B43063

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

TOWN OF CHESTERTON

PORTER COUNTY, INDIANA

January 1, 2012 to December 31, 2012

FILED
12/09/2013

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SCHEDULE OF OFFICIALS

Office	Official	Term
Clerk-Treasurer	Gayle Polakowski	01-01-12 to 12-31-15
President of the Town Council	Nick Walding	01-01-12 to 12-31-12
	Emerson Delaney	01-01-13 to 12-31-13
President of Utility Service Board	Lawrence Brandt	01-01-12 to 12-31-13
President of Storm Water Management Board	Thomas Kopko	01-01-12 to 12-31-13
Superintendent of Utilities	Robert Lovell	01-01-12 to 05-28-13
	(Vacant)	05-29-13 to 06-24-13
	Terry Atherton	06-25-13 to 12-31-13

STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the accompanying financial statement of the Town of Chesterton (Town), for the year ended December 31, 2012. The financial statement is the responsibility of the Town's management. Our responsibility is to express an opinion on the financial statement 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 statement and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

As discussed in Note 1, 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 comprehensive 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 these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position and results of operations of the Town for the year ended December 31, 2012.

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 year ended December 31, 2012, on the basis of accounting described in Note 1.

Our examination was conducted for the purpose of forming an opinion on the Town's financial statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Leases and Debt, 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 examination procedures applied to the financial statement and, accordingly, we express no opinion on them.

The Town's response to the Examination Result and Comment identified in our examination is described in the accompanying section of the report entitled Official Response. We did not examine the Town's response and, accordingly, we express no opinion on it.

Paul D. Joyce

Paul D. Joyce, CPA
State Examiner

October 21, 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.

TOWN OF CHESTERTON
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For The Year Ended December 31, 2012

Fund	Cash and Investments 01-01-12	Receipts	Disbursements	Cash and Investments 12-31-12
General Fund	$ 326,447	$ 5,284,381	$ 5,610,824	$ 4
Motor Vehicle Highway	117,129	861,507	978,611	25
Local Road And Street	8,964	131,350	70,775	69,539
Park Nonreverting Operating	106,063	16,088	77,141	45,010
Police Continuing Ed	5,151	19,592	17,748	6,995
Riverboat	107,372	77,414	93,580	91,206
Parks And Recreation	39,755	372,053	389,519	22,289
Rainy Day	33,356	-	30,000	3,356
Major Moves Construction	119,579	-	106,811	12,768
Cumulative Capl Imprv Cigarette Tax	54,094	34,660	-	88,754
Cumulative Capital Development	89,776	270,731	186,886	173,621
Redevelopment	3,706,083	3,613,613	1,541,596	5,778,100
Co Economic Development Income Tax	186,627	918,864	1,104,143	1,348
Police Pension	384,923	133,021	152,828	365,116
Fire Pension	255,085	72,170	74,495	252,760
Debt Service GO 2002	61,402	-	61,380	22
Storm 2000 Debt Service	150	677	413	414
Excess Levy	30,290	-	30,290	-
2011 Storm Debt	8,800	870,840	119,210	760,430
Dickinson Road Escrow	18,752	8,502	759	26,495
Fire Grant	2,863	-	1,192	1,671
Park Grant	26,410	-	-	26,410
Tree Gift	3,749	1,151	685	4,215
Park Gift	180,512	2,590	98,942	84,160
CCI Sewer	396,185	22,820	14,412	404,593
Fire Gift	34,937	9,584	18,747	25,774
Park Debt	127,021	260,579	263,783	123,817
CIP Grant Downtown Improvement	59,876	26,446	41,794	44,528
Police Gift	1,881	1,139	1,433	1,587
Police (DUI) Grants	3,046	26,198	28,117	1,127
Debt Service Storm Water	10,843	404,117	414,960	-
Park Impact Fees	117,100	37,472	188	154,384
Dickinson Rd Operating	909	105	1,014	-
Debt Reserve SRF	511,500	-	-	511,500
Park Non Reverting Land	60,916	-	-	60,916
Kat Escrow	500	4,728	3,209	2,019
Rd Debt Service	3,563	349,445	353,008	-
Town Gift	10	200	200	10
Sewer Bond Proceeds	148,546	-	102,610	45,936
GO 2010 Debt (15th Street)	4,818	146,195	121,498	29,515
15Th St Bond Proceeds	109,730	-	95,934	13,796
Payroll	166,866	5,530,335	5,665,927	31,274
Health Insurance	199,370	1,575,422	1,575,862	198,930
Storm Water Debt 2011	-	96,690	96,690	-
Storm Water Utility-Operating (MS4)	502,769	429,083	674,268	257,584
Wastewater Utility-Operating	1,401,638	3,390,873	3,985,675	806,836
Wastewater Util-Bond And Interest	209,539	655,464	764,190	100,813
Wastewater Utility-Deprec/Improve	662,850	560,586	688,004	535,432
Wastewater Utility-Customer Deposit	98,397	36,833	34,316	100,914
Wastewater Utility Improvement	280,891	72,997	11,666	342,222
Payroll-Town	-	-	64,520	(64,520)
Totals	$ 10,987,033	$ 26,326,515	$ 25,769,853	$ 11,543,695

