

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, 2010 to December 31, 2010



FILED
12/14/2011

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Gayle Polakowski	01-01-08 to 12-31-11
President of the Town Council	Jeff Trout Sharon Darnell	01-01-10 to 12-31-10 01-01-11 to 12-31-11
President of the Utility Service Board	Lawrence Brandt	01-01-08 to 12-31-11
President of the Storm Water Management Board	Thomas Kopko	01-01-09 to 12-31-11
Superintendent of Utilities	Patrick Geisendorfer Robert Lovell	03-01-10 to 05-21-10 08-01-10 to 12-31-11



STATE OF INDIANA
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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial statement of the Town of Chesterton, for the period of January 1, 2010 to December 31, 2010. The Town's management is responsible for the financial statement. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial 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 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 basis noted above is a different basis than that used in the prior year.

In our opinion, the financial statement referred to above present fairly, in all material respects, the financial position and results of operations of the Town for the year ended December 31, 2010, on the basis of accounting described in Note 1.

The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, and Schedule of Long-Term Debt, 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 statements 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.

This report is intended solely for the information and use of the Town's management and the Town Council, and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

October 26, 2011

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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, 2010

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
General Fund	\$ 1,794	\$ 5,156,301	\$ 4,935,577	\$ 222,518
Motor Vehicle Highway	35,328	1,082,558	1,009,032	108,854
Local Road And Street	70,715	124,719	181,719	13,715
Park Nonreverting Operating	136,447	158,993	142,995	152,445
Law Enforcement Continuing Ed	11,777	9,994	9,961	11,810
Riverboat	65,648	65,634	36,858	94,424
Parks And Recreation	110,364	267,352	238,073	139,643
Fire Grant	-	20,111	17,145	2,966
Rainy Day	286,829	406,356	611,098	82,087
Park Grant	-	146,192	119,782	26,410
Major Moves Construction	551,941	500,492	750,395	302,038
Tree Gift	3,891	650	153	4,388
Park Gift	171,772	49,822	177,546	44,048
Cumulative Street and Sewer	447,921	25,165	23,085	450,001
Fire Gift	9,560	25,513	5,520	29,553
Park Debt	136,130	314,949	264,121	186,958
Cip	31,566	22,707	-	54,273
Police Gift	5,356	20,256	8,266	17,346
Go Debt	165,541	139,266	121,664	183,143
Flood Control Debt	-	719,887	408,457	311,430
Dui Grants	4,420	24,525	25,272	3,673
Redevelopment Tif	3,367,747	1,242,422	976,570	3,633,599
Debt Stormwater	-	133,817	99,898	33,919
Rd Bond Proceeds	703,527	294	703,821	-
Park Impact Fees	62,063	35,130	-	97,193
Dickinson Rd Operating	849	12	-	861
Park Non Reverting Land	60,916	-	-	60,916
Kat Escrow	500	1,951	1,951	500
Rd Debt Service	358,620	-	355,057	3,563
Town Gift	200	100	290	10
Excess Levy	15,854	14,436	-	30,290
Sewer Bond Proceeds	2,073,462	-	960,721	1,112,741
15Th St	-	2,000,000	1,043,166	956,834
Cumulative Capl Imprv Cigarette Tax	32,160	30,708	-	62,868
Cumulative Capital Development	125,585	13,574	61,499	77,660
Co Economic Development Income Tax	525,266	785,067	1,086,194	224,139
Police Pension	365,404	106,988	114,151	358,241
Fire Pension	243,410	192,300	179,998	255,712
Payroll	149,061	5,326,568	5,312,652	162,977
Health Insurance	630,016	2,186,142	2,726,413	89,745
Storm Water Utility-Operating	364,558	442,368	370,858	436,068
Wastewater Utility- Debt Reserve Srf	511,500	-	-	511,500
Wastewater Utility-Operating	776,092	3,595,133	3,296,634	1,074,591
Wastewater Util-Bond And Interest	276,172	603,708	595,334	284,546
Wastewater Utility-Deprec/Improve	194,369	614,100	358,292	450,177
Wastewater Utility-Customer Deposit	90,109	33,525	26,596	97,038
Wastewater Utility Improvement	86,310	32,947	-	119,257
	<u>\$ 13,260,750</u>	<u>\$ 26,672,732</u>	<u>\$ 27,356,814</u>	<u>\$ 12,576,668</u>

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

TOWN OF CHESTERTON
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, culture and recreation, public improvements, planning and zoning, general administrative services, wastewater, storm water, and urban redevelopment.

