	-
Utility operating expense	-	-	-	-	-	-	-	-	-	-
Other disbursements	5,955	-	-	117,209	292	-	-	1,780	1,458	123,781
Total disbursements	682,046	99,728	9,764	117,209	292	3,386	91,743	1,780	1,458	123,781
Excess (deficiency) of receipts over disbursements	(4,121)	30,762	13,953	(1,177)	1,181	15,194	4,767	(1,780)	(1,457)	10,595
Cash and investments - ending	\$ 258,741	\$ 191,364	\$ 26,627	\$ 8,900	\$ 7,903	\$ 32,734	\$ 76,111	\$ 7,349	\$ -	\$ 63,224

TOWN OF CHESTERFIELD
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Cum. Cap. Dvlp.	Cum. Cap. Impr.	Reserve Officer Fund	Joshua May Crisis Fund	Police Eq Court Fund	Town General Donation	Indiana Criminal Justice	Park Donation	Parade Donation
Cash and investments - beginning	\$ 5,592	\$ 14,632	\$ -	\$ -	\$ -	\$ 14	\$ 162	\$ 2,162	\$ 685
Receipts:									
Taxes	3,499	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Intergovernmental	314	8,526	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	394	-	3,341	980
Total receipts	3,813	8,526	-	-	-	394	-	3,341	980
Disbursements:									
Personal services	-	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-
Utility operating expense	-	-	-	-	-	-	-	-	-
Other disbursements	7,690	830	-	-	-	366	-	2,760	844
Total disbursements	7,690	830	-	-	-	366	-	2,760	844
Excess (deficiency) of receipts over disbursements	(3,877)	7,696	-	-	-	28	-	581	136
Cash and investments - ending	\$ 1,715	\$ 22,328	\$ -	\$ -	\$ -	\$ 42	\$ 162	\$ 2,743	\$ 821

TOWN OF CHESTERFIELD
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Fireworks Donation	Diamond Celebration Fund	Indiana Housing Grant	DUI Task Force	LLEAF Cop Grant	Aggressive Driving Grant	Chemical Task Grant	2009 Chemical Task Grant	IN Highway Safety Program
Cash and investments - beginning	\$ 83	\$ 2,097	\$ -	\$ 1,082	\$ 11	\$ 12	\$ (4,175)	\$ 339	\$ 459
Receipts:									
Taxes	-	-	185,097	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	4,175	5,000	3,247
Charges for services	-	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-
Other receipts	4,715	-	-	-	-	-	-	-	-
Total receipts	4,715	-	185,097	-	-	-	4,175	5,000	3,247
Disbursements:									
Personal services	-	-	-	-	-	-	-	3,591	2,149
Supplies	-	-	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-
Utility operating expense	-	-	-	-	-	-	-	-	-
Other disbursements	4,700	150	185,097	-	-	-	-	-	-
Total disbursements	4,700	150	185,097	-	-	-	-	3,591	2,149
Excess (deficiency) of receipts over disbursements	15	(150)	-	-	-	-	4,175	1,409	1,098
Cash and investments - ending	\$ 98	\$ 1,947	\$ -	\$ 1,082	\$ 11	\$ 12	\$ -	\$ 1,748	\$ 1,557

TOWN OF CHESTERFIELD
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Aomc	Block Grant	Police Training/Schooling	Police Equip/Training Fund	Police Donation Fund	Loit-Public Safety	General Revenue Bond	Food/Bev.Tax/Sewer Plant	Payroll Fund
Cash and investments - beginning	\$ 10	\$ 2	\$ 197	\$ 243	\$ 4,551	\$ 53,499	\$ 56,701	\$ 100,000	\$ 6,787
Receipts:									
Taxes	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	43,112	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	2,545	-	58,800	-	578,612
Total receipts	-	-	-	-	2,545	43,112	58,800	-	578,612
Disbursements:									
Personal services	-	-	-	-	-	31,649	-	-	-
Supplies	-	-	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	100,000	-
Utility operating expense	-	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	3,519	-	57,427	-	578,527
Total disbursements	-	-	-	-	3,519	31,649	57,427	100,000	578,527
Excess (deficiency) of receipts over disbursements	-	-	-	-	(974)	11,463	1,373	(100,000)	85
Cash and investments - ending	\$ 10	\$ 2	\$ 197	\$ 243	\$ 3,577	\$ 64,962	\$ 58,074	\$ -	\$ 6,872