The notes to the financial statement are an integral part of this 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 Indiana 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. The basis of accounting involves the reporting of only cash investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

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 may 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, 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.

Penalties which include fees received for late payments.

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 may 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.

Debt service principal and interest which include fixed obligations resulting from financial transactions previously entered into by the Town. It includes all expenditures for the reduction of the principal and interest of the Town's general obligation indebtedness.

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.

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.

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 Plans

A. 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.

B. 1925 Police Officers' Pension Plan

Plan Description

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

Funding Policy

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

On Behalf Payments

The 1925 Police Officers' Pension Plan is funded by the State of Indiana through the Indiana Public Retirement System as provided under Indiana Code 5-10.3-11.

C. 1937 Firefighters' Pension Plan

Plan Description

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

Funding Policy

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

On Behalf Payments

The 1937 Firefighters' Pension Plan is funded by the State of Indiana through the Indiana Public Retirement System as provided under Indiana Code 5-10.3-11.

D. 1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

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

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting, and requirements for contributions by employers and by employees. Covered employees may retire at age 52 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 52. The plan also provides for death and disability benefits.

INPRS 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

The contribution requirements of plan members and the Town are established by the Board of Trustees of INPRS.

Note 7. Cash Balance Deficits

The financial statement contained a fund with a deficit cash balance. The fund is a payroll reimbursement account. This is the result of a Sewer Department payroll liability owed to the Town. As soon as the bi-monthly payroll transfer is made the fund will have a positive cash balance.

Note 8. Subsequent Events

State Revolving Fund Loans

In June of 2013, the Chesterton Wastewater Utility was awarded a State Revolving Fund (SRF) Loan in the amount of $3,621,000. In September of 2013, the Chesterton Wastewater Utility was awarded a second SRF loan in the amount of $10,751,000. Both of these loans were needed to complete the state mandated Long-Term Control Plan which will reduce overflow to the Little Calumet River.

Economic Development Revenue Bonds

On February 25, 2013, the Town authorized the issuance of Economic Development Revenue Bonds in the amount of $25,860,000; to assist Urschel Laboratories in the acquisition of land, construction, and equipping of a corporate headquarters and manufacturing plant, including the construction of bridges, roadways, utilities, and other infrastructure.

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 Report of the Town which is referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the examination. This is a common occurrence in any financial statement examination. The financial information presented in this report is examined information, and the accuracy of such information can be determined by reading the opinion given in the Independent Accountant's Report.

