

B30886

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

EXAMINATION REPORT
OF
TOWN OF WEST TERRE HAUTE
VIGO COUNTY, INDIANA
January 1, 2005 to December 31, 2006



FILED
10/30/2007

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Accountant's Report	3
Financial Information:	
Schedules of Receipts, Disbursements, and Cash and Investment Balances	4
Notes to Financial Information.....	5-7
Examination Results and Comments:	
Compensation and Benefits.....	8
Customer Deposit Receipts Not Deposited	8
Old Outstanding Checks	8-9
Official Bond	9
Overdrawn Cash Balances	9-10
Advance Payments	10
Prescribed Forms	10
Customer Deposit Register.....	10-11
Disbursement Documentation	11
Shut-Off Ordinance	11
Delinquent Accounts	11
Collection of Amounts Due	12
Appropriations.....	12
Exit Conference.....	13
Summary	14

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Melody Buchanan	01-01-04 to 12-31-07
President of the Town Council	John Thomas	01-01-05 to 12-31-07
Superintendent of Water Utility	Jeff Sell	01-01-05 to 12-31-07
Superintendent of Wastewater Utility	Robert Elkins (Interim) Floyd Hunter Environmental Inc.	01-01-05 to 03-31-05 04-01-05 to 12-31-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF WEST TERRE HAUTE, VIGO COUNTY, INDIANA

We have examined the financial information presented herein of the Town of West Terre Haute (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.

STATE BOARD OF ACCOUNTS

September 10, 2007

TOWN OF WEST TERRE HAUTE
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 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General	\$ 119,833	\$ 908,144	\$ 1,018,522	\$ 9,455
Motor Vehicle Highway	149,421	92,435	77,051	164,805
Local Road and Street	59,960	20,654	9,002	71,612
Law Enforcement Continuing Education	29,158	4,284	21,000	12,442
Housing Grant	-	18,725	18,725	-
FEMA	-	42,172	42,172	-
Operation Pull Over	-	5,050	3,896	1,154
CEDIT	53,322	54,523	36,253	71,592
Cumulative Capital Improvement	20,376	7,203	-	27,579
Proprietary Funds:				
Water Utility - Operating	(5,699)	1,516,629	1,541,740	(30,810)
Water Utility - Cash Change	100	-	-	100
Water Utility - Bond and Interest	5,186	51,156	17,600	38,742
Water Utility - Customer Deposit	62,268	5,420	245	67,443
Water Utility - Construction	-	227,000	227,000	-
Wastewater Utility - Operating	37,607	569,754	583,567	23,794
Wastewater Utility - Bond and Interest	-	216,740	114,700	102,040
Wastewater Utility - Depreciation	34,128	-	34,128	-
Fiduciary Fund:				
Payroll Cash	475	300,823	300,822	476
Totals	<u>\$ 566,135</u>	<u>\$ 4,040,712</u>	<u>\$ 4,046,423</u>	<u>\$ 560,424</u>

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 9,455	\$ 1,327,804	\$ 1,337,869	\$ (610)
Motor Vehicle Highway	164,805	109,267	194,884	79,188
Local Road and Street	71,612	20,122	35,616	56,118
Law Enforcement Continuing Education	12,442	58,394	60,655	10,181
Drug Dog Donation	-	13,950	-	13,950
Operation Pull Over	1,154	700	2,472	(618)
CEDIT	71,592	60,675	47,186	85,081
Cumulative Capital Improvement	27,579	8,324	17,098	18,805
Proprietary Funds:				
Water Utility - Operating	(30,810)	1,772,765	1,749,280	(7,325)
Water Utility - Cash Change	100	-	-	100
Water Utility - Bond and Interest	38,742	4,263	17,100	25,905
Water Utility - Customer Deposit	67,443	5,075	325	72,193
Water Depreciation	-	21,767	9,800	11,967
Wastewater Utility - Operating	23,794	580,804	572,091	32,507
Wastewater Utility - Bond and Interest	102,040	68,370	114,300	56,110
Storm Water	-	122,958	103,062	19,896
Fiduciary Fund:				
Payroll Cash	476	434,148	434,146	478
Totals	<u>\$ 560,424</u>	<u>\$ 4,609,386</u>	<u>\$ 4,695,884</u>	<u>\$ 473,926</u>

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

TOWN OF WEST TERRE HAUTE
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, health and social services, 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. All property taxes collected by the County Treasurer and available for distribution were distributed to the Town on or prior to December 31 of the year collected.

