

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, 2007 to December 31, 2008



FILED
09/30/2009

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Melody Buchanan	01-01-04 to 12-31-11
President of the Town Council	John Thomas Scott McClain	01-01-07 to 12-31-07 01-01-08 to 12-31-09
Superintendent of the Water Utility	Jeff Sell	01-01-07 to 12-31-09
Superintendent of the Wastewater Utility	Floyd Hunter Environmental Inc.	01-01-07 to 12-31-09
Street Commissioner	Roger Montgomery	01-01-07 to 12-31-09



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 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, 2007 to December 31, 2008. 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, 2007 and 2008, 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

August 24, 2009

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, 2007 And 2008

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ (610)	\$ 630,062	\$ 629,413	\$ 39
Motor Vehicle Highway	79,188	107,209	123,935	62,462
Local Road and Street	56,118	19,879	20,048	55,949
Law Enforcement Continuing Education	10,181	38,458	44,422	4,217
Drug Dog Donation	13,950	-	13,950	-
Operation Pullover	(618)	5,345	3,880	847
CEDIT	85,081	99,048	51,830	132,299
Cumulative Capital Improvement	18,805	8,184	5,810	21,179
Proprietary Funds:				
Water Utility - Operating	(7,325)	1,136,233	1,081,017	47,891
Water Utility - Cash Change	100	-	-	100
Water Utility - Bond and Interest	25,905	-	17,600	8,305
Water Utility - Depreciation	11,967	29,474	22,163	19,278
Water Utility - Customer Deposit	72,193	5,635	245	77,583
Wastewater Utility - Operating	32,507	582,109	574,010	40,606
Wastewater Utility - Bond and Interest	56,110	148,135	113,800	90,445
Storm Water	19,896	76,754	55,835	40,815
Fiduciary Fund:				
Payroll	478	428,830	428,809	499
Totals	<u>\$ 473,926</u>	<u>\$ 3,315,355</u>	<u>\$ 3,186,767</u>	<u>\$ 602,514</u>
	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 39	\$ 704,489	\$ 676,918	\$ 27,610
Motor Vehicle Highway	62,462	85,998	96,783	51,677
Local Road and Street	55,949	18,625	17,440	57,134
Law Enforcement Continuing Education	4,217	27,635	22,015	9,837
Operation Pullover	847	5,735	6,785	(203)
FEMA	-	88,857	88,857	-
CEDIT	132,299	69,298	37,151	164,446
Cumulative Capital Improvement	21,179	7,577	-	28,756
Proprietary Funds:				
Water Utility - Operating	47,891	1,135,983	1,100,986	82,888
Water Utility - Cash Change	100	-	-	100
Water Utility - Bond and Interest	8,305	11,220	17,050	2,475
Water Utility - Depreciation	19,278	28,738	41,340	6,676
Water Utility - Customer Deposit	77,583	7,315	140	84,758
Wastewater Utility - Operating	40,606	626,449	647,169	19,886
Wastewater Utility - Bond and Interest	90,445	79,765	114,200	56,010
Storm Water	40,815	167,879	41,779	166,915
Fiduciary Fund:				
Payroll	499	433,431	433,431	499
Totals	<u>\$ 602,514</u>	<u>\$ 3,498,994</u>	<u>\$ 3,342,044</u>	<u>\$ 759,464</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. Subsequent Event

During 2009, the Storm Water Utility was awarded a grant from the U.S. Department of Agriculture for \$500,000 for an improvements project. The Utility received \$100,000 from the Vigo County Commissioners and the remainder of the project will be financed with a loan from the U.S. Department of Agriculture in the amount of \$695,000.