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

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

	General Fund	Motor Vehicle Highway	Local Road And Street	Park Nonreverting Operating	Police Continuing Ed	Riverboat	Parks And Recreation
Cash and investments - beginning	$ 326,447	$ 117,129	$ 8,964	$ 106,063	$ 5,151	$ 107,372	$ 39,755
Receipts:							
Taxes	3,157,784	335,491	-	-	-	-	91,999
Licenses and permits	162,678	-	-	-	-	-	-
Intergovernmental	373,317	363,339	-	-	-	-	9,525
Charges for services	866,104	-	-	-	-	-	2,260
Fines and forfeits	3,649	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	720,849	162,677	131,350	16,088	19,592	77,414	268,269
Total receipts	5,284,381	861,507	131,350	16,088	19,592	77,414	372,053
Disbursements:							
Personal services	4,109,489	830,745	-	-	-	-	294,539
Supplies	280,322	133,913	-	-	-	-	38,680
Other services and charges	1,210,501	13,953	-	-	-	-	49,788
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	10,512	-	70,775	77,141	17,748	93,580	6,512
Total disbursements	5,610,824	978,611	70,775	77,141	17,748	93,580	389,519
Excess (deficiency) of receipts over disbursements	(326,443)	(117,104)	60,575	(61,053)	1,844	(16,166)	(17,466)
Cash and investments - ending	$ 4	$ 25	$ 69,539	$ 45,010	$ 6,995	$ 91,206	$ 22,289

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

	Rainy Day	Major Moves Construction	Cumulative Capl Imprv Cigarette Tax	Cumulative Capital Development	Redevelopment	Co Economic Development Income Tax	Police Pension
Cash and investments - beginning	$ 33,356	$ 119,579	$ 54,094	$ 89,776	$ 3,706,083	$ 186,627	$ 384,923
Receipts:							
Taxes	-	-	-	270,731	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	918,864	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	-	-	34,660	-	3,613,613	-	133,021
Total receipts	-	-	34,660	270,731	3,613,613	918,864	133,021
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	30,000	106,811	-	186,886	1,541,596	1,104,143	152,828
Total disbursements	30,000	106,811	-	186,886	1,541,596	1,104,143	152,828
Excess (deficiency) of receipts over disbursements	(30,000)	(106,811)	34,660	83,845	2,072,017	(185,279)	(19,807)
Cash and investments - ending	$ 3,356	$ 12,768	$ 88,754	$ 173,621	$ 5,778,100	$ 1,348	$ 365,116

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

	Fire Pension	Debt Service GO 2002	Storm 2000 Debt Service	Excess Levy	2011 Storm Debt	Dickinson Road Escrow	Fire Grant
Cash and investments - beginning	$ 255,085	$ 61,402	$ 150	$ 30,290	$ 8,800	$ 18,752	$ 2,863
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	72,170	-	677	-	870,840	8,502	-
Total receipts	72,170	-	677	-	870,840	8,502	-
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	74,495	61,380	413	30,290	119,210	759	1,192
Total disbursements	74,495	61,380	413	30,290	119,210	759	1,192
Excess (deficiency) of receipts over disbursements	(2,325)	(61,380)	264	(30,290)	751,630	7,743	(1,192)
Cash and investments - ending	$ 252,760	$ 22	$ 414	$ -	$ 760,430	$ 26,495	$ 1,671

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

	Park Grant	Tree Gift	Park Gift	CCI Sewer	Fire Gift	Park Debt	CIP Grant Downtown Improvement
Cash and investments - beginning	$ 26,410	$ 3,749	$ 180,512	$ 396,185	$ 34,937	$ 127,021	$ 59,876
Receipts:							
Taxes	-	-	-	20,486	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	1,849	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	-	1,151	2,590	485	9,584	260,579	26,446
Total receipts	-	1,151	2,590	22,820	9,584	260,579	26,446
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Capital outlay	-	685	98,942	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	14,412	18,747	263,783	41,794
Total disbursements	-	685	98,942	14,412	18,747	263,783	41,794
Excess (deficiency) of receipts over disbursements	-	466	(96,352)	8,408	(9,163)	(3,204)	(15,348)
Cash and investments - ending	$ 26,410	$ 4,215	$ 84,160	$ 404,593	$ 25,774	$ 123,817	$ 44,528

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

	Police Gift	Police (DUI) Grants	Debt Service Storm Water	Park Impact Fees	Dickinson Rd Operating	Debt Reserve SRF
Cash and investments - beginning	$ 1,881	$ 3,046	$ 10,843	$ 117,100	$ 909	$ 511,500
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	1,139	26,198	404,117	37,472	105	-
Total receipts	1,139	26,198	404,117	37,472	105	-
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	1,433	28,117	414,960	188	1,014	-
Total disbursements	1,433	28,117	414,960	188	1,014	-
Excess (deficiency) of receipts over disbursements	(294)	(1,919)	(10,843)	37,284	(909)	-
Cash and investments - ending	$ 1,587	$ 1,127	$ -	$ 154,384	$ -	$ 511,500