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 TERRE HAUTE
 NOTES TO FINANCIAL INFORMATION
 (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.

Note 7. Restatements and Reclassifications

For the year ended December 31, 2004, certain changes have been made to the financial statements to more appropriately reflect financial activity of the primary government. New Fund represents the inclusion of an existing fund which was not presented in the prior report.

Fund Type	Balance as Reported December 31, 2004	New Fund	Balance as Restated January 1, 2005
Payroll cash	\$ <u> -</u>	\$ <u> 475</u>	\$ <u> 475</u>

TOWN OF WEST TERRE HAUTE
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 8. Cash and Investments Balance Deficits

Cash and Investment balance deficits for governmental and proprietary funds arise primarily from disbursements exceeding receipts due to the underestimate of current requirements. These deficits are to be repaid from future receipts. The cash and investment balance deficits at December 31, 2006, are:

<u>Fund</u>	<u>Amount</u>
General	\$ 610
Operation Pull Over	618
Water Utility - Operating	<u>7,325</u>
Total	<u>\$ 8,553</u>

TOWN OF WEST TERRE HAUTE
EXAMINATION RESULTS AND COMMENTS

COMPENSATION AND BENEFITS (Town)

Melody Buchanan, Clerk-Treasurer, received \$700 in payments for 2005 which were not included in the payroll system or on the salary ordinance or resolution.

Melody Buchanan, Clerk-Treasurer, was requested to reimburse the Town \$700. (See Summary, page 14)

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)

CUSTOMER DEPOSIT RECEIPTS NOT DEPOSITED (Water Utility)

Customer Deposit receipts for 2005 and 2006 of \$140 per year were not deposited into the Water Utility Customer Deposit Fund.

Melody Buchanan, Clerk-Treasurer, was requested to reimburse the Water Utility Customer Deposit Fund \$280. (See Summary, page 14)

Indiana Code 5-13-6-1(d) requires cities and towns to deposit all funds not later than the next business day following the receipt of funds in depositories selected by the city or town as provided in an ordinance adopted by the city or town and approved as depositories of state funds.

OLD OUTSTANDING CHECKS (Warrants) (Town and Utilities)

Our review of the bank reconcilements as of December 31, 2006, revealed checks outstanding in excess of two years.

Indiana Code 5-11-10.5-2 states in part: "All warrants or checks drawn upon public funds of a political subdivision that are outstanding and unpaid for a period of two (2) or more years as of the last day of December of each year are void."

Indiana Code 5-11-10.5-3 states in part:

"Not later than March 1 of each year, the treasurer of each political subdivision shall prepare or cause to be prepared a list in triplicate of all warrants or checks that have been outstanding for a period of two (2) or more years as of December 31 of the preceding year. The original copy of each list shall be filed with the:

- (1) board of finance of the political subdivision, or
- (2) the fiscal body of a city or town.

The duplicate copy shall be transmitted to the disbursing officer of the political subdivision. The triplicate copy of each list shall be filed in the office of the treasurer of the political subdivision. If the treasurer serves also as the disbursing officer of the political subdivision, only two (2) copies of each list need be prepared or caused to be prepared by the treasurer."

TOWN OF WEST TERRE HAUTE
EXAMINATION RESULTS AND COMMENTS
(Continued)

Indiana Code 5-11-10.5-5 states:

"(a) Upon the preparation and transmission of the copies of the list of the outstanding warrants or checks, the treasurer of the political subdivision shall enter the amounts so listed as a receipt into the fund or funds from which they were originally drawn and shall also remove the warrants or checks from the record of outstanding warrants or checks.

(b) If the disbursing officer does not serve also as treasurer of the political subdivision, the disbursing officer shall also enter the amounts so listed as a receipt into the fund or funds from which the warrants or checks were originally drawn. If the fund from which the warrant or check was originally drawn is not in existence, or cannot be ascertained, the amount of the outstanding warrant or check shall be receipted into the general fund of the political subdivision."

OFFICIAL BOND (Town)

As stated in prior Report B25831, Melody Buchanan, Clerk-Treasurer, did not have a bond from January 1, 2005 to July 27, 2005.

