

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

AUDIT REPORT

OF

TOWN OF WEST TERRE HAUTE

VIGO COUNTY, INDIANA

January 1, 2009 to December 31, 2010



FILED
09/14/2011

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report on Financial Statements and Supplementary Schedule of Expenditures of Federal Awards	3-4
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	5-6
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Activities and Net Assets – Cash and Investment Basis	7-8
Fund Financial Statements:	
Governmental Funds:	
Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Governmental Funds	9-10
Proprietary Funds:	
Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Proprietary Funds.....	11-12
Fiduciary Funds:	
Statement of Additions, Deductions, and Changes in Cash and Investment Balances – Fiduciary Fund.....	13-14
Notes to Financial Statements	15-22
Supplementary Information:	
Combining Schedule of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Other Governmental Funds.....	23-24
Schedule of Capital Assets.....	25
Schedule of Long-Term Debt	26
Other Report	27
Audit Results and Comments:	
Cashing Personal Checks	28
Management Override of Controls	28-29
Deposits.....	29
Compensation and Benefits	29
Prescribed Forms	29
Old Outstanding Checks.....	30
Overdrawn Fund Balances	30
Appropriations.....	31
Delinquent Wastewater Accounts.....	31
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133.....	34-35
Schedule of Expenditures of Federal Awards	36
Notes to Schedule of Expenditures of Federal Awards.....	37
Schedule of Findings and Questioned Costs	38-39
Auditee Prepared Schedule:	
Summary Schedule of Prior Audit Findings	40
Corrective Action Plan.....	41-42
Exit Conference.....	43

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Melody Buchanan	01-01-08 to 12-31-11
President of the Town Council	Scott McClain	01-01-09 to 12-31-11
Superintendent of Water Utility	Jeff Sell	01-01-09 to 12-31-11
Superintendent of Wastewater Utility	Floyd Hunter Environmental KLC Wastewater Management	01-01-09 to 12-31-10 01-01-11 to 12-31-11



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of West Terre Haute (Town), as of and for the years ended December 31, 2009 and 2010, which collectively comprise the Town's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the Town prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The Town's financial statements do not include all receipts of the Town's utilities. During the years 2009 and 2010, some utility receipts were not being accounted for in the utilities' ledgers. Therefore, the business-type activities and the Water, Wastewater, and Storm Water receipts are understated by \$83,468.76 for 2009 and by \$91,705.22 for 2010.

In our opinion, except that the omission of the utility receipts in the business-type activities and the Water, Wastewater, and Storm Water funds referred to in the preceding paragraph results in incomplete presentation, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of December 31, 2009 and 2010, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated August 11, 2011 on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Town has not presented Management's Discussion and Analysis, Schedules of Funding Progress, Schedule of Contributions From the Employer and Other Contributing Entities, or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The Combining Schedules, as listed in the Table of Contents, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

August 11, 2011



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of West Terre Haute (Town), as of and for the years ended December 31, 2009 and 2010, which collectively comprise the Town's basic financial statements and have issued our report thereon dated August 11, 2011. The opinions to the financial statements were qualified due to the omission of some utility receipts in the business-type activities and the Water, Wastewater, and Storm Water funds. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2010-1 to be material weaknesses.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

The Town's response to the findings identified in our audit is described in the accompanying section of the report entitled Corrective Action Plan. We did not audit the Town's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Town's management, the Town Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

August 11, 2011

TOWN OF WEST TERRE HAUTE
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2009