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

	Park Non Reverting Land	Kat Escrow	Rd Debt Service	Town Gift	Sewer Bond Proceeds	GO 2010 Debt (15th Street)
Cash and investments - beginning	$ 60,916	$ 500	$ 3,563	$ 10	$ 148,546	$ 4,818
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	-	4,728	349,445	200	-	146,195
Total receipts	-	4,728	349,445	200	-	146,195
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	3,209	353,008	200	102,610	121,498
Total disbursements	-	3,209	353,008	200	102,610	121,498
Excess (deficiency) of receipts over disbursements	-	1,519	(3,563)	-	(102,610)	24,697
Cash and investments - ending	$ 60,916	$ 2,019	$ -	$ 10	$ 45,936	$ 29,515

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

	15Th St Bond Proceeds	Payroll	Health Insurance	Storm Water Debt 2011	Storm Water Utility-Operating (MS4)	Wastewater Utility-Operating
Cash and investments - beginning	$ 109,730	$ 166,866	$ 199,370	$ -	$ 502,769	$ 1,401,638
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	3,308,803
Penalties	-	-	-	-	-	46,593
Other receipts	-	5,530,335	1,575,422	96,690	429,083	35,477
Total receipts	-	5,530,335	1,575,422	96,690	429,083	3,390,873
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	1,575,862	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	2,388,210
Other disbursements	95,934	5,665,927	-	96,690	674,268	1,597,465
Total disbursements	95,934	5,665,927	1,575,862	96,690	674,268	3,985,675
Excess (deficiency) of receipts over disbursements	(95,934)	(135,592)	(440)	-	(245,185)	(594,802)
Cash and investments - ending	$ 13,796	$ 31,274	$ 198,930	$ -	$ 257,584	$ 806,836

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

	Wastewater Util-Bond And Interest	Wastewater Utility-Deprec/Improve	Wastewater Utility-Customer Deposit	Wastewater Utility Improvement	Town Payroll	Totals
Cash and investments - beginning	$ 209,539	$ 662,850	$ 98,397	$ 280,891	$ -	$ 10,987,033
Receipts:						
Taxes	-	-	-	-	-	3,876,491
Licenses and permits	-	-	-	-	-	162,678
Intergovernmental	-	-	-	-	-	1,666,894
Charges for services	-	-	-	-	-	868,364
Fines and forfeits	-	-	-	-	-	3,649
Utility fees	-	38,118	36,833	-	-	3,383,754
Penalties	-	-	-	-	-	46,593
Other receipts	655,464	522,468	-	72,997	-	16,318,092
Total receipts	655,464	560,586	36,833	72,997	-	26,326,515
Disbursements:						
Personal services	-	-	-	-	-	5,234,773
Supplies	-	-	-	-	-	452,915
Other services and charges	-	-	-	-	-	2,850,104
Capital outlay	-	688,004	-	-	-	787,631
Utility operating expenses	-	-	-	-	-	2,388,210
Other disbursements	764,190	-	34,316	11,666	64,520	14,056,220
Total disbursements	764,190	688,004	34,316	11,666	64,520	25,769,853
Excess (deficiency) of receipts over disbursements	(108,726)	(127,418)	2,517	61,331	(64,520)	556,662
Cash and investments - ending	$ 100,813	$ 535,432	$ 100,914	$ 342,222	$ (64,520)	$ 11,543,695