The accompanying financial statement present the financial information for the Town (primary government), and does not include financial information for any of the Town's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of the Town (primary government.)

B. Basis of Accounting

The financial statements are 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 statements. The aggregate receipts may include, but are not limited to, 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.

Special assessments which includes amounts levied against certain properties to defray all or part of the cost of a specific capital improvement or service deemed to benefit primarily those properties.

TOWN OF CHESTERTON
NOTES TO FINANCIAL STATEMENT
(Continued)

License and permits which includes 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 license 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 includes receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts includes, but is 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; dog pound fees; park rental fees; cable tv receipts; ordinance violations; fines and fees.

Fines and forfeits which includes 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).

Net proceeds from borrowings which includes receipts from general obligation bonds, notes and loans.

Intergovernmental loan activity which includes amounts received from other funds as loans on a temporary basis.

Transfers in which includes funds authorized by statute, ordinance, resolution or court order to be transferred in from another fund.

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

Internal service receipts which are comprised mostly of fees received for services performed for other funds.

Fiduciary receipts which are comprised mostly of contributions to the pensions funds from state and local sources.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements may include, but are not limited to, the following uses:

Personal services which includes 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.

TOWN OF CHESTERTON
NOTES TO FINANCIAL STATEMENT
(Continued)

Supplies which includes 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 includes, but is not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance; and rental charges.

Debt service principle and interest which includes 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 includes all outflows for land, infrastructure, buildings, improvements, machinery and equipment having an appreciable and calculable period of usefulness.

Interfund loan payments and loans made which includes amounts that are owed to a particular fund by another fund.

Transfers out which includes funds authorized by statute, ordinance, resolution or court order to be transferred to another fund.

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.

TOWN OF CHESTERTON
NOTES TO FINANCIAL STATEMENT
(Continued)

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% 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 were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

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

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 statements. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the Town by recording as a disbursement and replacement items purchased.

Note 6. Pension Plan

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 PERF Board, most requirements of the system, and give the Town authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer

TOWN OF CHESTERTON
NOTES TO FINANCIAL STATEMENT
(Continued)

contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

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

Funding Policy and Annual Pension Cost

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

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 Public Employees' Retirement Fund as provided under IC 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.

TOWN OF CHESTERTON
NOTES TO FINANCIAL STATEMENT
(Continued)

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 Public Employees' Retirement Fund as provided under IC 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 Employees' Retirement Plan (PERF) 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.

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

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

Funding Policy

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

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Town's Annual Report can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

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 prepared and/or 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, 2010

	General Fund	Motor Vehicle Highway	Local Road And Street	Park Nonreverting Operating	Law Enforcement Continuing Ed	Riverboat
Cash and investments - beginning	\$ 1,794	\$ 35,328	\$ 70,715	\$ 136,447	\$ 11,777	\$ 65,648
Receipts:						
Taxes	3,557,188	732,527	-	-	-	-
Licenses and permits	185,386	-	-	-	-	-
Intergovernmental	326,355	344,893	124,719	-	-	65,634
Charges for services	951,605	1,400	-	158,993	9,994	-
Fines and forfeits	4,494	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	131,273	3,738	-	-	-	-
Total receipts	<u>5,156,301</u>	<u>1,082,558</u>	<u>124,719</u>	<u>158,993</u>	<u>9,994</u>	<u>65,634</u>
Disbursements:						
Personal services	3,570,787	752,515	-	-	-	-
Supplies	326,500	159,179	-	-	-	-
Other services and charges	992,888	97,338	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	181,719	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	45,402	-	-	142,995	9,961	36,858
Total disbursements	<u>4,935,577</u>	<u>1,009,032</u>	<u>181,719</u>	<u>142,995</u>	<u>9,961</u>	<u>36,858</u>
Excess (deficiency) of receipts over disbursements	<u>220,724</u>	<u>73,526</u>	<u>(57,000)</u>	<u>15,998</u>	<u>33</u>	<u>28,776</u>
Cash and investments - ending	<u>\$ 222,518</u>	<u>\$ 108,854</u>	<u>\$ 13,715</u>	<u>\$ 152,445</u>	<u>\$ 11,810</u>	<u>\$ 94,424</u>