TOWN OF CHESTERFIELD
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	State Revolving Fund Wastewater	Sewage Reserve (DRS)	Sewage Bond (Sinking Fund)	Sewage Operating	Sewage Depr. & Repl.	Water Operating	Water Depreciation	Water Meter Deposit	Totals
Cash and investments - beginning	\$ -	\$ 331,713	\$ 259,398	\$ 146,840	\$ 31,310	\$ 270,109	\$ 127,228	\$ 38,770	\$ 2,055,549
Receipts:									
Taxes	-	-	-	-	-	-	-	-	691,558
Licenses and permits	-	-	-	-	-	-	-	-	1,740
Intergovernmental	-	-	-	-	-	-	-	-	577,401
Charges for services	1,437,091	-	-	-	-	-	-	-	1,553,247
Fines and forfeits	-	-	-	-	-	-	-	-	710
Utility fees	-	-	-	1,907,520	-	429,005	-	4,973	2,341,498
Other receipts	-	94,759	549,821	-	12,000	-	18,232	-	1,388,708
Total receipts	1,437,091	94,759	549,821	1,907,520	12,000	429,005	18,232	4,973	6,554,862
Disbursements:									
Personal services	-	-	-	-	-	-	-	-	583,914
Supplies	-	-	-	-	-	-	-	-	42,209
Other services and charges	-	-	-	-	-	-	-	-	259,911
Capital outlay	1,437,091	-	-	-	-	43,983	-	-	1,613,141
Utility operating expense	-	-	-	1,404,144	-	442,087	-	2,718	1,848,949
Other disbursements	-	-	680,854	555,564	-	47,631	-	-	2,376,434
Total disbursements	1,437,091	-	680,854	1,959,708	-	533,701	-	2,718	6,724,558
Excess (deficiency) of receipts over disbursements	-	94,759	(131,033)	(52,188)	12,000	(104,696)	18,232	2,255	(169,696)
Cash and investments - ending	\$ -	\$ 426,472	\$ 128,365	\$ 94,652	\$ 43,310	\$ 165,413	\$ 145,460	\$ 41,025	\$ 1,885,853

TOWN OF CHESTERFIELD
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012

	General Fund	M.V.H. Distribution	Local Road & Street	Trash And Garbage	Local Law Enf. Cont. Ed.	Riverboat	Park	Rainy Day Fund	Levy Excess Fund	Slot Machine Wagering Fee
Cash and investments - beginning	\$ 258,741	\$ 191,364	\$ 26,627	\$ 8,900	\$ 7,903	\$ 32,734	\$ 76,111	\$ 7,349	\$ -	\$ 63,224
Receipts:										
Taxes	544,026	-	-	-	-	-	113,652	-	-	-
Licenses and permits	800	-	-	-	2,403	-	-	-	-	-
Intergovernmental	234,621	118,209	22,401	-	-	15,082	18,529	-	-	147,720
Charges for services	-	-	-	116,296	493	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-	-
Other receipts	92,703	-	-	-	-	-	2,276	-	-	-
Total receipts	872,150	118,209	22,401	116,296	2,896	15,082	134,457	-	-	147,720
Disbursements:										
Personal services	442,163	70,033	-	-	-	-	51,739	-	-	-
Supplies	39,568	9,793	-	-	-	-	9,644	-	-	-
Other services and charges	211,069	14,020	29,170	-	52	4,000	24,584	-	-	-
Capital outlay	71,091	1,568	-	-	-	-	13,079	-	-	-
Utility operating expense	-	-	-	-	-	-	-	-	-	-
Other disbursements	17,954	-	-	118,959	-	-	17	1,294	-	4,357
Total disbursements	781,845	95,414	29,170	118,959	52	4,000	99,063	1,294	-	4,357
Excess (deficiency) of receipts over disbursements	90,305	22,795	(6,769)	(2,663)	2,844	11,082	35,394	(1,294)	-	143,363
Cash and investments - ending	\$ 349,046	\$ 214,159	\$ 19,858	\$ 6,237	\$ 10,747	\$ 43,816	\$ 111,505	\$ 6,055	\$ -	\$ 206,587

