

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, 2007 to December 31, 2008



FILED
04/05/2010

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Dana M. Craft	01-01-04 to 12-31-11
President of the Town Council	Michael J. Jackson	01-01-07 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 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, 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

February 4, 2010

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, 2007 And 2008

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 157,211	\$ 111,569	\$ 142,247	\$ 126,533
Motor Vehicle Highway	51,478	32,823	47,347	36,954
Local Road and Street	26,426	3,115	14,943	14,598
Park and Recreation	25,082	400	10,789	14,693
Levy Excess	-	1,034	-	1,034
Cumulative Capital Improvement	5,310	2,785	-	8,095
Economic Development Income Tax	42,199	11,832	32,856	21,175
Proprietary Funds:				
Garbage Deposit	100	370	-	470
Garbage Revenue	909	30,044	32,494	(1,541)
Water Utility - Operating	19,213	154,088	169,245	4,056
Water Utility - Bond and Interest	24,216	68,101	65,600	26,717
Water Utility - Customer Deposit	41,880	2,405	2,868	41,417
Water Utility - Depreciation	66,000	3,796	-	69,796
Wastewater Utility - Operating	47,652	194,458	195,981	46,129
Wastewater Utility - Bond and Interest	10,001	43,864	43,863	10,002
Wastewater Utility - Match Fund	67,966	37	51,840	16,163
Wastewater Utility - Debt Reserve	47,063	2,671	-	49,734
Fiduciary Fund:				
Payroll	4,162	125,051	128,546	667
Totals	<u>\$ 636,868</u>	<u>\$ 788,443</u>	<u>\$ 938,619</u>	<u>\$ 486,692</u>

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 126,533	\$ 226,070	\$ 204,713	\$ 147,890
Motor Vehicle Highway	36,954	21,155	39,235	18,874
Local Road and Street	14,598	2,947	6,200	11,345
Park and Recreation	14,693	25	10,636	4,082
Levy Excess	1,034	-	-	1,034
Cumulative Capital Improvement	8,095	2,579	10,674	-
Economic Development Income Tax	21,175	12,658	26,856	6,977
Proprietary Funds:				
Garbage Deposit	470	715	-	1,185
Garbage Revenue	(1,541)	33,873	31,198	1,134
Water Utility - Operating	4,056	175,722	169,515	10,263
Water Utility - Bond and Interest	26,717	68,275	67,451	27,541
Water Utility - Customer Deposit	41,417	5,445	2,168	44,694
Water Utility - Depreciation	69,796	3,358	-	73,154
Wastewater Utility - Operating	46,129	135,576	175,440	6,265
Wastewater Utility - Bond and Interest	10,002	42,963	42,663	10,302
Wastewater Utility - Match Fund	16,163	-	-	16,163
Wastewater Utility - Debt Reserve	49,734	2,398	-	52,132
Fiduciary Fund:				
Payroll	667	154,772	151,375	4,064
Totals	<u>\$ 486,692</u>	<u>\$ 888,531</u>	<u>\$ 938,124</u>	<u>\$ 437,099</u>

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, health and social services, culture and recreation, water, wastewater, 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). Ordinarily, taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. In 2007, taxes were due in two installments on June 29 and November 13. In 2008, taxes were due in two installments on August 29 and November 10.

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
 December 31, 2008

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Business-type activities:		
Water Utility:		
Revenue bonds:		
West Lebanon Water Works Bonds of 1996	\$ 180,000	\$ 64,150
Wastewater Utility:		
Revenue bonds:		
West Lebanon Sewer Bonds of 1996	<u>360,000</u>	<u>47,063</u>
Total business-type activities long-term debt	<u>\$ 540,000</u>	<u>\$ 111,213</u>

TOWN OF WEST LEBANON
EXAMINATION RESULTS AND COMMENTS

ANNUAL REPORT

An annual report for 2008 was not filed with the State Board of Accounts or advertised as required.

IC 5-3-1-3(a) states in part: "Within sixty (60) days after the expiration of each calendar year, the fiscal officer of each civil city and town in Indiana shall publish an annual report of the receipts and expenditures of the city or town . . ."

TIMELY RECORDKEEPING

We noted an instance of forty-seven days from the time of the original date of the transactions until entry on the records. Eleven of twenty-two local distributions were posted more than fifteen days after the check date. Twenty-seven of seventy state distributions were posted more than fifteen days after the check dates.

A similar comment was included in the prior report.

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

Eleven of twenty-two local tax distributions and seventeen of seventy state tax distributions were deposited later than the next business day.

A similar comment was included in the prior report.

IC 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."

ERRORS ON CLAIMS

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

- (1) Claims were not prepared for three disbursements tested. In two instances an invoice was stapled to the check stub and in the third instance no supporting documentation was found.
- (2) Three claims tested were not adequately itemized.
- (3) Three claims tested did not have board approval.

TOWN OF WEST LEBANON
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (4) Three claims or invoices tested were not accompanied by evidence in support of the receipt of goods or services. None of the claims were signed by the department heads unless the vendor required a signature for the charge of goods.
- (5) Three claims tested were not certified by the fiscal officer.
- (6) One claim tested was posted entirely to utility funds when a portion should have been posted to the town funds.

IC 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."

APPROPRIATIONS

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

Fund	Year	Excess Amount Expended
General	2008	\$ 33,713
Local Road and Street	2008	3,100
Motor Vehicle Highway	2008	10,235
Park and Recreation	2008	10,636
Cumulative Capital Improvement	2008	7,874

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."

TOWN OF WEST LEBANON
EXAMINATION RESULTS AND COMMENTS
(Continued)

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 the two prior reports.

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.

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;

(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 . . ."

TOWN OF WEST LEBANON
EXAMINATION RESULTS AND COMMENTS
(Continued)

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. These charges were assessed due to late payment of unemployment tax, payroll withholdings and sales tax. Dana M. Craft, Clerk-Treasurer, was asked to repay the total amount of \$297.94 as a result of the prior audit. Mrs. Craft submitted a receipt and a photocopy of a check for the amount of the charge as proof of payment. When the current audit commenced, it was discovered that, at the instruction of the town council, the check was not deposited and the receipt was voided.

Penalties and interest totaling \$662.61 and \$173.42 were paid to the Indiana Department of Revenue and the Indiana Department of Workforce Development, respectively, for the years ended December 31, 2007, 2008, and 2009. These charges were assessed due to late payment of unemployment tax, payroll withholdings, and sales tax.

Dana M. Craft, Clerk-Treasurer, was asked to repay the charges from the prior audit and the amount of penalties, interest, and other charges from the current audit for a total of \$1,133.97. (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.

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)

OFFICIAL BOND

Dana M. Craft, Clerk-Treasurer, 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 01-01-06
01-01-06 to 01-01-07
01-01-07 to 01-01-08
01-01-08 to 01-01-09

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

01-01-09 to 01-01-13

TOWN OF WEST LEBANON
EXIT CONFERENCE

The contents of this report were discussed on February 4, 2010, with Dana M. Craft, Clerk-Treasurer; and Michael 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, page 10	\$ 1,133.97	\$	\$
Payment received:			
January 29, 2010, receipt 1906		120.35	
February 10, 2010, receipt 1933		365.00	
February 19, 2010, receipt 1934		45.00	
February 26, 2010, receipt 1935		80.00	
March 9, 2010, receipt 1967		25.00	
March 18, 2010, receipt 1968		498.62	-
	<hr/>	<hr/>	<hr/>
Totals	<u>\$ 1,133.97</u>	<u>\$ 1,133.97</u>	<u>\$ -</u>