Functions/Programs	Program Receipts				Net (Disbursement) Receipt and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Totals
Primary government:							
Governmental activities:							
General government	\$ 603,907	\$ 13,425	\$ -	\$ -	\$ (590,482)	\$ -	\$ (590,482)
Public safety	67,811	2,170	-	17,928	(47,713)	-	(47,713)
Highways and streets	165,017	-	1,950	-	(163,067)	-	(163,067)
Principal and interest on indebtedness	39,491	-	-	-	(39,491)	-	(39,491)
Total governmental activities	<u>876,226</u>	<u>15,595</u>	<u>1,950</u>	<u>17,928</u>	<u>(840,753)</u>	<u>-</u>	<u>(840,753)</u>
Business-type activities:							
Storm Water	1,042,104	68,501	276,519	-	-	(697,084)	(697,084)
Wastewater	379,873	537,735	-	-	-	157,862	157,862
Water	502,234	537,853	15,140	-	-	50,759	50,759
Total business-type activities	<u>1,924,211</u>	<u>1,144,089</u>	<u>291,659</u>	<u>-</u>	<u>-</u>	<u>(488,463)</u>	<u>(488,463)</u>
Total primary government	<u>\$ 2,800,437</u>	<u>\$ 1,159,684</u>	<u>\$ 293,609</u>	<u>\$ 17,928</u>	<u>(840,753)</u>	<u>(488,463)</u>	<u>(1,329,216)</u>
General receipts:							
Property taxes					310,851	-	310,851
Intergovernmental					316,218	-	316,218
Other local sources					4,669	-	4,669
Net proceeds from borrowings					-	665,100	665,100
Investment earnings					627	824	1,451
Total general receipts					<u>632,365</u>	<u>665,924</u>	<u>1,298,289</u>
Change in net assets					(208,388)	177,461	(30,927)
Net assets - beginning					<u>339,257</u>	<u>414,861</u>	<u>754,118</u>
Net assets - ending					<u>\$ 130,869</u>	<u>\$ 592,322</u>	<u>\$ 723,191</u>
<u>Assets</u>							
Cash and investments					\$ (126,116)	\$ 292,247	\$ 166,131
Restricted assets:							
Cash and investments					<u>256,985</u>	<u>300,075</u>	<u>557,060</u>
Total assets					<u>\$ 130,869</u>	<u>\$ 592,322</u>	<u>\$ 723,191</u>
<u>Net Assets</u>							
Restricted for:							
Public safety					\$ 881	\$ -	\$ 881
Highways and streets					44,969	-	44,969
Economic development					4,573	-	4,573
Capital outlay					206,562	-	206,562
Debt service					-	204,725	204,725
Other purposes					-	95,350	95,350
Unrestricted					<u>(126,116)</u>	<u>292,247</u>	<u>166,131</u>
Total net assets					<u>\$ 130,869</u>	<u>\$ 592,322</u>	<u>\$ 723,191</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF WEST TERRE HAUTE
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2010

Functions/Programs	Program Receipts				Net (Disbursement) Receipt and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Totals
Primary government:							
Governmental activities:							
General government	\$ 660,811	\$ 12,734	\$ -	\$ -	\$ (648,077)	\$ -	\$ (648,077)
Public safety	23,457	36,959	3,327	-	16,829	-	16,829
Highways and streets	148,173	-	-	-	(148,173)	-	(148,173)
Economic development	34,054	-	-	-	(34,054)	-	(34,054)
Principal and interest on indebtedness	4,657	-	-	-	(4,657)	-	(4,657)
Total governmental activities	<u>871,152</u>	<u>49,693</u>	<u>3,327</u>	<u>-</u>	<u>(818,132)</u>	<u>-</u>	<u>(818,132)</u>
Business-type activities:							
Storm Water	262,720	67,311	-	223,481	-	28,072	28,072
Wastewater	565,107	591,506	9,823	-	-	36,222	36,222
Water	556,566	526,670	-	-	-	(29,896)	(29,896)
Total business-type activities	<u>1,384,393</u>	<u>1,185,487</u>	<u>9,823</u>	<u>223,481</u>	<u>-</u>	<u>34,398</u>	<u>34,398</u>
Total primary government	<u>\$ 2,255,545</u>	<u>\$ 1,235,180</u>	<u>\$ 13,150</u>	<u>\$ 223,481</u>	<u>(818,132)</u>	<u>34,398</u>	<u>(783,734)</u>
General receipts:							
Property taxes					560,774	-	560,774
Intergovernmental					425,275	-	425,275
Other local sources					37,596	-	37,596
Investment earnings					355	524	879
Total general receipts					<u>1,024,000</u>	<u>524</u>	<u>1,024,524</u>
Change in net assets					205,868	34,922	240,790
Net assets - beginning					<u>130,869</u>	<u>592,322</u>	<u>723,191</u>
Net assets - ending					<u>\$ 336,737</u>	<u>\$ 627,244</u>	<u>\$ 963,981</u>
Assets							
Cash and investments					\$ 73,748	\$ 238,410	\$ 312,158
Restricted assets:							
Cash and investments					<u>262,989</u>	<u>388,834</u>	<u>651,823</u>
Total assets					<u>\$ 336,737</u>	<u>\$ 627,244</u>	<u>\$ 963,981</u>
Net Assets							
Restricted for:							
Public safety					\$ 8,854	\$ -	\$ 8,854
Highways and streets					45,362	-	45,362
Economic development					7,826	-	7,826
Debt service					-	233,040	233,040
Capital outlay					200,947	-	200,947
Other purposes					-	155,794	155,794
Unrestricted					<u>73,748</u>	<u>238,410</u>	<u>312,158</u>
Total net assets					<u>\$ 336,737</u>	<u>\$ 627,244</u>	<u>\$ 963,981</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF WEST TERRE HAUTE
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2009