TOWN OF CHESTERFIELD
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Cum. Cap. Dvlp.	Cum. Cap. Impr.	Reserve Officer Fund	Joshua May Crisis Fund	Police Eq Court Fund	Town General Donation	Indiana Criminal Justice	Park Donation	Parade Donation
Cash and investments - beginning	\$ 1,715	\$ 22,328	\$ -	\$ -	\$ -	\$ 42	\$ 162	\$ 2,743	\$ 821
Receipts:									
Taxes	6,951	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Intergovernmental	833	6,755	-	-	-	-	-	-	-
Charges for services	-	-	-	-	525	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-
Other receipts	500	-	750	1,133	-	11	-	648	995
Total receipts	8,284	6,755	750	1,133	525	11	-	648	995
Disbursements:									
Personal services	-	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-	-	-
Capital outlay	1,604	-	-	-	-	-	-	-	-
Utility operating expense	-	-	-	-	-	-	-	-	-
Other disbursements	-	10,582	-	-	-	-	-	1,350	164
Total disbursements	1,604	10,582	-	-	-	-	-	1,350	164
Excess (deficiency) of receipts over disbursements	6,680	(3,827)	750	1,133	525	11	-	(702)	831
Cash and investments - ending	\$ 8,395	\$ 18,501	\$ 750	\$ 1,133	\$ 525	\$ 53	\$ 162	\$ 2,041	\$ 1,652

TOWN OF CHESTERFIELD
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Fireworks Donation	Diamond Celebration Fund	Indiana Housing Grant	DUI Task Force	LLEAF Cop Grant	Aggressive Driving Grant	Chemical Task Grant	2009 Chemical Task Grant	IN Highway Safety Program
Cash and investments - beginning	\$ 98	\$ 1,947	\$ -	\$ 1,082	\$ 11	\$ 12	\$ -	\$ 1,748	\$ 1,557
Receipts:									
Taxes	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	4,000	3,615
Charges for services	-	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-
Other receipts	3,589	40	-	-	-	-	-	-	-
Total receipts	3,589	40	-	-	-	-	-	4,000	3,615
Disbursements:									
Personal services	-	-	-	-	-	-	-	3,688	4,792
Supplies	-	-	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-
Utility operating expense	-	-	-	-	-	-	-	-	-
Other disbursements	4,750	-	-	-	-	-	-	-	-
Total disbursements	4,750	-	-	-	-	-	-	3,688	4,792
Excess (deficiency) of receipts over disbursements	(1,161)	40	-	-	-	-	-	312	(1,177)
Cash and investments - ending	\$ (1,063)	\$ 1,987	\$ -	\$ 1,082	\$ 11	\$ 12	\$ -	\$ 2,060	\$ 380

TOWN OF CHESTERFIELD
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Aomc	Block Grant	Police Training/Schooling	Police Equip/Training Fund	Police Donation Fund	Loit-Public Safety	General Revenue Bond	Food/Bev.Tax/Sewer Plant	Payroll Fund
Cash and investments - beginning	\$ 10	\$ 2	\$ 197	\$ 243	\$ 3,577	\$ 64,962	\$ 58,074	\$ -	\$ 6,872
Receipts:									
Taxes	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	48,871	-	35,000	-
Charges for services	-	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	7,627	3,051	-	58,800	-	596,787
Total receipts	-	-	-	7,627	3,051	48,871	58,800	35,000	596,787
Disbursements:									
Personal services	-	-	-	-	-	-	-	-	-
Supplies	-	-	-	71	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-
Utility operating expense	-	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	3,515	66,124	57,542	-	595,877
Total disbursements	-	-	-	71	3,515	66,124	57,542	-	595,877
Excess (deficiency) of receipts over disbursements	-	-	-	7,556	(464)	(17,253)	1,258	35,000	910
Cash and investments - ending	<u>\$ 10</u>	<u>\$ 2</u>	<u>\$ 197</u>	<u>\$ 7,799</u>	<u>\$ 3,113</u>	<u>\$ 47,709</u>	<u>\$ 59,332</u>	<u>\$ 35,000</u>	<u>\$ 7,782</u>

