

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2765

EXAMINATION REPORT
OF
TOWN OF WEST BADEN SPRINGS
ORANGE COUNTY, INDIANA
January 1, 2004 to December 31, 2005



FILED
10/03/2006

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OFFICIALS

Office

Official

Term

Clerk-Treasurer

Cathy L. Carnes

01-01-04 to 12-31-07

President of the Town Council

James Carnes
Steve White

01-01-04 to 12-31-05
01-01-06 to 12-31-06



STATE OF INDIANA
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF WEST BADEN SPRINGS, ORANGE COUNTY, INDIANA

We have examined the schedules of receipts, disbursements, and cash and investment balances of the Town of West Baden Springs (Town), for the period of January 1, 2004 to December 31, 2005. The Town's management is responsible for the schedules. 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 schedule of receipts, disbursements, and cash and investment balances and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the schedules referred to above present fairly, in all material respects, the cash transactions of the Town for the years ended December 31, 2004 and 2005, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

September 6, 2006

TOWN OF WEST BADEN SPRINGS
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY AND FIDUCIARY FUND TYPES
As Of And For The Years Ended December 31, 2004 And 2005

	Cash and Investments 01-01-04	Receipts	Disbursements	Cash and Investments 12-31-04
Governmental Funds:				
General	\$ 126,148	\$ 263,235	\$ 254,546	\$ 134,837
Motor Vehicle Highway	22,662	126,338	83,557	65,443
Local Road and Street	46,130	3,315	44,000	5,445
Law Enforcement Continuing Education	1,347	56	-	1,403
Riverboat	-	7,805	-	7,805
Fire	4,220	1,661	1,714	4,167
FEMA	-	34,882	34,882	-
Cumulative Capital Improvement	16,470	2,306	328	18,448
Economic Development Income Tax	57,452	28,822	72,340	13,934
Proprietary Funds:				
Wastewater Utility - Operating	30,956	134,984	131,214	34,726
Wastewater Utility - Debt Service Reserve	36,703	1,401	-	38,104
Wastewater Utility - Bond and Interest	8,687	33,021	35,200	6,508
Trash Removal	6,629	47,826	51,126	3,329
Fiduciary Fund:				
Payroll	1,976	189,896	189,735	2,137
Totals	<u>\$ 359,380</u>	<u>\$ 875,548</u>	<u>\$ 898,642</u>	<u>\$ 336,286</u>

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General	\$ 134,837	\$ 308,645	\$ 321,704	\$ 121,778
Motor Vehicle Highway	65,443	86,876	84,094	68,225
Local Road and Street	5,445	3,395	-	8,840
Law Enforcement Continuing Education	1,403	207	-	1,610
Riverboat	7,805	3,897	8,998	2,704
Fire	4,167.00	915	-	5,082
Cumulative Capital Improvement	18,448	1,911	-	20,359
Economic Development Income Tax	13,934	30,435	4,213	40,156
Proprietary Funds:				
Wastewater Utility - Operating	34,726	114,187	119,799	29,114
Wastewater Utility - Debt Service Reserve	38,104	1,624	-	39,728
Wastewater Utility - Bond and Interest	6,508	35,818	35,800	6,526
Trash Removal	3,329	53,935	54,071	3,193
Fiduciary Fund:				
Payroll	2,137	190,442	189,478	3,101
Totals	<u>\$ 336,286</u>	<u>\$ 832,287</u>	<u>\$ 818,157</u>	<u>\$ 350,416</u>

The accompanying notes are an integral part of the schedules.

TOWN OF WEST BADEN SPRINGS
NOTES TO SCHEDULES

Note 1. Introduction

The Town was established under the laws of the State of Indiana. The Town provides the following services: public safety, highways and streets, culture and recreation, public improvements, planning and zoning, wastewater, general administrative services, and urban redevelopment and housing.

Note 2. Fund Accounting

The Town uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Town in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

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

TOWN OF WEST BADEN SPRINGS
NOTES TO SCHEDULES
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Town contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the Town authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

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

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF. Payments to PERF of \$16,317 and \$12,825 were made for calendar years 2004 and 2005, respectively. Payments consisted of \$5,291 and \$5,306 from employees and \$11,026 and \$7,519 from the Town. Information covering the Pension Benefit Obligation and the assets held by PERF for the Town is available from PERF.

Note 7. Long-Term Debt

The Town has entered into debt such as bonds for Wastewater Improvements. The outstanding principal at December 31, 2005, was \$536,000.

Note 8. Subsequent Event

The Town Council has voted to purchase property on Highway 56 (former Jay C building) in the amount of \$650,000. As of September 6, 2006, financing had not been secured.

TOWN OF WEST BADEN SPRINGS
EXAMINATION RESULTS AND COMMENTS

DEPOSITS

During the review of receipts for daily collections, local tax distributions, and state distributions, we discovered that approximately 17% were deposited later than the next business day.

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 . . ."

OFFICIAL BOND

No official bonds were currently filed in the office of the County Recorder.

Indiana Code 5-4-1-5.1(b) states in part: "Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder . . ."

INVESTMENTS

Interest earned on some investments was automatically added to the principal and not recorded in the records. The Town of West Baden Springs did not post interest of \$539.61 in 2003.

The Town purchased certain investments (CD's) which have a stated maturity in excess of two years.

The prescribed form for recording investment activity, Investment Register, General Form 350, was not in use.

Interest on investments should not be automatically added into the investment. Instead, interest on investments should be paid to the governmental unit at each maturity date and posted to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

SUPPORTING DOCUMENTATION

As noted below, some payments were observed which did not contain adequate supporting documentation, such as receipts and itemized invoices. Due to the lack of supporting information, the validity and accountability for some money disbursed could not be established.

- (1) One claim tested did not include the original sales receipt. Documentation in the form of a credit card statement was attached to claim.

TOWN OF WEST BADEN SPRINGS
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (2) Two claims tested were attached to a billing statement from the vendors. The billing statement did not include an itemized list of goods or services rendered.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

DISTRIBUTION OF GROSS REVENUES TO VARIOUS FUNDS

The amounts transferred to the Debt Service Reserve Fund were not sufficient to meet the requirements of the Bond Ordinance. The balance in the Debt Service Reserve Fund at December 31, 2005, was \$8,203 less than the amount required.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

DELINQUENT WASTEWATER ACCOUNTS

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

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. . . ."

TOWN OF WEST BADEN SPRINGS
EXIT CONFERENCE

The contents of this report were discussed on September 13, 2006, with Steve White, President of the Town Council, and Cathy L. Carnes, Clerk-Treasurer. The officials concurred with our findings.