TOWN OF CHESTERTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Parks And Recreation	Fire Grant	Rainy Day	Park Grant	Major Moves Construction	Tree Gift
Cash and investments - beginning	\$ 110,364	\$ -	\$ 286,829	\$ -	\$ 551,941	\$ 3,891
Receipts:						
Taxes	241,401	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	20,681	-	-	-	-	-
Charges for services	3,070	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	<u>2,200</u>	<u>20,111</u>	<u>406,356</u>	<u>146,192</u>	<u>500,492</u>	<u>650</u>
Total receipts	<u>267,352</u>	<u>20,111</u>	<u>406,356</u>	<u>146,192</u>	<u>500,492</u>	<u>650</u>
Disbursements:						
Personal services	157,839	-	-	-	-	-
Supplies	27,747	-	-	-	-	-
Other services and charges	52,487	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	611,098	-	750,395	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	<u>-</u>	<u>17,145</u>	<u>-</u>	<u>119,782</u>	<u>-</u>	<u>153</u>
Total disbursements	<u>238,073</u>	<u>17,145</u>	<u>611,098</u>	<u>119,782</u>	<u>750,395</u>	<u>153</u>
Excess (deficiency) of receipts over disbursements	<u>29,279</u>	<u>2,966</u>	<u>(204,742)</u>	<u>26,410</u>	<u>(249,903)</u>	<u>497</u>
Cash and investments - ending	<u>\$ 139,643</u>	<u>\$ 2,966</u>	<u>\$ 82,087</u>	<u>\$ 26,410</u>	<u>\$ 302,038</u>	<u>\$ 4,388</u>

TOWN OF CHESTERTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Park Gift	Cci Sewer	Fire Gift	Park Debt	Cip	Police Gift
Cash and investments - beginning	\$ 171,772	\$ 447,921	\$ 9,560	\$ 136,130	\$ 31,566	\$ 5,356
Receipts:						
Taxes	-	22,891	-	293,426	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	1,735	-	21,523	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	49,822	539	25,513	-	22,707	20,256
Total receipts	49,822	25,165	25,513	314,949	22,707	20,256
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	264,121	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	23,085	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	177,546	-	5,520	-	-	8,266
Total disbursements	177,546	23,085	5,520	264,121	-	8,266
Excess (deficiency) of receipts over disbursements	(127,724)	2,080	19,993	50,828	22,707	11,990
Cash and investments - ending	\$ 44,048	\$ 450,001	\$ 29,553	\$ 186,958	\$ 54,273	\$ 17,346

TOWN OF CHESTERTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Debt Service GO 2002	Debt Service Stormwater	Police DUI Grants	Redevelopment Tif	Stormwater 2000 Debt Service	Rd Bond Proceeds
Cash and investments - beginning	\$ 165,541	\$ -	\$ 4,420	\$ 3,367,747	\$ -	\$ 703,527
Receipts:						
Taxes	128,331	674,257	-	1,238,086	125,557	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	7,752	45,599	-	-	7,667	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	<u>3,183</u>	<u>31</u>	<u>24,525</u>	<u>4,336</u>	<u>593</u>	<u>294</u>
Total receipts	<u>139,266</u>	<u>719,887</u>	<u>24,525</u>	<u>1,242,422</u>	<u>133,817</u>	<u>294</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	121,664	-	-	-	99,898	-
Debt service - principal and interest	-	408,457	-	-	-	-
Capital outlay	-	-	-	976,570	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	<u>25,272</u>	-	-	<u>703,821</u>
Total disbursements	<u>121,664</u>	<u>408,457</u>	<u>25,272</u>	<u>976,570</u>	<u>99,898</u>	<u>703,821</u>
Excess (deficiency) of receipts over disbursements	<u>17,602</u>	<u>311,430</u>	<u>(747)</u>	<u>265,852</u>	<u>33,919</u>	<u>(703,527)</u>
Cash and investments - ending	<u>\$ 183,143</u>	<u>\$ 311,430</u>	<u>\$ 3,673</u>	<u>\$ 3,633,599</u>	<u>\$ 33,919</u>	<u>\$ -</u>