	General	CEDIT Capital Projects	Other Governmental Funds	Totals
Receipts:				
Taxes	\$ 306,278	\$ -	\$ 4,573	\$ 310,851
Licenses and permits	-	-	910	910
Intergovernmental	120,029	81,607	131,798	333,434
Charges for services	13,425	-	155	13,580
Fines and forfeits	-	-	1,105	1,105
Other	5,339	-	1,207	6,546
Total receipts	445,071	81,607	139,748	666,426
Disbursements:				
General government	603,907	-	-	603,907
Public safety	-	-	28,957	28,957
Highways and streets	-	-	94,646	94,646
Debt service:				
Principal	-	24,000	-	24,000
Interest	-	15,491	-	15,491
Capital outlay:				
Public safety	17,326	-	21,528	38,854
Highways and streets	-	-	70,371	70,371
Total disbursements	621,233	39,491	215,502	876,226
Excess (deficiency) of receipts over disbursements	(176,162)	42,116	(75,754)	(209,800)
Other financing sources:				
Other receipts	1,412	-	-	1,412
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(174,750)	42,116	(75,754)	(208,388)
Cash and investment fund balance - beginning	27,610	164,446	147,201	339,257
Cash and investment fund balance - ending	<u>\$ (147,140)</u>	<u>\$ 206,562</u>	<u>\$ 71,447</u>	<u>\$ 130,869</u>
Cash and Investment Assets - Ending				
Cash and investments	\$ (147,140)	\$ -	\$ 21,024	\$ (126,116)
Restricted assets:				
Cash and investments	-	206,562	50,423	256,985
Total cash and investment assets - ending	<u>\$ (147,140)</u>	<u>\$ 206,562</u>	<u>\$ 71,447</u>	<u>\$ 130,869</u>
Cash and Investment Fund Balance - Ending				
Restricted for:				
Public safety	\$ -	\$ -	\$ 881	\$ 881
Highways and streets	-	-	44,969	44,969
Economic development	-	-	4,573	4,573
Capital Outlay	-	206,562	-	206,562
Unrestricted	(147,140)	-	21,024	(126,116)
Total cash and investment fund balance - ending	<u>\$ (147,140)</u>	<u>\$ 206,562</u>	<u>\$ 71,447</u>	<u>\$ 130,869</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF WEST TERRE HAUTE
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2010

	General	CEDIT Capital Projects	Other Governmental Funds	Totals
Receipts:				
Taxes	\$ 557,020	\$ -	\$ 3,754	\$ 560,774
Licenses and permits	-	-	480	480
Intergovernmental	237,292	75,095	116,215	428,602
Charges for services	12,734	-	60	12,794
Fines and forfeits	-	-	36,419	36,419
Other	29,870	-	813	30,683
Total receipts	836,916	75,095	157,741	1,069,752
Disbursements:				
General government	645,285	-	-	645,285
Public safety	-	-	23,457	23,457
Highways and streets	-	-	96,343	96,343
Economic development	-	-	501	501
Debt service:				
Interest	-	4,657	-	4,657
Capital outlay:				
General government	15,526	-	-	15,526
Highways and streets	-	42,500	9,330	51,830
Economic development	-	33,553	-	33,553
Total disbursements	660,811	80,710	129,631	871,152
Excess (deficiency) of receipts over disbursements	176,105	(5,615)	28,110	198,600
Other financing sources:				
Other receipts	2,060	-	5,208	7,268
Excess (deficiency) of receipts and other financing sources over disbursements	178,165	(5,615)	33,318	205,868
Cash and investment fund balance - beginning	(147,140)	206,562	71,447	130,869
Cash and investment fund balance - ending	<u>\$ 31,025</u>	<u>\$ 200,947</u>	<u>\$ 104,765</u>	<u>\$ 336,737</u>
<u>Cash and Investment Assets - Ending</u>				
Cash and investments	\$ 31,025	\$ -	\$ 42,723	\$ 73,748
Restricted assets:				
Cash and investments	-	200,947	62,042	262,989
Total cash and investment assets - ending	<u>\$ 31,025</u>	<u>\$ 200,947</u>	<u>\$ 104,765</u>	<u>\$ 336,737</u>
<u>Cash and Investment Fund Balance - Ending</u>				
Restricted for:				
Public safety	\$ -	\$ -	\$ 8,854	\$ 8,854
Highways and streets	-	-	45,362	45,362
Economic development	-	-	7,826	7,826
Capital Outlay	-	200,947	-	200,947
Unrestricted	31,025	-	42,723	73,748
Total cash and investment fund balance - ending	<u>\$ 31,025</u>	<u>\$ 200,947</u>	<u>\$ 104,765</u>	<u>\$ 336,737</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF WEST TERRE HAUTE
STATEMENT OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUNDS
As of and for the Year Ended December 31, 2009

