

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

EXAMINATION REPORT

OF

TOWN OF WEST LEBANON

WARREN COUNTY, INDIANA

January 1, 2005 to December 31, 2006



FILED

06/28/2007

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OFFICIALS

Office

Official

Term

Clerk-Treasurer

Dana M. Craft

01-01-04 to 12-31-07

President of the Town Council

Mike J. Jackson

01-01-05 to 12-31-07



STATE OF INDIANA
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF WEST LEBANON, WARREN COUNTY, INDIANA

We have examined the financial information presented herein of the Town of West Lebanon (Town), for the period of January 1, 2005 to December 31, 2006. The Town's management is responsible for the financial information presented herein. 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 information presented herein 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 financial information referred to above presents fairly, in all material respects, the financial information of the Town for the years ended December 31, 2005 and 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Long-Term Debt, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the basic financial information. It has not been subjected to the examination procedures applied to the basic financial information, and accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

May 29, 2007

TOWN OF WEST LEBANON
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, 2005 And 2006

	Cash and Investments		Cash and Investments	
	01-01-05	Receipts	Disbursements	12-31-05
Governmental Funds:				
General	\$ 25,422	\$ 225,801	\$ 133,432	\$ 117,791
Motor Vehicle Highway	42,665	24,021	14,370	52,316
Local Road and Street	23,485	3,189	3,251	23,423
Park and Recreation	27,497	19,503	16,627	30,373
Condemnation	184	-	-	184
Cumulative Capital Improvement	317	3,931	-	4,248
Economic Development Income Tax	49,053	11,486	-	60,539
Cumulative Building and Fire Fighting Equipment	899	-	-	899
Proprietary Funds:				
Water Utility - Operating	155,983	147,435	275,343	28,075
Water Utility - Bond and Interest	(34,796)	123,142	65,846	22,500
Water Utility - Customer Deposit	34,582	5,946	1,260	39,268
Water Utility - Debt Reserve	66,000	-	-	66,000
Wastewater Utility - Operating	127,495	170,355	258,290	39,560
Wastewater Utility - Bond and Interest	(18,757)	75,377	46,064	10,556
Wastewater Utility - Match Fund	67,207	314	-	67,521
Wastewater Utility - Debt Reserve	47,063	-	-	47,063
Fiduciary Fund:				
Payroll	2,000	-	2,000	-
Totals	\$ 616,299	\$ 810,500	\$ 816,483	\$ 610,316

	Cash and Investments		Cash and Investments	
	01-01-06	Receipts	Disbursements	12-31-06
Governmental Funds:				
General	\$ 117,791	\$ 218,231	\$ 178,811	\$ 157,211
Motor Vehicle Highway	52,316	30,494	31,332	51,478
Local Road and Street	23,423	3,339	336	26,426
Park and Recreation	30,373	12,703	17,994	25,082
Condemnation	184	-	184	-
Cumulative Capital Improvement	4,248	2,833	1,771	5,310
Economic Development Income Tax	60,539	10,752	29,092	42,199
Cumulative Building and Fire Fighting Equipment	899	-	899	-
Proprietary Funds:				
Garbage Deposit	-	100	-	100
Garbage Revenue	-	6,298	5,389	909
Water Utility - Operating	28,075	163,232	172,094	19,213
Water Utility - Bond and Interest	22,500	65,849	64,133	24,216
Water Utility - Customer Deposit	39,268	3,646	1,034	41,880
Water Utility - Debt Reserve	66,000	-	-	66,000
Wastewater Utility - Operating	39,560	582,425	574,333	47,652
Wastewater Utility - Bond and Interest	10,556	44,463	45,018	10,001
Wastewater Utility - Match Fund	67,521	445	-	67,966
Wastewater Utility - Debt Reserve	47,063	-	-	47,063
Fiduciary Fund:				
Payroll	-	130,838	126,676	4,162
Totals	\$ 610,316	\$ 1,275,648	\$ 1,249,096	\$ 636,868

The accompanying notes are an integral part of the financial information.

TOWN OF WEST LEBANON
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The Town was established under the laws of the State of Indiana. The Town provides the following services: public safety, water, wastewater, culture and recreation, and general administrative services.

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 LEBANON
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 For The Year Ended December 31, 2006

Description of Asset	Ending Balance	Due Within One Year
Business-type Activities:		
Water Utility		
Revenue bonds:		
West Lebanon Water Works Bonds of 1996	\$ 285,000	\$ 58,550
Wastewater Utility		
Revenue bonds:		
West Lebanon Sewer Bonds of 1996	<u>400,000</u>	<u>44,463</u>
 Total business-type activities long-term debt	 <u>\$ 685,000</u>	 <u>\$ 103,013</u>

TOWN OF WEST LEBANON
EXAMINATION RESULTS AND COMMENTS

CAPITAL ASSET RECORDS

As previously stated in Reports B22269 and B26107, the Utilities do not maintain sufficient detailed records of capital assets for Utility Plant in Service accounts. Records providing historical costs for some of the Utilities' capital assets are not available and records classifying and summarizing the Utilities' capital assets are incomplete. Purchases and disposals of capital assets have not been recorded since 1999.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded in the Capital Assets Ledger form. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TIMELY RECORDKEEPING

We noted two instances of one hundred forty-four days from the time of the original date of the transactions until entry on the records. Forty-three of seventy-six state distributions were posted more than fifteen days after the check date. Two of thirteen local distributions were posted more than fifteen days after the check date.

