

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

EXAMINATION REPORT
OF
TOWN OF WEST BADEN SPRINGS
ORANGE COUNTY, INDIANA
January 1, 2006 to December 31, 2007



FILED
12/08/2008

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
Supplementary Information:	
Schedule of Long-Term Debt	8
Examination Results and Comments:	
Investments	9
Condition of Records	9
Capital Asset Records	9
Service and Time Records	10
Appropriations.....	10
Internal Controls	10
Exit Conference.....	11

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Cathy L. Carnes	01-01-04 to 12-31-11
President of the Town Council	Steve White	01-01-06 to 12-31-08



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial information presented herein of the Town of West Baden Springs (Town), for the period of January 1, 2006 to December 31, 2007. 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, 2006 and 2007, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of 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

October 29, 2008

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, 2006 And 2007

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 121,778	\$ 257,551	\$ 283,669	\$ 95,660
Motor Vehicle Highway	68,225	105,631	83,037	90,819
Local Road and Street	8,840	3,295	-	12,135
Law Enforcement Continuing Education	1,610	144	-	1,754
Riverboat	2,704	3,889	-	6,593
Fire	5,082	1,155	3,900	2,337
Cumulative Capital Improvement	20,359	2,208	-	22,567
FEMA	-	17,876	17,876	-
Economic Development Income Tax	40,156	30,819	1,372	69,603
French Lick Resort and Casino	-	64,161	-	64,161
Local Development Agreement	-	33,265	-	33,265
Proprietary Funds:				
Wastewater Utility - Operating	29,114	144,922	142,158	31,878
Wastewater Utility - Bond and Interest	6,526	35,487	35,460	6,553
Wastewater Utility - Debt Service Reserve	39,728	3,020	-	42,748
Trash Removal	3,193	46,782	45,564	4,411
Fiduciary Fund:				
Payroll	3,101	179,912	180,141	2,872
Totals	<u>\$ 350,416</u>	<u>\$ 930,117</u>	<u>\$ 793,177</u>	<u>\$ 487,356</u>

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 95,660	\$ 481,657	\$ 367,224	\$ 210,093
Motor Vehicle Highway	90,819	92,758	109,114	74,463
Local Road and Street	12,135	3,362	-	15,497
Park	-	32,662	32,562	100
Law Enforcement Continuing Education	1,754	302	373	1,683
Riverboat	6,593	-	-	6,593
Fire	2,337	1,050	-	3,387
Cumulative Capital Improvement	22,567	2,170	-	24,737
FEMA	-	30,350	30,350	-
Economic Development Income Tax	69,603	35,374	36,921	68,056
French Lick Resort and Casino	64,161	1,807,798	1,511,405	360,554
Local Development Agreement	33,265	641,099	386,408	287,956
Special Revenue Bond	-	725,188	720,370	4,818
Proprietary Funds:				
Wastewater Utility - Operating	31,878	175,686	172,440	35,124
Wastewater Utility - Bond and Interest	6,553	13	-	6,566
Wastewater Utility - Debt Service Reserve	42,748	1,712	-	44,460
Trash Removal	4,411	28,055	21,208	11,258
Fiduciary Fund:				
Payroll	2,872	204,938	206,007	1,803
Totals	<u>\$ 487,356</u>	<u>\$ 4,264,174</u>	<u>\$ 3,594,382</u>	<u>\$ 1,157,148</u>

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

TOWN OF WEST BADEN SPRINGS
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, highways and streets, culture and recreation, public improvements, planning and zoning, wastewater services, trash removal, 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 BADEN SPRINGS
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. Subsequent Events

On January 21, 2008, \$196,000 of Series B bonds of the Wastewater Utility were paid in full from the French Lick Resort and Casino Fund.

In January 2008, the Town entered into a lease purchase agreement with Fifth Third Bank for a fire truck in the amount of \$591,847.

In October 2008, the Town purchased property to be used on their North Gateway Project in the amount of \$200,000.

During 2008, the Town finished the construction of the Town Hall building using the proceeds of a Special Revenue Bond Anticipation Note in the amount of \$4,000,000.

TOWN OF WEST BADEN SPRINGS
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 8. Master Plan for Capital Projects

The Town has developed a master plan for capital projects to be considered over the next several years. The estimated total for the plan is \$18,050,000. The plan includes \$4,000,000 for a new Town Hall which is completed and has been funded with a Special Revenue Bond Anticipation Note in the amount of \$4,000,000. The plan also includes a variety of Town improvements, including a Parks master plan in the amount of \$6,000,000 to be completed over five years.

TOWN OF WEST BADEN SPRINGS
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2007

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Revenue bonds:		
Town Hall Special Revenue Bond Anticipation Note, Series B	\$ 4,000,000	\$ 140,000
Business-type Activities:		
Wastewater Utility		
Revenue bonds:		
Sewage Works Revenue Bonds of 1993, Series B	\$ 196,000	\$ 13,800

Note: The Sewage Works Revenue Bonds of 1993, Series B were paid off on January 21, 2008.

TOWN OF WEST BADEN SPRINGS
EXAMINATION RESULTS AND COMMENTS

INVESTMENTS

Interest earned on some investments was automatically added to the principal and not recorded timely in the records.

The Town purchased certain investments (Certificates of Deposit) which have a stated maturity in excess of two years.

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

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)

CONDITION OF RECORDS

The financial records presented for examination were incomplete and not reflective of the activity of the Wastewater Utility and Trash Removal Funds. The Town did not maintain the Simplified Cash Journal for the Wastewater Utility and the Trash Removal funds, Utility Form 323, in the manner prescribed. Cash balances, receipts, and disbursements were not posted consistently to this form and reconciled to the bank balances on a monthly basis.

At all times, the manual and/or 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)

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)

CAPITAL ASSET RECORDS

The Town has not adequately maintained its capital asset records. Not all additions and deletions of capital assets were recorded and a complete inventory of capital assets has not been taken and reconciled back to the detailed ledger.

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)

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

SERVICE AND TIME RECORDS

Weekly time records were not signed by the department head for street employees and the utility clerk. No employee's service records, General Payroll Form No. 99A, were presented for the examination period.

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)

APPROPRIATIONS

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

Fund	Year	Excess Amount Expended
General	2007	\$ 44,134
Economic Development Income Tax	2007	15,511

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."

INTERNAL CONTROLS

Controls over the receipting, disbursing, recording, and accounting for the \$50 petty cash fund for the Wastewater Utility Operating Fund were insufficient. Although the \$50 petty cash fund was verified during the previous examination, the funds and invoices could not be located during the current examination. Since there were three different Utility Clerks during the current examination period, the disposition of the funds could not be determined.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF WEST BADEN SPRINGS
EXIT CONFERENCE

The contents of this report were discussed on October 29, 2008, with Cathy L. Carnes, Clerk-Treasurer; and Steve White, President of the Town Council. The officials concurred with our findings.