	Storm Water	Wastewater	Water	Totals
Operating receipts:				
Unmetered/flat rate	\$ 68,501	\$ -	\$ 6,362	\$ 74,863
Metered/measured	-	522,952	471,434	994,386
Fire protection receipts	-	-	53,666	53,666
Fees	-	-	320	320
Miscellaneous	-	14,783	6,071	20,854
	<u>68,501</u>	<u>537,735</u>	<u>537,853</u>	<u>1,144,089</u>
Total operating receipts				
Operating disbursements:				
Salaries and wages	-	50,461	145,874	196,335
Employee pensions and benefits	-	7,856	9,240	17,096
Purchased power	-	39,512	38,371	77,883
Material and supplies	2,916	78,508	127,077	208,501
Contractual services	24,163	62,645	65,304	152,112
Transportation	-	7,378	8,212	15,590
Insurance claims and expense	250	9,097	14,767	24,114
Returned checks	-	-	1,870	1,870
Administration and general	-	115,732	28,221	143,953
Refunds	-	-	35	35
Equipment and capital improvements	998,136	-	41,674	1,039,810
Miscellaneous	7,683	8,684	4,089	20,456
	<u>1,033,148</u>	<u>379,873</u>	<u>484,734</u>	<u>1,897,755</u>
Total operating disbursements				
Excess (deficiency) of operating receipts over operating disbursements	<u>(964,647)</u>	<u>157,862</u>	<u>53,119</u>	<u>(753,666)</u>
Nonoperating receipts (disbursements):				
Investment income	249	14	561	824
Net proceeds from borrowings	665,100	-	-	665,100
Grants	276,519	-	15,140	291,659
Debt service of principal	(3,000)	-	(12,000)	(15,000)
Interest disbursements	(5,956)	-	(5,500)	(11,456)
	<u>932,912</u>	<u>14</u>	<u>(1,799)</u>	<u>931,127</u>
Total nonoperating receipts (disbursements)				
Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements)	<u>(31,735)</u>	<u>157,876</u>	<u>51,320</u>	<u>177,461</u>
Transfers in	7,860	136,740	66,677	211,277
Transfers out	(7,860)	(136,740)	(66,677)	(211,277)
Excess (deficiency) of receipts and transfers in over disbursements and transfers out	<u>(31,735)</u>	<u>157,876</u>	<u>51,320</u>	<u>177,461</u>
Cash and investment fund balance - beginning	<u>162,168</u>	<u>75,896</u>	<u>176,797</u>	<u>414,861</u>
Cash and investment fund balance - ending	<u>\$ 130,433</u>	<u>\$ 233,772</u>	<u>\$ 228,117</u>	<u>\$ 592,322</u>
<u>Cash and Investment Assets - December 31</u>				
Cash and investments	\$ 101,678	\$ 41,022	\$ 149,547	\$ 292,247
Restricted assets:				
Cash and investments	28,755	192,750	78,570	300,075
Total cash and investment assets - December 31	<u>\$ 130,433</u>	<u>\$ 233,772</u>	<u>\$ 228,117</u>	<u>\$ 592,322</u>
<u>Cash and Investment Fund Balance - December 31</u>				
Restricted for:				
Debt service	\$ 6,000	\$ 192,750	\$ 5,975	\$ 204,725
Other purposes	22,755	-	72,595	95,350
Unrestricted	101,678	41,022	149,547	292,247
Total cash and investment fund balance - December 31	<u>\$ 130,433</u>	<u>\$ 233,772</u>	<u>\$ 228,117</u>	<u>\$ 592,322</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF WEST TERRE HAUTE
STATEMENT OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUNDS
As of and for the Year Ended December 31, 2010

	Storm Water	Wastewater	Water	Totals
Operating receipts:				
Unmetered/flat rate	\$ 67,311	\$ -	\$ 10,455	\$ 77,766
Metered/measured	-	527,877	473,661	1,001,538
Fees	-	-	365	365
Miscellaneous	-	63,629	42,189	105,818
	<u>67,311</u>	<u>591,506</u>	<u>526,670</u>	<u>1,185,487</u>
Total operating receipts				
Operating disbursements:				
Salaries and wages	-	68,112	131,824	199,936
Employee pensions and benefits	-	6,338	6,995	13,333
Purchased power	14,984	44,371	31,943	91,298
Material and supplies	22,958	90,344	174,292	287,594
Contractual services	9,618	69,730	49,313	128,661
Transportation	-	8,570	53,052	61,622
Insurance claims and expense	-	13,147	11,165	24,312
Administration and general	-	123,520	65,200	188,720
Refunds	-	-	105	105
Equipment and capital improvements	182,540	-	10,000	192,540
Miscellaneous	1,230	26,525	5,777	33,532
	<u>231,330</u>	<u>450,657</u>	<u>539,666</u>	<u>1,221,653</u>
Total operating disbursements				
Excess (deficiency) of operating receipts over operating disbursements	<u>(164,019)</u>	<u>140,849</u>	<u>(12,996)</u>	<u>(36,166)</u>
Nonoperating receipts (disbursements):				
Investment income	145	19	360	524
Grants	223,481	9,823	-	233,304
Debt service of principal	(6,000)	(58,000)	(12,000)	(76,000)
Interest disbursements	(25,390)	(56,450)	(4,900)	(86,740)
	<u>192,236</u>	<u>(104,608)</u>	<u>(16,540)</u>	<u>71,088</u>
Total nonoperating receipts (disbursements)				
Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements)	28,217	36,241	(29,536)	34,922
Transfers in	15,720	136,740	29,356	181,816
Transfers out	(15,720)	(136,740)	(29,356)	(181,816)
Excess (deficiency) of receipts and transfers in over disbursements and transfers out	28,217	36,241	(29,536)	34,922
Cash and investment fund balance - beginning	<u>130,433</u>	<u>233,772</u>	<u>228,117</u>	<u>592,322</u>
Cash and investment fund balance - ending	<u>\$ 158,650</u>	<u>\$ 270,013</u>	<u>\$ 198,581</u>	<u>\$ 627,244</u>
<u>Cash and Investment Assets - December 31</u>				
Cash and investments	\$ 73,234	\$ 54,973	\$ 110,203	\$ 238,410
Restricted assets:				
Cash and investments	<u>85,416</u>	<u>215,040</u>	<u>88,378</u>	<u>388,834</u>
Total cash and investment assets - December 31	<u>\$ 158,650</u>	<u>\$ 270,013</u>	<u>\$ 198,581</u>	<u>\$ 627,244</u>
<u>Cash and Investment Fund Balance - December 31</u>				
Restricted for:				
Debt service	\$ 18,000	\$ 215,040	\$ -	\$ 233,040
Other purposes	67,416	-	88,378	155,794
Unrestricted	<u>73,234</u>	<u>54,973</u>	<u>110,203</u>	<u>238,410</u>
Total cash and investment fund balance - December 31	<u>\$ 158,650</u>	<u>\$ 270,013</u>	<u>\$ 198,581</u>	<u>\$ 627,244</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF WEST TERRE HAUTE
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUND
For The Year Ended December 31, 2009