Town of West Terre Haute, Indiana

500 National Avenue
West Terre Haute, Indiana
47885

TOWN OF WEST TERRE HAUTE
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
December 31, 2008

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:		
CEDI-water meters	\$ 195,000	\$ 22,395
Business-type Activities:		
Water Utility		
Revenue bond:		
Liggett water extension	\$ 110,000	\$ 17,500
Wastewater Utility		
Revenue bond:		
Sewer improvements project	1,184,000	114,200
Storm water Utility		
Revenue bond:		
BAN	85,000	5,011
Total business-type activities debt:	\$ 1,379,000	\$ 136,711

Contact the West Terre Haute Town Council:
Phone: 812-533-1053 Fax: 812-533-0503

TOWN OF WEST TERRE HAUTE
EXAMINATION RESULTS AND COMMENTS

APPROPRIATIONS (Applies to Town)

As stated in prior Reports B25831 and B30886, the records presented for examination indicated the following expenditures in excess of budgeted appropriations:

Fund	Years	Excess Amount Expended
General	2007	\$ 14,829
Motor Vehicle Highway	2007	33,045
General	2008	43,896
Motor Vehicle Highway	2008	10,884

IC 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."

SUPPORTING DOCUMENTATION (Applies to Town)

As stated in prior Reports B35831 and B30886, 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 money disbursed could not be established.

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)

COMPENSATION AND BENEFITS (Applies to Town)

The Police Department received payments for working Operation Pullover. The payments were not ran through the payroll system.

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)

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

PRESCRIBED FORMS

As stated in prior Reports B25831 and B30886, the Employee Service Record (General Form 99A) was not always in use. In addition, Mileage Claim (General Form 101) was not always in use.

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)

OLD OUTSTANDING CHECKS (WARRANTS) (Applies to Town and Utilities)

As stated in prior Report B30886, the bank reconcilements as of December 31, 2008, revealed checks outstanding in excess of two years.

IC 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."

IC 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 board of finance of the political subdivision or 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."

IC 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."

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

ELECTED OFFICIALS CHANGE OF SALARY (Applies to Town)

In 2007, the Town Board approved to pay Melody Buchanan, Clerk-Treasurer, an additional \$1,000 during the middle of the year for additional work done for the Storm Water Utility. This amount was over and above the salary that was approved for the Clerk-Treasurer's position for 2007. The salary of a Clerk-Treasurer cannot be changed during the year.

Melody Buchanan, Clerk-Treasurer, has agreed to have \$100 withheld from the next 10 paychecks to reimburse the Storm Water Utility.

IC 36-4-7-2(c) states: "The compensation of an elected city officer may not be changed in the year for which it is fixed nor may it be reduced below the amount fixed for the previous year."

OFFICIAL BOND (Applies to Utilities)

The Utility Clerk was not bonded for the period January 1, 2007 to December 31, 2008.

All employees who handle cash should be covered by some type of bond or crime insurance policy. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CUSTOMER DEPOSIT REGISTER (Applies to Water Utility)

The Water Utility has not maintained a detailed customer deposit register and, therefore, does not reconcile 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)

DELINQUENT ACCOUNTS RECEIVABLE (Applies to Water Utility)

As stated in the prior Report B30886, Ordinance 1994-8 established the shut-off policy for delinquent customers. The Utility did not always shut off delinquent customers as required by the ordinance. The accounts receivable balance includes three employees who were delinquent at December 31, 2008.

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 (Applies to Wastewater Utility)

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.

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

IC 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. . . ."
 - (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. . . ."

OVERDRAWN CASH BALANCES (Applies to Town)

The cash balance of the Operation Pullover Fund was overdrawn at December 31, 2008.

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)

TRAVEL POLICY (Applies to Town)

A travel policy was not presented for examination.

We noted instances of payments for hotel/motel room costs and travel expenses without proper documentation.

Each governmental unit should adopt a written travel policy in conformity with applicable statutes. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Reimbursement for lodging and meals should be based upon actual receipts for amounts paid unless otherwise authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF WEST TERRE HAUTE
EXIT CONFERENCE

The contents of this report were discussed on August 24, 2009, with Melody Buchanan, Clerk-Treasurer; Vickie Ashburn, Deputy Clerk-Treasurer; and Gary Fagg, Town Council member. The officials concurred with our findings.