TOWN OF CHESTERFIELD
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	State Revolving Fund Wastewater	Sewage Reserve (DRS)	Sewage Bond (Sinking Fund)	Sewage Operating	Sewage Depr. & Repl.	Water Operating	Water Depreciation	Water Meter Deposit	Totals
Cash and investments - beginning	\$ -	\$ 426,472	\$ 128,365	\$ 94,652	\$ 43,310	\$ 165,413	\$ 145,460	\$ 41,025	\$ 1,885,853
Receipts:									
Taxes	-	-	-	-	-	-	-	-	664,629
Licenses and permits	-	-	-	-	-	-	-	-	3,203
Intergovernmental	6,067,333	-	-	-	-	-	-	-	6,722,969
Charges for services	-	-	-	-	-	-	-	-	117,314
Utility fees	-	-	-	1,851,838	-	463,640	-	11,255	2,326,733
Other receipts	-	45,901	443,400	-	12,000	-	18,103	-	1,288,314
Total receipts	6,067,333	45,901	443,400	1,851,838	12,000	463,640	18,103	11,255	11,123,162
Disbursements:									
Personal services	-	-	-	-	-	-	-	-	572,415
Supplies	-	-	-	-	-	-	-	-	59,076
Other services and charges	-	-	-	-	-	-	-	-	282,895
Capital outlay	6,067,333	-	-	922	-	2,389	-	-	6,157,986
Utility operating expense	-	-	-	1,574,471	-	441,003	-	4,167	2,019,641
Other disbursements	-	-	201,226	530,701	-	47,542	-	-	1,661,954
Total disbursements	6,067,333	-	201,226	2,106,094	-	490,934	-	4,167	10,753,967
Excess (deficiency) of receipts over disbursements	-	45,901	242,174	(254,256)	12,000	(27,294)	18,103	7,088	369,195
Cash and investments - ending	\$ -	\$ 472,373	\$ 370,539	\$ (159,604)	\$ 55,310	\$ 138,119	\$ 163,563	\$ 48,113	\$ 2,255,048

TOWN OF CHESTERFIELD
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2012

Government or Enterprise	Accounts Payable	Accounts Receivable
Governmental activities	\$ 8,000	\$ 10,000
Wastewater	12,000	110,000
Water	6,000	30,000
Totals	\$ 26,000	\$ 150,000

TOWN OF CHESTERFIELD
 SCHEDULE OF CAPITAL ASSETS
 December 31, 2012

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.

	Ending Balance
Governmental activities:	
Land	\$ 1,250,795
Infrastructure	2,751,164
Buildings	4,109,272
Improvements other than buildings	90,000
Machinery, equipment and vehicles	122,516
Total governmental activities	8,323,747
Wastewater :	
Land	100,000
Infrastructure	6,510,925
Improvements other than buildings	880,354
Machinery, equipment and vehicles	900,000
Books and other	3,000
Total Wastewater	8,394,279
Water:	
Land	28,010
Infrastructure	84,000
Machinery, equipment and vehicles	530,000
Total Water	642,010
Total capital assets	\$ 17,360,036

TOWN OF CHESTERFIELD
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER PREPARATION OF SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Schedule of Expenditures of Federal Awards (SEFA) is required by the U.S. Office of Management and Budget Circular A-133, Audits of States, and Local Governments, and Non-Profit Organizations for entities receiving federal funds in excess of \$500,000 in order to summarize the use of federal monies received. The Town did not have proper procedures in place to ensure that the SEFA was prepared, was materially correct, and included the expenditures of all federal programs awarded to the Town. The Annual Financial Reports presented for audit did not include expenditures related to federal awards expended by the Town.

Effective internal control over preparation of the SEFA involves the identification and analysis of the risks of material misstatement to the Town's audited SEFA and then determining how those identified risks should be managed. The Town has not identified risks to the preparation of a reliable SEFA and as a result has failed to design effective controls over the preparation of the SEFA to prevent or detect material misstatements, including notes to the SEFA.

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.

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)

CONDITION OF RECORDS

The financial records presented for audit did not include the financial activity of the State Revolving Fund Wastewater. The State Revolving Fund Wastewater fund accounts for the financial activity of the Town's wastewater capitalization grants used to construct a new wastewater treatment facility. The monies from the grants are maintained by an outside trustee in bank accounts in the name of the Town. Although held outside the physical custody of the Town, the activity in the bank accounts held by the trustee is the financial activity of the Town and should be reflected on the Town's accounting records.

The State Revolving Fund Wastewater financial activity was determined from the bank account statements presented for audit. In 2011, receipts and disbursements totaled \$1,437,091 with a cash balance at December 31, 2011, of \$0. In 2012, receipts and disbursements totaled \$6,067,333 with a cash balance at December 31, 2012, of \$0.