	<u>Agency Fund</u>
Cash and investment fund balance - ending	<u>\$ 499</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF WEST TERRE HAUTE
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUND
For The Year Ended December 31, 2010

	<u>Agency Fund</u>
Cash and investment fund balance - ending	<u>\$ 499</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF WEST TERRE HAUTE
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The Town was established under the laws of the State of Indiana. The Town operates under a Town Council form of government and provides the following services: public safety (police and fire), highways and streets, public improvements, general administrative services, water, wastewater, storm water, and urban redevelopment.

The Town's financial reporting entity is composed of the following:

Primary Government:	Town of West Terre Haute
---------------------	--------------------------

In determining the financial reporting entity, the Town complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The Town reports the following major governmental funds:

The General Fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The CREDIT Fund (capital projects) accounts for the Town's use of economic development income tax revenues.

The Town reports the following major enterprise funds:

The Storm Water Utility Fund accounts for the operation of the storm water collection system.

The Wastewater Utility Fund accounts for the operation of the wastewater treatment plant, pumping stations, and collection systems.

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

The Water Utility Fund accounts for the operation of the water distribution system.

Additionally, the Town reports the following fund types:

Agency funds account for assets held by the Town as an agent for other funds and serve as control of accounts for certain cash transactions during the time they are a liability to the Town.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund, and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The cash and investment basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial statements.

If the Town utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the Town and its enterprise funds. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating receipts of the enterprise funds are charges to customers for sales and services. Operating disbursements for enterprise funds include the cost of sales and services and administrative costs. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements. Internal service funds are used to account for activities provided to other departments or agencies primarily with the government. The Town does not have any internal service funds.

When both restricted and unrestricted resources are available for use, the Town's policy is to use restricted resources first, then unrestricted resources as they are needed.

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

D. Assets and Cash and Investment Balances

1. Restricted Assets

All restricted assets, as presented in the accompanying financial statements, are restricted due to enabling legislation.

2. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as interest receipts in the year of the sale of the investment.

3. Property Taxes

Normally, property taxes levied are collected by the County Treasurer and are distributed to the Town in June and in 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. 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 may 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.

4. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

5. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as a liability in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

6. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

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

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.
4. Interfund loans – Flow of assets from one fund to another where repayment is expected is reported as interfund loans.

Government-Wide Financial Statements

Interfund activity, if any, is eliminated or reclassified in the government-wide financial statements as follows:

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

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund loans and services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

Prior to the first required publication, the fiscal officer of the Town submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. Prior to November 1, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the Town receives approval of the Indiana Department of Local Government Finance.

The Town's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

B. Disbursements in Excess of Appropriations

For the years ended December 31, 2009 and 2010, disbursements exceeded budgeted appropriations in the following funds by the amounts below:

Fund	2009
Local Road and Street	\$ <u>8,792</u>

These disbursements were funded by available fund balance in the Local Road and Street Fund.

