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**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, 2008 to December 31, 2009



**FILED**  
12/10/2010



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Cathy L. Carnes	01-01-08 to 12-31-11
President of the Town Council	Steve White	01-01-08 to 12-31-10



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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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, 2008 to December 31, 2009. 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, 2008 and 2009, 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

September 21, 2010

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, 2008 And 2009

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
<b>Governmental Funds:</b>				
General	\$ 210,093	\$ 462,394	\$ 442,857	\$ 229,630
Motor Vehicle Highway	74,463	181,705	124,243	131,925
Local Road and Street	15,497	3,244	-	18,741
Law Enforcement Continuing Education	1,683	447	-	2,130
Riverboat	6,593	-	6,593	-
Fire	3,387	210	-	3,597
Cumulative Capital Improvement	24,737	2,010	-	26,747
Economic Development Income Tax	68,056	43,122	7,791	103,387
French Lick Resort and Casino	360,554	3,783,343	3,995,423	148,474
Local Development Agreement	287,956	1,229,012	302,374	1,214,594
Park	100	136,926	70,350	66,676
Special Revenue Bond	4,818	-	4,818	-
Rainy Day	-	20,858	-	20,858
TIF	-	34,954	-	34,954
<b>Proprietary Funds:</b>				
Wastewater Utility - Operating	35,124	209,296	183,843	60,577
Wastewater Utility - Bond and Interest	44,460	1,784	-	46,244
Wastewater Utility - Debt Service Reserve	6,566	5	6,571	-
Trash Removal	11,258	17,993	20,985	8,266
<b>Fiduciary Fund:</b>				
Payroll	1,803	231,314	229,843	3,274
<b>Totals</b>	<b>\$ 1,157,148</b>	<b>\$ 6,358,617</b>	<b>\$ 5,395,691</b>	<b>\$ 2,120,074</b>
	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
<b>Governmental Funds:</b>				
General	\$ 229,630	\$ 286,728	\$ 350,940	\$ 165,418
Motor Vehicle Highway	131,925	99,972	114,740	117,157
Local Road and Street	18,741	3,061	-	21,802
Law Enforcement Continuing Education	2,130	843	-	2,973
Fire	3,597	-	3,597	-
FEMA	-	7,051	7,051	-
Cumulative Capital Improvement	26,747	1,895	-	28,642
Economic Development Income Tax	103,387	38,889	-	142,276
French Lick Resort and Casino	148,474	3,535,293	2,606,167	1,077,600
Local Development Agreement	1,214,594	625,482	195,000	1,645,076
Park	66,676	5,060	28,098	43,638
Rainy Day	20,858	-	-	20,858
TIF	34,954	47,676	3,500	79,130
<b>Proprietary Funds:</b>				
Wastewater Utility - Operating	60,577	191,413	172,147	79,843
Wastewater Utility - Bond and Interest	46,244	1,884	-	48,128
Trash Removal	8,266	19,430	20,657	7,039
<b>Fiduciary Fund:</b>				
Payroll	3,274	258,431	260,059	1,646
<b>Totals</b>	<b>\$ 2,120,074</b>	<b>\$ 5,123,108</b>	<b>\$ 3,761,956</b>	<b>\$ 3,481,226</b>

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

The January 18, 2010, Town Council minutes indicated that the Town Council entered into a mediated settlement agreement with the Town of French Lick with respect to the division of French Lick TIF funds. The agreement requires the Town of French Lick to pay the Town of West Baden Springs \$750,000. The initial \$125,000 is due within 30 days and the remaining balance will be paid at the rate of \$125,000 each year for the next 5 years.

On February 1, 2010, the Town Council approved a contract with Lindsey Lumber & Builders Supply for the Sprudel Park Project. The contract was signed for a base bid of \$481,830 and alternate 5 for \$31,683.

On December 31, 2009, there was \$4,780,020 in the Redevelopment Authority accounts, from bond sales, to be used for development projects in the Town of West Baden Springs. During 2010, \$1,972,077 was transferred to Town funds to reimburse amounts that had been paid from the French Lick Resort and Casino Fund. The balance in the Redevelopment Authority accounts as of August 31, 2010, was \$2,815,804.