TOWN OF CHESTERTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Park Impact Fees	Dickinson Rd Operating	Park Non Reverting Land	Kat Escrow	Rd Debt Service	Town Gift
Cash and investments - beginning	\$ 62,063	\$ 849	\$ 60,916	\$ 500	\$ 358,620	\$ 200
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	35,130	12	-	1,951	-	100
Total receipts	35,130	12	-	1,951	-	100
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	355,057	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	1,951	-	290
Total disbursements	-	-	-	1,951	355,057	290
Excess (deficiency) of receipts over disbursements	35,130	12	-	-	(355,057)	(190)
Cash and investments - ending	\$ 97,193	\$ 861	\$ 60,916	\$ 500	\$ 3,563	\$ 10

TOWN OF CHESTERTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Excess Levy	Sewer Bond Sinking	15Th St	Wastewater Utility- Debt Reserve Srf	Cumulative Capital Improvement	Cumulative Capital Development
Cash and investments - beginning	\$ 15,854	\$ 2,073,462	\$ -	\$ 511,500	\$ 32,160	\$ 125,585
Receipts:						
Taxes	-	-	-	-	30,708	11,792
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	1,782
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	14,436	-	2,000,000	-	-	-
Total receipts	14,436	-	2,000,000	-	30,708	13,574
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	960,721	-	-	-	61,499
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	1,043,166	-	-	-
Total disbursements	-	960,721	1,043,166	-	-	61,499
Excess (deficiency) of receipts over disbursements	14,436	(960,721)	956,834	-	30,708	(47,925)
Cash and investments - ending	\$ 30,290	\$ 1,112,741	\$ 956,834	\$ 511,500	\$ 62,868	\$ 77,660

TOWN OF CHESTERTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Co Economic Development Income Tax	Police Pension	Fire Pension	Payroll	Health Insurance	MS4
Cash and investments - beginning	\$ 525,266	\$ 365,404	\$ 243,410	\$ 149,061	\$ 630,016	\$ 364,558
Receipts:						
Taxes	783,876	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	106,080	80,366	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	439,863
Other receipts	1,191	908	111,934	5,326,568	2,186,142	2,505
Total receipts	<u>785,067</u>	<u>106,988</u>	<u>192,300</u>	<u>5,326,568</u>	<u>2,186,142</u>	<u>442,368</u>
Disbursements:						
Personal services	-	114,151	179,998	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	368,907
Other disbursements	1,086,194	-	-	5,312,652	2,726,413	1,951
Total disbursements	<u>1,086,194</u>	<u>114,151</u>	<u>179,998</u>	<u>5,312,652</u>	<u>2,726,413</u>	<u>370,858</u>
Excess (deficiency) of receipts over disbursements	<u>(301,127)</u>	<u>(7,163)</u>	<u>12,302</u>	<u>13,916</u>	<u>(540,271)</u>	<u>71,510</u>
Cash and investments - ending	<u>\$ 224,139</u>	<u>\$ 358,241</u>	<u>\$ 255,712</u>	<u>\$ 162,977</u>	<u>\$ 89,745</u>	<u>\$ 436,068</u>