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

C. Cash Balance Deficits

At December 31, 2009 and 2010, the following funds reported deficits in cash, which are violations of the Uniform Compliance Guidelines as authorized by state statute:

Fund	2009	2010
General	\$ 147,140	\$ -
Law Enforcement Continuing Education	14,877	
Water Depreciation	6,308	-
Water Bond and Interest	-	9,990

Cash and investment deficits arose primarily from disbursements exceeding receipts due to the underestimate of current requirements; these deficits are to be repaid from future receipts

III. Detailed Notes on All Funds

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. IC 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The Town does not have a deposit policy for custodial credit risk. At December 31, 2010, the Town had deposit balances in the amount of \$964,104.

The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

IV. Other Information

A. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, and dependents; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, and dependents; and natural disasters are covered by commercial insurance from independent third parties.

Settled claims from risks covered by commercial insurance have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

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

B. Subsequent Event

The Town of West Terre Haute has applied for a Community Development Block Grant in the amount of \$417,900, to be passed through to the West Vigo Levee Association for the repair of a levee.

C. Rate Structure – Enterprise Funds

Water Utility

On September 13, 1993, the Town Council adopted Ordinance 01-1993 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Council on July 13, 2001.

Wastewater Utility

The current rate structure was approved by the Town Council on July 13, 2001.

Storm Water Utility

The current rate structure was approved by the Town Council on May 24, 2006.

D. Receipts Pledged

Water Utility Receipts Pledged

The Town has pledged future revenue, net of specified operating expenditures, to repay revenue bonds issued in 1988. Proceeds from the bonds provided financing for the Liggett water extension. The bonds are payable solely from revenue net receipts and are payable through 2016. Annual principal and interest payments are expected to require less than 2 percent of net receipts.

Wastewater Utility Receipts Pledged

The Town has pledged future revenue, net of specified operating expenditures, to repay revenue bonds issued in 1993. Proceeds from the bonds provided financing for sewer improvements. The bonds are payable solely from revenue net receipts and are payable through 2023. Annual principal and interest payments are expected to require less than 19 percent of net receipts.

Storm Water Utility Receipts Pledged

The Town has pledged future revenue, net of specified operating expenditures, to repay revenue bonds issued in 2009. Proceeds from the bonds provided financing for a storm water collection system. The bonds are payable solely from revenue net receipts and are payable through 2049. The percent of net receipts required cannot be estimated at this time because the Town has not yet drawn the full authorized amount of the bonds.

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

E. Pension Plan

Agent Multiple-Employer and Single-Employer Defined Benefit 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 the 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 member's 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. The 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

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The total contributions made to PERF by the Town during the period were \$79,289.

TOWN OF WEST TERRE HAUTE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2009

	Motor Vehicle Highway	Local Road And Street	Operation Pull-Over	Law Enforcement Continuing Education	ARRA Stimulus Equipment	Cumulative Capital Improvement Cigarette Tax	Tax Increment Financing District	Totals
Receipts:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,573	\$ 4,573
Licenses and permits	-	-	-	910	-	-	-	910
Intergovernmental	83,577	17,598	5,550	-	17,928	7,145	-	131,798
Charges for services	-	-	-	155	-	-	-	155
Fines and forfeits	-	-	-	1,105	-	-	-	1,105
Other	-	-	283	924	-	-	-	1,207
Total receipts	83,577	17,598	5,833	3,094	17,928	7,145	4,573	139,748
Disbursements:								
Public safety	-	-	1,149	27,808	-	-	-	28,957
Highways and streets	94,646	-	-	-	-	-	-	94,646
Capital outlay:								
Public safety	-	-	3,600	-	17,928	-	-	21,528
Highways and streets	11,579	58,792	-	-	-	-	-	70,371
Total disbursements	106,225	58,792	4,749	27,808	17,928	-	-	215,502
Excess (deficiency) of receipts over disbursements	(22,648)	(41,194)	1,084	(24,714)	-	7,145	4,573	(75,754)
Cash and investment fund balance - beginning	51,677	57,134	(203)	9,837	-	28,756	-	147,201
Cash and investment fund balance - ending	<u>\$ 29,029</u>	<u>\$ 15,940</u>	<u>\$ 881</u>	<u>\$ (14,877)</u>	<u>\$ -</u>	<u>\$ 35,901</u>	<u>\$ 4,573</u>	<u>\$ 71,447</u>
Cash and Investment Assets - Ending								
Cash and investments	\$ -	\$ -	\$ -	\$ (14,877)	\$ -	\$ 35,901	\$ -	\$ 21,024
Restricted assets:								
Cash and investments	29,029	15,940	881	-	-	-	4,573	50,423
Total cash and investment assets - ending	\$ 29,029	\$ 15,940	\$ 881	\$ (14,877)	\$ -	\$ 35,901	\$ 4,573	\$ 71,447
Cash and Investment Fund Balance - Ending								
Restricted for:								
Public safety	\$ -	\$ -	\$ 881	\$ -	\$ -	\$ -	\$ -	\$ 881
Highways and streets	29,029	15,940	-	-	-	-	-	44,969
Economic development	-	-	-	-	-	-	4,573	4,573
Unrestricted	-	-	-	(14,877)	-	35,901	-	21,024
Total cash and investment fund balance - ending	\$ 29,029	\$ 15,940	\$ 881	\$ (14,877)	\$ -	\$ 35,901	\$ 4,573	\$ 71,447