TOWN OF CHESTERTON
SCHEDULE OF LEASES AND DEBT
December 31, 2012

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Centier	Vactor Truck-10	$ 18,718	11-25-07	05-25-13
Centier	Truck & Snow Plow-19	14,264	12-01-12	05-01-15
LaPorte Savings Bank	Leaf Vac-11	13,688	09-11-13	09-11-15
LaPorte Savings Bank	Generator-16	16,759	07-11-11	07-11-18
LaPorte Savings Bank	Centrifuge-14	108,436	02-01-11	02-01-13
LaPorte Savings Bank	Fire Truck -9	61,499	05-01-10	05-01-19
LaPorte Savings Bank	Dump Truck-17	33,106	09-01-11	08-23-16
LaPorte Savings Bank	Truck	28,817	08-04-09	08-04-13
LaPorte Savings Bank	Front Loader-18	32,980	09-11-13	09-11-17
LaPorte Savings Bank	Grapple Truck-12	21,047	04-01-10	04-01-15
Total governmental activities		349,314		
Total of annual lease payments		$ 349,314		

Description of Debt			
Type	Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	Street paving and sidewalk construction and paying the costs of issuance	$ 1,940,000	$ 179,398
General obligation bonds	Park District construction and improvements together with the necessary appurtenances related improvements and equipment and paying the costs of issuance	865,000	265,450
General obligation bonds	Construction of a new municipal building at 15th Avenue and paying the costs of issuance	4,250,000	359,333
Revenue bonds	Redevelopment District improvements to Calumet Road fund a debt service reserve repay 2008 BAN and pay costs of issuance	2,000,000	165,706
Total governmental activities		9,055,000	969,887
Storm Water:			
General obligation bonds	Projects for improvements including new lift station	805,000	102,163
Wastewater:			
Revenue bonds	Improvements to the Chesterton Wastewater Treatment Plant and replacement of equipment for upgrading the daily average capacity and paying costs of issuance	2,230,000	96,128
Commercial loan	Land purchase	281,606	28,761
Revenue bonds	Purchase of equipment and the construction of certain additions extensions and improvements to the Town's municipal sewage works and paying costs of issuance	1,645,000	504,865
Total Wastewater		4,156,606	629,754
Totals		$ 14,016,606	$ 1,701,804

TOWN OF CHESTERTON
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	$ 924,183
Infrastructure	16,901,019
Buildings	936,617
Machinery, equipment, and vehicles	5,595,716
Total governmental activities	24,357,535
Storm Water:	
Infrastructure	11,344,169
Machinery, equipment, and vehicles	26,000
Total Storm Water	11,370,169
Wastewater:	
Land	188,418
Infrastructure	10,626,285
Buildings	3,649,865
Improvements other than buildings	2,537,571
Machinery, equipment, and vehicles	887,802
Total Wastewater	17,889,941
Total capital assets	$ 53,617,645

TOWN OF CHESTERTON
EXAMINATION RESULT AND COMMENT

APPROPRIATIONS

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

Fund	Excess Amount Expended
Police Pension	$ 27,828
Storm Water Utility Operating (MS4)	165,253
Redevelopment	192,151
Police Continuing Ed	2,748

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

TOWN OF CHESTERTON
EXIT CONFERENCE

The contents of this report were discussed on October 17, 2013, with Joanne Lewis, Clerk; Emerson Delaney, President of the Town Council; and on October 21, 2013, with Gayle Polakowski, Clerk-Treasurer. The Official Response has been made a part of this report and may be found on pages 26 through 29.

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November 9, 2013

State Board of Accounts
302 West Washington Street
Room E 418
Indianapolis, Indiana 46204-2765

RE: State Board of Accounts' 2012 Audit Exit Conference Official Town Response

Dear Madams and Sirs:

The exit conference for the State Board's 2012 Audit was held on October 17, 2013. As a result of this conference the following four funds had items that remained open pertaining to expenditures in excess of budgeted appropriations:

- Police Pension
- Storm Sewer
- Redevelopment
- Police Continuing Education

During the last half of 2012, the Town started the conversion to new computer software. According to the software provider's recommendations, the Town did not run both the existing software and the new software simultaneously during the conversion timeframe. Also, the 2012 approved budget appropriations were not transferred into the new software at the mid-year conversion. Thus, the Town found itself without the ability to easily compare the total approved budgeted appropriations and the to-date actual expenditures. In addition to the software conversion struggles, the Town also found itself without the consistent day-to-day guidance of its Clerk-Treasurer due to a personal situation.