TOWN OF CHESTERTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Wastewater Utility-Operating	Wastewater Sinking Fund	Wastewater Depreciation	Wastewater Utility-Customer Deposit	Wastewater Utility Improvement	Totals
Cash and investments - beginning	\$ 776,092	\$ 276,172	\$ 194,369	\$ 90,109	\$ 86,310	\$ 13,260,750
Receipts:						
Taxes	-	-	-	-	-	7,840,040
Licenses and permits	-	-	-	-	-	185,386
Intergovernmental	-	-	-	-	-	1,154,786
Charges for services	-	-	-	-	-	1,125,062
Fines and forfeits	-	-	-	-	-	4,494
Utility fees	3,595,133	-	-	-	-	4,034,996
Other receipts	-	603,708	614,100	33,525	32,947	12,327,968
Total receipts	<u>3,595,133</u>	<u>603,708</u>	<u>614,100</u>	<u>33,525</u>	<u>32,947</u>	<u>26,672,732</u>
Disbursements:						
Personal services	-	-	-	-	-	4,775,290
Supplies	-	-	-	-	-	513,426
Other services and charges	-	-	-	-	-	1,983,453
Debt service - principal and interest	-	595,334	-	-	-	1,003,791
Capital outlay	-	-	-	-	-	3,565,087
Utility operating expenses	2,043,176	-	-	-	-	2,412,083
Other disbursements	1,253,458	-	358,292	26,596	-	13,103,684
Total disbursements	<u>3,296,634</u>	<u>595,334</u>	<u>358,292</u>	<u>26,596</u>	<u>-</u>	<u>27,356,814</u>
Excess (deficiency) of receipts over disbursements	<u>298,499</u>	<u>8,374</u>	<u>255,808</u>	<u>6,929</u>	<u>32,947</u>	<u>(684,082)</u>
Cash and investments - ending	<u>\$ 1,074,591</u>	<u>\$ 284,546</u>	<u>\$ 450,177</u>	<u>\$ 97,038</u>	<u>\$ 119,257</u>	<u>\$ 12,576,668</u>

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

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
Dump Truck	\$ 80,044	\$ 28,817
Bucket Truck	36,692	19,441
Fire Truck	549,909	73,790
Grapple Truck	105,237	21,047
Bonds payable:		
General obligation bonds:		
2001 Street Paving & Sidewalk Construction	175,000	121,741
2005 Park District Improvements	1,305,000	261,640
2009 Redevelopment Bonds	<u>4,590,000</u>	<u>356,408</u>
Total governmental activities debt	<u>\$ 6,841,882</u>	<u>\$ 882,884</u>
Business-type activities:		
Wastewater Utility:		
Capital leases:		
Vactor Truck	\$ 91,665	\$ 40,131
Notes and Loans Payable:		
State Revolving Fund Loan Payable	2,885,000	503,713
Commercial Loan	315,874	28,761
Bonds Payable:		
Sewer Works Revenue Bonds 2009	<u>2,230,000</u>	<u>91,321</u>
Total Wastewater Utility	<u>5,522,539</u>	<u>663,926</u>
Stormwater District:		
General Obligation Bonds:		
1998 Refunding Bonds	770,000	408,458
2000 Drainage Improvement	<u>95,000</u>	<u>99,898</u>
Total Stormwater District	<u>865,000</u>	<u>508,356</u>
Total business-type activities debt	<u>\$ 6,387,539</u>	<u>\$ 1,172,282</u>

TOWN OF CHESTERTON, PORTER COUNTY
EXAMINATION RESULT AND COMMENT

MAJOR MOVES

Disbursements from the Major Moves Fund are restricted for construction of highways, economic development, inter-local agreements, and a cities contribution to the Regional Development Authority. In 2010, the Town paid for \$750,394.56 in construction costs associated with its new municipal building from Major Moves Funds. Building costs are not allowable costs from Major Moves Funds According to Indiana Code 8-14-16-5.

Indiana Code 8-14-16 requires cities and towns in counties traversed by the Indiana Toll Road to set up a local major moves construction fund for deposit of a special distribution from the County Auditor on or before September 15, 2006. Money in the fund may be expended only for the following purposes: (1) Construction of highways, roads and bridges. (2) In a county that is a member of the northwest Indiana regional development authority, or in a city or town located in such a county, any purpose for which the regional development authority may make expenditures under IC 36-7.5. (3) Providing funding for economic development projects (as defined in IC 6-3.5-7-13.1(c)(1) or IC 6-3.5-7-13.1(c)(2)(a) through IC 6-3.5-7-13.1(c)(2)(K). (4) Matching federal grants for a purpose described in IC 8-14-16-5. (5) Providing funding for inter-local agreements under IC 36-1-7 for a purpose described in IC 8-14-16-5. (6) Providing the city's contribution to the northwest Indiana regional development authority, in the case of a city described in IC 36-7.5-2-3(e). Such fund must be appropriated as part of the annual budget for the calendar year in accordance with IC 6-1.1-17. (Accounting and Uniform Compliance Guidelines, September 2006)

TOWN OF CHESTERTON
EXIT CONFERENCE

The contents of this report were discussed on October 26, 2011, with Gayle Polakowski, Clerk-Treasurer; John Schnadenberg, Utility Service Board member; Joanne Lewis, Clerk; and Sharon Darnell, President of Town Council. The official response has been made a part of this report and may be found on pages 25 through 27.