Postings for January, February and March of 2007 were not completed and reports for those months had not been generated as of April 9, 2007.

We noted instances in which a customer's payment was posted seven or more days after the payment date noted on the stub.

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

DEPOSITS

Forty-nine of seventy-six state distributions were deposited more than fifteen days after the date of issuance of the check. Four of thirteen local distributions were deposited more than fifteen days after the date of issuance of the check.

During the routine cash count, it was noted that there was an excessive amount of cash and checks in the drawer. It is estimated that there were two weeks of collections that were not deposited or posted. The Clerk-Treasurer stated that the Utility Clerk had been off work and had not made a deposit or posted customer accounts.

None of the customer payments selected for testing were deposited timely.

Indiana Code 5-13-6-1(d) states: "A city (other than a consolidated city) or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and (2) approved as depositories of state funds."

TOWN OF WEST LEBANON
EXAMINATION RESULTS AND COMMENTS
(Continued)

ERRORS ON CLAIMS

The following deficiencies were noted on claims during the audit period:

- (1) A claim was not prepared for one of the disbursements tested. Two additional disbursements were represented by accounts payable voucher numbers listed in the journal, but no documentation could be located for the disbursement. Two customer deposit refunds were made for which claims were not prepared.
- (2) Nineteen of the claims tested were not adequately itemized.
- (3) Four of the claims tested did not have board approval.
- (4) Five of the claims or invoices tested were not accompanied by evidence in support of the receipt of goods or services.
- (5) Two of the claims tested were not certified by the fiscal officer.

Similar deficiencies were included in prior Reports B22269 and B26107.

Indiana Code 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services."

"(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

PENALTIES, INTEREST AND OTHER CHARGES

Penalties and interest totaling \$33.29, \$263.90, \$0.75 were paid to the Indiana Department of Workforce Development, Internal Revenue Service and the Indiana Department of Revenue, respectively. The charges were assessed due to late payments of unemployment tax, payroll withholdings and sales tax. Dana M. Craft, Clerk-Treasurer, was asked to repay the total amount of \$297.94. (See Summary, page 12)

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

TOWN OF WEST LEBANON
EXAMINATION RESULTS AND COMMENTS
(Continued)

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee.

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

COMPENSATION AND BENEFITS

The Town Marshall and deputies received \$12,810 and \$23,457 in payments for 2005 and 2006, respectively, which were not included on the salary ordinance or resolution.

A Utility employee, hired in September 2006, received \$10 per hour. This was not included in an amendment to the salary ordinance and was not mentioned in the minutes.

The Clerk-Treasurer was not paid the yearly bonus of \$200 as stated in the salary ordinance.

A similar comment was included in prior Reports B22269 and B26107.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

BAD DEBTS AND UNCOLLECTIBLE ACCOUNTS

The Water and Wastewater Utilities do not have a policy establishing procedures for the write off of uncollectible accounts. A similar comment was included in Report B26107.

The governing body of a governmental unit should have a written policy concerning a procedure for the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balances.

Documentation should exist for all efforts made by the governmental unit to collect amounts owed prior to any write-offs.

Officials or employees authorizing, directing or executing write-offs or adjustments to records which are not documented or warranted may be held personally responsible. (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. A similar comment was included in Report B26107.

TOWN OF WEST LEBANON
EXAMINATION RESULTS AND COMMENTS
(Continued)

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; and
 - (C) the amount of the delinquent fees, together with the penalty; or
- (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. . . ."

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

The Water Utility failed to comply with directives of the Indiana Department of Revenue, by not paying or filing utility receipts tax in 2004, 2005 and 2006. A similar comment was included in Report B26107.

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

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OFFICIAL BOND

The Clerk- Treasurer, Dana M. Craft, was covered by the Hanover Insurance Company with an official bond in the amount of \$15,000 for each of the following periods:

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

TOWN OF WEST LEBANON
EXIT CONFERENCE

The contents of this report were discussed on May 29, 2007, with Dana M. Craft, Clerk-Treasurer; and Mike J. Jackson, President of the Town Council. The officials concurred with our findings.

TOWN OF WEST LEBANON
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Dana M. Craft, Clerk-Treasurer:			
Penalties, Interest and Other Charges, pages 8 and 9	\$ 297.94	\$	\$
Paid by Dana M. Craft, May 3, 2007, Receipt Number 995	<u> </u>	<u>297.94</u>	<u>-</u>
Totals	<u>\$ 297.94</u>	<u>\$ 297.94</u>	<u>\$ -</u>