Indiana Code 5-4-1-18 states in part:

"(a) Except as provided in subsection (b), the following city, town, county, or township officers and employees shall file an individual surety bond:

- (1) City judges, controllers, clerks, and clerk-treasurers.
- (2) Town judges and clerk-treasurers.
- (3) Auditors, treasurers, recorders, surveyors, sheriffs, coroners, assessors, and clerks.
- (4) Township trustees and assessors.
- (5) Those employees directed to file an individual bond by the fiscal body of a city, town, or county.

(b) The fiscal body of a city, town, county, or township may by ordinance authorize the purchase of a blanket bond or a crime insurance policy endorsed to include faithful performance to cover the faithful performance of all employees, commission members, and persons acting on behalf of the local government unit including those officers described in subsection (a)."

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 . . ."

OVERDRAWN CASH BALANCES (Town and Water Utility)

As stated in prior Report B25831, the cash balance of the Water Operating Fund was overdrawn in 2005. The cash balances of the Town General Fund, Operation Pull Over Fund, and Water Operating Fund were overdrawn in 2006.

TOWN OF WEST TERRE HAUTE
EXAMINATION RESULTS AND COMMENTS
(Continued)

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ADVANCE PAYMENTS (Town and Utilities)

As stated in prior Report B25831, dates of payroll check transactions indicate that payroll payments were made to town, water and wastewater employees prior to work rendered. Advance payments may result in overpayments to companies or individuals.

The Officials were advised to cease making payments in advance.

Compensation and any other payments for goods and services should not be paid in advance of receipt of the goods or services unless specifically authorized by statute. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PRESCRIBED FORMS (Town and Utilities)

As stated in prior Report B25831, the Employee Service Record (General Form 99A) was not always in use as prescribed.

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)

CUSTOMER DEPOSIT REGISTER (Water Utility)

As stated in prior Report B25831, the Water Utility has not properly maintained a customer deposit register. Officials do not reconcile the balance in the register with the customer deposit amount recorded on the general ledger.

At all times, the manual and computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

DISBURSEMENT DOCUMENTATION (Town and Utilities)

As stated in prior Report B25831, several payments were observed which were not supported by adequate documentation such as receipts, and invoices.

Due to the lack of supporting information, the validity and accountability for some monies disbursed could not be established.

TOWN OF WEST TERRE HAUTE
EXAMINATION RESULTS AND COMMENTS
(Continued)

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 Townships, Chapter 13)

SHUT-OFF ORDINANCE (Utilities)

As stated in prior Report B25831, the Town has an ordinance concerning its water shut-off policy. However, the Town did not always shut off the water of customers who had a wastewater account that was more than 90 days delinquent, as required by Ordinance 1994-8.

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 ACCOUNTS (Wastewater Utility)

As stated in prior Report B25831, 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 TERRE HAUTE
EXAMINATION RESULTS AND COMMENTS
(Continued)

COLLECTION OF AMOUNTS DUE (Utilities)

As stated in prior Report B25831, we noted a loss in excess of 67% in the amount of water being treated by the Water Utility compared to the water consumption being billed for the 12 months tested. We were unable to test from March 2005 to February 2006 due to the main water meter being broken, but the Water Superintendent informed us that leaks continued to be a problem. Wastewater charges are computed on water consumption, so the Wastewater Utility is losing revenue, as well.

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

APPROPRIATIONS (Town)

As stated in prior Report B25831, the records presented for audit indicated the following expenditures in excess of budgeted appropriations:

<u>Fund</u>	<u>Years</u>	<u>Excess Amount Expended</u>
General	2005	\$ 120,245
Economic Development Income Tax (CEDIT)	2005	2,771
General	2006	294,315
Motor Vehicle Highway	2006	30,404

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 WEST TERRE HAUTE
EXIT CONFERENCE

The contents of this report were discussed on September 10, 2007, with Melody Buchanan, Clerk-Treasurer; and John Thomas, President of the Town Council. The officials concurred with our findings.

TOWN OF WEST TERRE HAUTE
VIGO COUNTY
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Melody Buchanan, Clerk-Treasurer:			
Compensation and Benefits, page 8	\$ 700	\$	\$
Paid by Melody Buchanan			
July 30, 2007, Check 0521		700	-
Customer Deposit Receipts Not Deposited, page 8	280		
Paid by Melody Buchanan			
August 30, 2007, Check 0533		<u>280</u>	<u>-</u>
Totals	<u>\$ 980</u>	<u>\$ 980</u>	<u>\$ -</u>