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October 26, 2011

Mary Jo Small, CPA
Field Supervisor
Indiana State Board of Accounts
155 Indiana Avenue
Valparaiso, IN 46383

Re: Town of Chesterton, Porter County, Indiana
2010 Audit

Dear Ms. Small:

This law firm represents the Town of Chesterton. I write this letter in response to the comments included in the State Board of Accounts Audit of the Town of Chesterton, Porter County, Indiana, for the year 2010, and dated October 26, 2011, in order to clarify and provide legal authority for certain expenditures by the Town of Chesterton from the Town's local major moves construction fund ("fund") established pursuant to Indiana Code 8-14-16-4. The particular expenditures were all related to the Town's construction of a municipal facility and cold storage facility located at 1490 Broadway within the Town of Chesterton's municipal limits ("15th Street project").

The relevant portion of Indiana Code regarding the permissible expenditures of the fund is Ind. Code 8-14-16-5, which states that money in the fund may be expended for, among other permissible purposes:

- (3) Providing funding for economic development projects (as defined in IC 6-3.5-7-13.1(c)(1) *or* IC 6-3.5-7-13.1(c)(2)(A) through 6-3.5-7-13.1(c)(2)(K)).

(emphasis supplied). The cross-reference to the definition of "economic development projects," contained in IC 6-3.5-7-13.1(c)(1) *or* IC 6-3.5-7-13.1(c)(2)(A) through (K), demonstrates that the legislature intended municipalities to exercise wide discretion in determining which projects could be paid for from the fund. While the definition of "economic development projects" for purposes of IC 6-3.5-7-13.1 must satisfy both subsection (c)(1) *and* (c)(2), this is not the case for economic development projects paid for from the fund. The legislature's use of the word "or" in IC 8-14-16-5(3) demonstrates that *either* the requirements of subsection (c)(1) *or* subsection (c)(2)(A) through (K) need to be met in order for the expenditure to qualify as a proper expenditure from the fund.

Nevertheless, in this case, the Town's expenditure of funds satisfies both subsection (c)(1) and (c)(2)(A) through (K). Subsection (c)(1) requires the municipality to determine that an economic development project will:

- (A) promote significant opportunities for the gainful employment of its citizens;
- (B) attract a major new business enterprise within the unit; and
- (C) retain or expand a significant business enterprise within the unit;

In this instance, the Town determined that the 15th Street project would be an economic driver, as required by subsection (c)(1), significantly improving the efficiency of Town services, since the structure would centrally locate the numerous departments within the Town (utilities, street and sanitation, engineering, MS4, building, and code enforcement) which were previously located at separate, various municipal building locations. For this reason, the expenditures from the fund were proper under the criteria established by IC 6-3.5-7-13.1(c)(1).

In addition, the 15th Street project qualifies as an economic development project under IC 6-3.5-7-13.1(c)(2)(A) through (K), which defines an "economic development project" as one that:

- (2) involves an expenditure for:
 - (A) the acquisition of land;
 - (B) interests in land;
 - (C) site improvements;
 - (D) infrastructure improvements;
 - (E) buildings;
 - (F) structures;
 - (G) rehabilitation, renovation, and enlargement of buildings and structures;
 - (H) machinery;
 - (I) equipment;
 - (J) furnishings; [or]
 - (K) facilities

All expenditures from the fund related to the 15th Street project have been for the construction of the building and structures, or for equipment and furnishings located therein. Thus, the expenditures from the fund are also proper according to the criteria established pursuant to IC 6-3.5-7-13.1(c)(2)(A) through (K).

Mary Jo Small, CPA/Field Supervisor
Indiana State Board of Accounts
October 26, 2011
Page 3

If additional questions or comments remain concerning this matter or if you require additional information, please contact me at your convenience.

Sincerely,

HARRIS WELSH & LUKMANN



Charles F.G. Parkinson
cparkinson@hwllaw.com

CFP/sh

cc: Gayle Polakowski, Clerk-Treasurer, Town of Chesterton
Sharon Darnell, President , Chesterton Town Council