TOWN OF WEST BADEN SPRINGS  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 December 31, 2009

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
Fire truck lease	\$ 476,689	\$ 97,165
Public improvements and redevelopment projects	<u>9,630,000</u>	<u>924,000</u>
Total governmental activities debt	<u>\$ 10,106,689</u>	<u>\$ 1,021,165</u>

TOWN OF WEST BADEN SPRINGS  
EXAMINATION RESULTS AND COMMENTS

PUBLIC WORKS PROJECT

The Town entered into a contract with Knies Construction for the Russellville Reconstruction Project. The original contract was for \$776,660.95. Change orders totaling \$222,640.70 were approved by the Town Council. The change orders were more than 20% of the original project.

IC 36-1-12-18(d) states:

"The total of all change orders issued that increase the scope of the project may not exceed twenty percent (20%) of the amount of the original contract. A change order issued as a result of circumstances that could not have been reasonably foreseen does not increase the scope of the project."

PENALTIES, INTEREST, AND OTHER CHARGES

Penalties and interest, on payroll withholding tax for the period ended August 31, 2009, totaling \$101.20, were paid to the Indiana Department of Revenue on December 7, 2009.

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.

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)

CONDITION OF RECORDS

The following deficiencies relating to the recordkeeping were present during our period of examination:

Posting Errors

Financial Institutions Tax of \$5 for the Motor Vehicle Highway Fund was posted to the General Fund and a Special CAGIT distribution in the amount of \$1,523 for the Rainy Day Fund was posted to the General Fund.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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

Receipt Issuance

Each day's Wastewater Utility collections were supported by the Utility stubs and the collections were posted, but no receipt was written for the collections.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Errors on Claims

On numerous occasions, the claim and allowance docket was only signed by one Town Council member.

IC 5-11-10-1.6(c) states in part:

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

Prescribed Forms

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 posted to this form, but the detailed disbursement columns were not posted.

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)

FUND SOURCES AND USES

The Town of West Baden Springs Redevelopment Commission (the "Commission") was created pursuant to IC 36-7-14. The Town of West Baden Springs Redevelopment Authority (the "Authority") was created pursuant to IC 36-7-14.5; however, there is no indication that the Redevelopment Authority organized as a separate body. No ordinance could be found where the Authority or Commission were created, but board members have been appointed for each body and each body meets as a board.

Resolution 2007-2, Resolution of the Town of West Baden Springs Redevelopment Authority Authorizing Issuance of the Town of West Baden Springs Redevelopment Authority Lease Rental Revenue Bonds of 2008, was adopted by the Authority on July 16, 2007. The resolution authorized issuance of bonds not to exceed \$8,000,000. The proceeds from the bonds were to be used to finance construction of all or a portion of street and sidewalk improvements in seven areas. On November 5, 2007, the Authority adopted Resolution 2007-3 which increased the maximum aggregate principal amount of the Infrastructure Bonds to an amount not to exceed four million dollars (\$4,000,000) and expanded the uses of the proceeds to include the acquisition of property, construction and equipping a new town hall. On October 27, 2008, the Authority passed resolution 2008-1 which expanded the uses of

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

the proceeds of the bonds even further. The expansion included acquisition of real property, renovation, construction and extension of: pedestrian and bicycle trails, streetscape and gateway, park facilities and the "Trailway/Park Projects". There is a lease agreement between the Authority and the Commission. The lease is for \$14,774,000 to be repaid over 16 years.

The bond proceeds were deposited into the Authority bank accounts and were disbursed for expenses of the town hall construction. The rest of the bond proceeds were left in the Authority bank accounts. The balance in these accounts on December 31, 2009, was \$4,780,020.

The Town Council minutes of the Town of West Baden Springs (the "Town") indicate that the Town Council has entered into various contracts for the improvements mentioned above. The Town Council awarded bids, signed the construction contracts and approved the change orders. Funds from the French Lick Resort and Casino Fund were used to pay for the contracts instead of disbursing the funds from the Authority bank accounts. As of the report date, \$1,972,077 has been repaid to the Town.

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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)

CAPITAL ASSET RECORDS

The Town takes an inventory of equipment on a yearly basis, but there is no detailed record of all capital assets including land and improvements.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded on the applicable Capital Assets Ledger. 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  
EXIT CONFERENCE

The contents of this report were discussed on September 21, 2010, with Cathy L. Carnes, Clerk-Treasurer, and Steve White, President of the Town Council.