

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF CHALMERS

WHITE COUNTY, INDIANA

January 1, 2013 to December 31, 2014



FILED
11/13/2015

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Debra K. Clawson	01-01-12 to 12-31-15
President of the Town Council	Marcus King	01-01-13 to 12-31-15



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

This report is supplemental to our examination report of the Town of Chalmers (Town), for the period from January 1, 2013 to December 31, 2014. It has been provided as a separate report so that the reader may easily identify any Examination Results and Comments that pertain to the Town. It should be read in conjunction with our Financial Statement Examination Report of the Town, which provides our opinion on the Town's financial statement. This report may be found at www.in.gov/sboa/.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Examination Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Official Response to the Examination Results and Comments, incorporated within this report, was not verified for accuracy.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

September 1, 2015

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CLERK-TREASURER
TOWN OF CHALMERS

CLERK-TREASURER
TOWN OF CHALMERS
EXAMINATION RESULTS AND COMMENTS

DISCLAIMER OF OPINION - BANK ACCOUNT RECONCILEMENTS

Depository reconcilements of the fund balances to the depository balances were not presented for examination. Prior audit reports included various adjustments that netted a decrease of \$69,107 to the fund balances that were not posted. After including the prior audit adjustments and the outstanding checks, the depository balances did not agree to the fund balances. The following is a comparison of the bank depository balances to the ledger balances:

Years	Fund/Ledger Balance	Depository Balance	Difference Long/Short
2013	\$ 391,798	\$ 389,617	\$ (2,181)
2014	352,457	357,402	4,945

We were unable to perform procedures to verify the cash balance to the records. As a result, the effect and extent of a possible financial statement misstatement is not known. The Town's records did not permit the application of other examination procedures to ascertain if the financial statement was fairly stated.

A similar comment appeared in prior Reports B38696 and B42712.

Indiana Code 5-13-6-1(e) states: "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 ledgers, 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)

CONDITION OF RECORDS

Financial records presented for examination were incomplete and not reflective of the activity of the Town and Utility funds. The records presented did not provide sufficient information to examine or establish beginning balances, receipts, disbursements, or ending balances.

Some of the discrepancies included:

1. The payroll ledgers did not include any balances but only receipts and disbursements for the various accounts. The fund balance was based on the prior year's ending annual report balance and adding the receipts and subtracting the disbursements obtained from the ledgers to determine the ending balance.

CLERK-TREASURER
TOWN OF CHALMERS
EXAMINATION RESULTS AND COMMENTS
(Continued)

2. Various errors and adjustments from 2011 and 2012 that were noted during the prior audit were not corrected. For example in December of 2012, a bond payment was disbursed for \$74,077 but was never posted to the ledgers causing the balance in the Wastewater Utility Bond and Interest fund to be overstated by this amount. An adjustment was made and approved by management.

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)

TIMELY SUBMISSION OF REPORTS

The Annual Financial Reports for 2013 and 2014 were filed 48 and 65 days, respectively, after the due date.

The Certified Report of Names, Addresses, Duties, and Compensation of Public Employees, (Form 100R) for 2013 and 2014 were filed 6 and 13 days, respectively, after the due date.

A similar comment appeared in prior Reports B38696 and B42712.

The Employer Quarterly Federal Tax Return (Form 941) for the first quarter of 2013 was filed 89 days late. Three out of the four Form 941's filed in 2014 were up to 175 days late. It is unknown at the date of this report the amount of penalties and interest that may be assessed by the Internal Revenue Service.

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."

Indiana Code 5-11-13-1 states in part:

"Every state, county, city, town, township, or school official . . . shall during the month of January of each year prepare, make, and sign a certified report, correctly and completely showing the names and business addresses of each and all officers, employees, and agents . . . and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts."

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CLERK-TREASURER
TOWN OF CHALMERS
EXAMINATION RESULTS AND COMMENTS
(Continued)

ORDINANCES AND RESOLUTIONS - PAYROLL

One Town Council member was not paid according to the salary ordinance. The salary ordinance stated the Council members were to be paid \$100 per Town Board meeting attended during 2014. One Council member was overpaid \$100.