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)

ANNUAL FINANCIAL REPORT

The Annual Financial Reports for 2011 and 2012 did not properly reflect the financial activity of the Town of Chesterfield as federal and state grant financial activity was omitted. In completing the online Annual

TOWN OF CHESTERFIELD
AUDIT RESULTS AND COMMENTS
(Continued)

Financial Report, local units begin by answering a series of questions. The Town officials incorrectly answered "No" to the question "Has your unit received or disbursed any money from grants?". The Town received and expended monies from three federal programs and one state program during the audit period.

In addition, the Town issued General Obligation Bonds in 2000 for the renovation of the Town Hall. The related outstanding debt was not reflected in the Annual Financial Reports for 2011 and 2012. While completing the online Annual Financial Report, the Town officials incorrectly answered "No" to the question "Does your unit have any outstanding debt?". At December 31, 2012, the outstanding General Obligation Bond debt balance was \$369,000.

The Annual Financial Report included a schedule of payables and receivables as of December 31, 2012. The payables presented could not be verified and the source of the amounts could not be determined. The receivables presented totaled \$150,000. We identified total receivables of \$209,263 at December 31, 2012.

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

OVERDRAWN CASH BALANCES

The financial statement presented in this report included the following funds with overdrawn cash balances at December 31, 2012:

<u>Fund</u>	<u>Amount Overdrawn</u>
Fireworks Donation	\$ 1,063
Sewage Operating	159,604

The 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)

ADVANCE PAYMENT

The Town advanced \$1,000 to a local resident on October 1, 2012, in order for the resident to purchase supplies and other items for the upcoming Halloween parade. After the parade, the local resident turned in paid receipts to the Clerk-Treasurer for the monies spent.

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)

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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

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Chesterfield's (Town) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the period of January 1, 2011 to December 31, 2012. The Town's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Town's major federal program based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Town's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the period of January 1, 2011 to December 31, 2012.

Other Matters

The Town's response to the findings identified in our audit is described in the accompanying Official Response. The Town's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
(Continued)

Report on Internal Control Over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the type of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The Town's response to the findings identified in our audit is described in the accompanying Official Response. The Town's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Bruce Hartman
State Examiner

April 25, 2013

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Schedule of Expenditures of Federal Awards and accompanying note presented were approved by management of the Town. The schedule and note are presented as intended by the Town.

TOWN OF CHESTERFIELD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended December 31, 2011 and 2012

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 12-31-11	Total Federal Awards Expended 12-31-12
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
Pass-Through Indiana Housing and Community Development Authority CDBG - State-Administered CDBG Cluster Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	HD-007-004	\$ 185,097	\$ -
Total for federal grantor agency			<u>185,097</u>	<u>-</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>				
Pass-Through Madison County Highway Safety Cluster Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	2011 2012	3,247 -	- <u>3,615</u>
Total for federal grantor agency			<u>3,247</u>	<u>3,615</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>				
Pass-Through Indiana Finance Authority ARRA - Capitalization Grants for Clean Water State Revolving Funds, Recovery Act	66.458	WW0625481 WW10064802 BAN	328,527 78,232 239,931	- 1,400,257 <u>1,633,410</u>
Total for federal grantor agency			<u>646,690</u>	<u>3,033,667</u>
Total federal awards expended			<u>\$ 835,034</u>	<u>\$ 3,037,282</u>

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 cash and investment basis of accounting used in the preparation of the financial statement. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

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 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 Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unqualified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major program:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	no

Identification of Major Programs:

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

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 2012-1 - INTERNAL CONTROLS OVER PREPARATION OF SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Schedule of Expenditures of Federal Awards (SEFA) is required by the U.S. Office of Management and Budget Circular A-133, Audits of States, and Local Governments, and Non-Profit Organizations for entities receiving federal funds in excess of \$500,000 in order to summarize the use of federal monies received. The Town did not have proper procedures in place to ensure that the SEFA was prepared, was materially correct, and included the expenditures of all federal programs awarded to the Town.

Effective internal control over preparation of the SEFA involves the identification and analysis of the risks of material misstatement to the Town's audited SEFA and then determining how those identified risks should be managed. The Town has not identified risks to the preparation of a reliable SEFA and as a result has failed to design effective controls over the preparation of the SEFA to prevent or detect material misstatements, including notes to the SEFA.

TOWN OF CHESTERFIELD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(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.