With regards to the Police Pension and the Police Continuing Education funds, the cash was present for the expenditures; however, the budget appropriations were understated. Due to the issues stated previously, this situation was not readily noticeable and thus no additional appropriations were sought from the appropriate governing body.

The Storm Sewer excess is attributable to the purchase of an Aquatech Truck for purposes of jet cleaning the storm water sewer system. This purchase was approved by the Storm Water Management Board on August 20, 2012. Given the issues with the software conversion this additional appropriation was not added to the 2012 budgeted appropriations.

The Redevelopment Fund excess was due to the lack of guidance as to how the debt payments were to be made as a result of the absence of the Clerk-Treasurer. It was thought that the payment amounts had to be

transferred to the Redevelopment Debt Service Fund from the Redevelopment (TIF) Fund. Rather, upon receipt of TIF revenues, a portion, sufficient to fund the principal and interest payments, should have gone into Fund 061, 2009 R/D Debt Service. . Again the cash was available for the payments however given the software conversion issue it could not be determined that the methodology being used to ensure the timely debt service payment would result in the excess expenditure.

During 2013 the approved budgeted appropriations input have been transferred into the Town's software system so it is anticipated that the 2012 software issues should not occur in the future. The personal situation with the Clerk-Treasurer has continued into 2013 and thus the Deputy Clerk-Treasurer has experienced a steep learning curve in order for the Town to avoid such audit comments in the future.

Respectfully submitted,

L. Charles Lukmann, III
Town Attorney

cc: Attachment
Ted Sommer
Sue Haase
Chesterton Town Council
Chesterton Clerk-Treasurer

STORM WATER MANAGEMENT BOARD
August 20, 2012
6:17 P.M.

CALL TO ORDER & PLEDGE OF ALLEGIANCE

Member T. Kopko called the meeting to order at 6:17 p.m.

ROLL CALL

Clerk-Treasurer G. Polakowski called the meeting to order and roll call present were; Member T. Kopko and Member B. Mathias, and Member C. Livingston.

APPROVAL OF MINUTES

Member B. Mathias made the motion to approve the minutes of the July 16, 2012 meeting, seconded by Member C. Livingston motion approved by unanimous voice vote.

CONSIDERATION OF CLAIMS

Member C. Livingston made the motion to approve the claims as presented, seconded by Member B. Mathias motion approved by unanimous voice vote.

COMMENTS FROM THE FLOOR

NONE

REPORTS

MS 4 PROGRAM REPORT – J. Gadzala presented the MS 4 report. On September 15, 2012 would be the annual cleanup at Coffee Creek Park from 9 a.m. to 11 a.m..

SUPERINTENDENT REPORT – Associate Town Engineer C. Nesper recommended that September 10; 2012 at 6:45 p.m. open bids for the storm water project related to the installation of a lift station to pump storm water from the alley behind Val's Famous Pizza & Grinders at 11th & Broadway. He reported under the project specifications a new lift station powered by a 15 horse pump would flow runoff from the alley to a large storm water sewer line on Lincoln Ave approximately 1100 feet south. The estimated cost of the project would be $140,000 to be paid for from the $880,000 bond issue last year. Member C. Livingston made the motion to advertise and open the bids on September 10, 2012 at 6:4 p.m., seconded by Member B. Mathias, motion approved by unanimous voice vote.

August 20, 2012

OLD BUSINESS

Town Engineer M. O'Dell reported that under the federal and state mandated MS 4 system municipalities be required to jet clean their storm water system. He advised that they have been using the Utilities' truck to do this and recommended the purchase of an Aquatech demo model from Brown Equipment Company of Fort Wayne. Member B. Mathias made the motion to authorize the purchase and to work with the Clerk-Treasurer to make the purchase using the best combination of funding to purchase the vehicle outright to save interest fees, seconded by Member C. Livingston, motion approved by unanimous voice vote.

NEW BUSINESS

NONE

ADJOURNMENT

Member C. Livingston made the motion to adjourn, seconded by Member B. Mathias, motion approved by unanimous voice vote, meeting adjourned at 7:42 p.m.

PRESIDENT STORM WATER BOARD

ATTEST:
Gayle Polakowski
Clerk-Treasurer G. Polakowski