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
TOWN OF CHALMERS
EXIT CONFERENCE

The contents of this report were discussed on September 1, 2015, with Debra K. Clawson, Clerk-Treasurer; Marcus King, President of the Town Council; Clark A. Gick, Vice President of the Town Council; and David B. Kurth, Councilman.

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CHALMERS UTILITIES
TOWN OF CHALMERS

CHALMERS UTILITIES
TOWN OF CHALMERS
EXAMINATION RESULTS AND COMMENTS

TIMELY RECORDKEEPING

The Town's utility ledgers are not being maintained up to date. They have not been posted since December 31, 2014.

All documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed management decision and to help ensure compliance with IC 5-15-1-1 et seq., commonly referred to as the Public Records Law. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OVERDRAWN CASH BALANCES

The financial statements presented for examination included the following funds with overdrawn cash balances at December 31, 2013 and 2014:

<u>Fund</u>	<u>Years</u>	<u>Amount Overdrawn</u>
Electric Utility- Operating	2013	\$ 65,561
Wastewater Utility- Operating	2013	60,980
Electric Utility- Operating	2014	52,890
Wastewater Utility- Operating	2014	135,483
Water Utility- Operating	2014	41,413

A similar comment appeared in prior Report B42712.

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)

UTILITY FEES

Water Fees

On July 8, 2013, the Town Council passed Ordinance No. 2013-6 increasing the monthly rates and charges for use of the Waterworks of the Town. The new rate increases were not entered into the billing program in the computer system, so the consumers continued paying the prior rates instead of the new rates approved by the Town Council. The new rates were finally entered in the billing program after the Town Council increased the rates again on May 11, 2015, under Ordinance No. 2015-1.

Electric Fees

The Electric rates are based on the amount of electric used by kilowatts and the cost associated with the purchase of power and energy. Because the cost of power and energy fluctuates, the Town Council adopted Ordinance No. 2008-7, called Tracker Adjustment for Electric Utility (Tracker), to help in recouping costs that were not covered by the current rate structure. This Tracker amount is adjusted every three months and is based upon the previous quarter's cost of electric purchased. Every three months, the Town receives a report from the Indiana Municipal Power Agency informing them of the new rate for the Tracker. During 2014, the Town was charging the wrong rate for the Tracker for five months.

CHALMERS UTILITIES
TOWN OF CHALMERS
EXAMINATION RESULTS AND COMMENTS
(Continued)

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)

DEPOSITS

Collections were deposited up to seven days later than the next business day in 40 percent of receipts tested.

Indiana Code 5-13-6-1(c) states in part:

" . . . all local officers . . . who collect public funds of their respective political subdivisions, shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance . . ."

DELINQUENT WASTEWATER ACCOUNTS

Delinquent wastewater fees and penalties had not been recorded with the County Recorder nor were they certified to the County Auditor which would result in a lien against the property.

A similar comment appeared in prior Reports B38696 and B42712.

Indiana Code 36-9-23-33 states in part:

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

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

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

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

CHALMERS UTILITIES
TOWN OF CHALMERS
EXAMINATION RESULTS AND COMMENTS
(Continued)

BAD DEBTS AND UNCOLLECTIBLE ACCOUNTS

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.

A similar comment appeared in prior Reports B38696 and B42712.

The governing board over a water, gas, or electric utility should adopt written policies dealing with unclaimed meter deposits, bad debts, due dates, write-offs, NSF checks, etc. The governing body over a sewage utility should also adopt written collection policies for those areas not covered by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OFFICIAL BOND

The Utility Clerk did not file an individual Surety Bond nor did the Town have an employee crime insurance policy endorsed to cover the faithful performance of all employees.

All employees who handle cash should be covered by some type of bond or crime insurance policy. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CHALMERS UTILITIES
TOWN OF CHALMERS
EXIT CONFERENCE

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