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)

FINDING 2012-2 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted the following deficiency in the internal control system of the Town related to financial transactions and reporting, which we believe constitutes a material weakness:

Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the Town's audited financial statements and then determining how those identified risks should be managed. The Town has not identified risks to the preparation of reliable financial statements and as a result has failed to design effective controls over the preparation of the financial statements to prevent or detect material misstatements. The financial records did not include the financial activity of the State Revolving Fund Wastewater Fund. The State Revolving Fund Wastewater Fund accounts for the financial activity of the Town's wastewater capitalization grants used to construct a new wastewater treatment facility. The monies from the grants are maintained by an outside trustee in bank accounts in the name of the Town. Although held outside the physical custody of the Town, the activity in the bank accounts held by the trustee is the financial activity of the Town and should be reflected on the Town's accounting records.

The State Revolving Fund Wastewater Fund financial activity was determined from the bank account statements presented for audit. In 2011, receipts and disbursements totaled \$1,437,091 with a cash balance at December 31, 2011, of \$0. In 2012, receipts and disbursements totaled \$6,067,333 with a cash balance at December 31, 2012, of \$0. Audit adjustments were proposed/accepted by the Town, and made to the financial statement presented in this report. These adjustments resulted in a presentation of the financial statement that is materially correct.

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.

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)

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

Town of Chesterfield Indiana

17 Veteran's Blvd

Chesterfield, IN 46017

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number 2010-1

Original SBA Audit Report Number: B39030

Fiscal Year 2009-2010

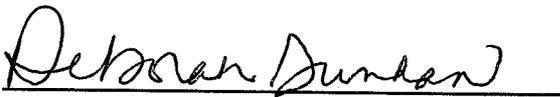
Auditee Contact Person: Deborah Dunham

Title of Contact Person: Clerk Treasurer

Phone Number: 765-378-3331

Status of Finding: Complete Capital Assets Report

August 2011 and on file



March 11, 2013

Deborah Dunham, Clerk Treasurer

Town of Chesterfield Indiana

17 Veteran's Blvd

Chesterfield, IN 46017

CORRECTIVE ACTION PLAN

Finding 2012-1 Internal Controls over Preparation of Schedule of Expenditures of Federal Awards

Auditee Contact Person: Deborah Dunham

Title of Contact Person: Clerk Treasurer

Phone Number: 765-378-3331

Expected Completion Date: ASAP no later than April 30, 2013

I have currently received and had compiled a file to put on 2011/2012 receipts and documentation. This file is complete for 2011 and 2012 will be finished by weekend. I have a separate drawer designated for Federal Grants and information needed for future procedures to be in place.

Deborah Dunham

April 15, 2013

Deborah Dunham, Clerk Treasurer

Town of Chesterfield, Indiana

17 Veteran's Blvd

Chesterfield, IN 46017

CORRECTIVE ACTION PLAN

**Finding for 2012-2 INTERNAL CONTROLS OVER FINANCIAL
TRANSACTIONS AND REPORTING OF THE STATE REVOLVING FUND
WASTEWATER.**

Auditee Contact Person: Deborah Dunham

Title of Contact Person: Clerk Treasurer

Phone Number: 765-378-3331

Expected Completion Date: ASAP no later than April 30, 2013

I have currently created a fund for the State Revolving Fund Wastewater in Keystone and will track it the same way we track the other two Grant Funds. I have also filed and designated a file for all invoices to be secured after they have been entered into the Keystone Fund.

Deborah Dunham

April 24, 2013

Deborah Dunham, Clerk Treasurer

TOWN OF CHESTERFIELD
EXIT CONFERENCE

The contents of this report were discussed on April 25, 2013, with Deborah Dunham, Clerk-Treasurer, and Jerry Fields, Town Council member. The Official Response has been made a part of this report and may be found on page 46.

Town of Chesterfield Indiana

17 Veteran's Blvd

Chesterfield, IN 46017

OFFICIAL RESPONSE

OVERDRAWN CASH BALANCES

Auditee Contact Person: Deborah Dunham

Title of Contact Person: Clerk Treasurer

Phone Number: 765-378-3331

Expected Completion Date: ASAP no later than April 30, 2013

There were two Funds that were overdrawn in year ending December 31, 2012.

Fireworks Fund- I have corrected it by transferring Funds from the Riverboat Fund.

Sewage Operating- This balance has been corrected as we are no longer dependent on the City of Anderson for transport of our "SLUDGE". My balance currently has a positive balance and I understand the process and what to do to not have a negative balance.



April 30, 2013

Deborah Dunham, Clerk Treasurer