TOWN OF WEST TERRE HAUTE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2010

	Motor Vehicle Highway	Local Road And Street	Operation Pull-Over	Law Enforcement Continuing Education	Cumulative Capital Improvement Cigarette Tax	Tax Increment Financing District	Totals
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,754	\$ 3,754
Licenses and permits	-	-	-	480	-	-	480
Intergovernmental	87,663	18,403	3,327	-	6,822	-	116,215
Charges for services	-	-	-	60	-	-	60
Fines and forfeits	-	-	-	36,419	-	-	36,419
Other	-	-	-	813	-	-	813
Total receipts	87,663	18,403	3,327	37,772	6,822	3,754	157,741
Disbursements:							
Public safety	-	-	2,869	20,588	-	-	23,457
Highways and streets	96,343	-	-	-	-	-	96,343
Economic development	-	-	-	-	-	501	501
Capital outlay: Highways and streets	-	9,330	-	-	-	-	9,330
Total disbursements	96,343	9,330	2,869	20,588	-	501	129,631
Excess (deficiency) of receipts over disbursements	(8,680)	9,073	458	17,184	6,822	3,253	28,110
Other financing sources:							
Other receipts	-	-	-	5,208	-	-	5,208
Excess (deficiency) of receipts and other financing sources over disbursements	(8,680)	9,073	458	22,392	6,822	3,253	33,318
Cash and investment fund balance - beginning	29,029	15,940	881	(14,877)	35,901	4,573	71,447
Cash and investment fund balance - ending	<u>\$ 20,349</u>	<u>\$ 25,013</u>	<u>\$ 1,339</u>	<u>\$ 7,515</u>	<u>\$ 42,723</u>	<u>\$ 7,826</u>	<u>\$ 104,765</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ 42,723	\$ -	\$ 42,723
Restricted assets: Cash and investments	20,349	25,013	1,339	7,515	-	7,826	62,042
Total cash and investment assets - ending	<u>\$ 20,349</u>	<u>\$ 25,013</u>	<u>\$ 1,339</u>	<u>\$ 7,515</u>	<u>\$ 42,723</u>	<u>\$ 7,826</u>	<u>\$ 104,765</u>
Cash and Investment Fund Balance - Ending							
Restricted for: Public safety	\$ -	\$ -	\$ 1,339	\$ 7,515	\$ -	\$ -	\$ 8,854
Highways and streets	20,349	25,013	-	-	-	-	45,362
Economic development	-	-	-	-	-	7,826	7,826
Unrestricted	-	-	-	-	42,723	-	42,723
Total cash and investment fund balance - ending	<u>\$ 20,349</u>	<u>\$ 25,013</u>	<u>\$ 1,339</u>	<u>\$ 7,515</u>	<u>\$ 42,723</u>	<u>\$ 7,826</u>	<u>\$ 104,765</u>

TOWN OF WEST TERRE HAUTE
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

December 31, 2010

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

General infrastructure assets completed in the current year has been reported.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Machinery and equipment	\$ <u>140,312</u>
<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 11,400
Buildings	216,983
Improvements other than buildings	1,869,900
Machinery and equipment	<u>62,917</u>
Total Water Utility capital assets:	<u>2,161,200</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	23,010
Buildings	2,010,606
Improvements other than buildings	8,771,253
Machinery and equipment	<u>87,033</u>
Total Wastewater Utility capital assets:	<u>10,891,902</u>
Storm Water Utility:	
Capital assets, not being depreciated:	
Construction in progress	<u>1,180,000</u>
Total business-type activities capital assets	<u>\$ 14,233,102</u>

TOWN OF WEST TERRE HAUTE
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2010

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:		
CEDIT Water Meters	\$ 171,000	\$ 22,048
Business-type Activities:		
Water Utility		
Revenue bonds:		
Liggett Water Extension	\$ 86,000	\$ 17,300
Wastewater Utility		
Revenue bonds:		
Sewer Improvements Project	1,071,000	113,550
Storm Water Utility:		
Revenue bonds:		
Storm Water Sewer	656,100	22,353
Total business-type activities debt:	\$ 1,813,100	\$ 153,203

TOWN OF WEST TERRE HAUTE
OTHER REPORT

The audit report presented herein was prepared in addition to the other official report prepared
for:

Supplemental Report of the Clerk-Treasurer's Office

TOWN OF WEST TERRE HAUTE
AUDIT RESULTS AND COMMENTS

CASHING PERSONAL CHECKS (Applies to Utilities)

During our audit of utility receipts, we noted several instances in which Melody Buchanan, Clerk-Treasurer, and Jody Roach, Utility Clerk, removed cash from deposits of utility receipts and substituted checks from their personal bank accounts. A test of four bank deposits revealed the following personal checks deposited in lieu of cash collections:

<u>Deposit Date</u>	<u>Name</u>	<u>Personal Check Amount</u>
12-01-09	Melody Buchanan	\$ 310
02-01-10	Melody Buchanan	200
02-02-10	Jody Roach	5
08-02-10	Melody Buchanan	300
08-02-10	Jody Roach	5
08-02-10	Jody Roach	20

Public funds shall be deposited in the same form in which they were received. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

MANAGEMENT OVERRIDE OF CONTROLS (Applies to Utilities)

During the course of the audit, we determined that the Deputy Clerk-Treasurer of the Town of West Terre Haute bypassed the internal controls in place for receipts from customer utility payments. Controls were in place to properly accept, post, deposit, and reconcile customer utility payments. Each day, the employees accepted payments from customers, retained the bill stubs, posted the payments in batches, and ran a Cash Posting Journal report for each batch. Then the cash and checks accepted were reconciled to the bill stubs and Cash Posting Journal report and a bank deposit was made.

However, the bill stubs and Cash Posting Journal reports for certain batches posted in 2007-2011 were not retained for audit. Upon running a Cash Payment Summary Report at the time of the audit, we discovered customer payments that could not be found on the Cash Posting Journal. Those payments could not be traced to a deposit. A separate supplemental report dated August 11, 2011, has been issued by the State Board of Accounts addressing the missing customer payments.

The Clerk-Treasurer and Utility Clerk also bypassed the internal controls in place for receipts from customer utility payments. Several times during the audit period, they replaced some of the cash in a deposit with checks from their personal checking accounts. This resulted in the composition of cash and checks in the deposit to be different from the way the collections were received.

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or non-feasance in office of any officer or employee may be the personal obligation of the responsible officer or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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

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)

DEPOSITS (Applies to Utilities)

Each month during the audit period, customer utility payments received during the last several days of the month were not deposited until the first business day of the next month. This resulted in some receipts being deposited up to eight business days after they were collected.

Indiana Code 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."

COMPENSATION AND BENEFITS (Applies to Utilities)

Two utility employees received payments during the audit period which were not included in the payroll system or on the salary ordinance or resolution. These employees were paid \$100 each time they were required to climb the water tower to perform maintenance.

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)

PRESCRIBED FORMS (Applies to Town and Utilities)

As stated in prior Reports B25831, B30886, and B34855, the Employee Service Record (General Form 99A) was not always in use. Employee Service Records were not maintained for the Deputy Clerk-Treasurer and the Utility Clerk.

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)

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

OLD OUTSTANDING CHECKS (Applies to Town and Utilities)

As stated in prior Reports B30886 and B34855, our review of the bank reconcilements as of December 31, 2010, 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: (1) the 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."

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."

OVERDRAWN FUND BALANCES (Applies to Town and Water Utility)

The General Fund, Law Enforcement Continuing Education Fund, and Water Depreciation Fund were overdrawn at December 31, 2009. The Water Bond and Interest Fund were overdrawn at December 31, 2010.

The fund 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)

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

APPROPRIATIONS (Applies to Town)

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

Fund	Year	Excess Amount Expended
Local Road and Street	2009	\$ 8,792

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."

DELINQUENT WASTEWATER ACCOUNTS (Applies to Wastewater Utility)

As stated in prior Reports B30886 and B34855, delinquent Wastewater fees and penalties were not 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. . . ."

(This page intentionally left blank.)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the Town of West Terre Haute (Town) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended December 31, 2009 and 2010. The Town's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town's compliance with those requirements.

In our opinion, the Town complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2009 and 2010.

Internal Control Over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The Town's response to the finding identified in our audit is described in the accompanying Corrective Action Plan. We did not audit the Town's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Town's management, the Town Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

August 11, 2011

TOWN OF WEST TERRE HAUTE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended December 31, 2009 and 2010

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 12-31-09	Total Federal Awards Expended 12-31-10
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Direct Grant				
Water and Waste Disposal Systems for Rural Communities	10.760		\$ 664,300	\$ -
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
Pass-Through Indiana Office of Community and Rural Affairs				
CDBG - State Administered Small Cities Program Cluster				
Community Development Block Grants/State's Program	14.228			
and Non-Entitlement Grants in Hawaii				
Stormwater Project		CF-07-305-7	276,519	167,540
Disaster Relief		DR1A-09-0680	-	11,176
Total for federal grantor agency			<u>276,519</u>	<u>178,716</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>				
Pass-Through City of Terre Haute				
ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG)				
Program/Grants to Units of Local Government	16.804		<u>17,928</u>	-
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>				
Pass-Through Indiana Criminal Justice Institute				
Highway Safety Cluster	20.601			
Alcohol Impaired Driving Countermeasures Incentive Grants I				
Operation Pullover			1,149	1,069
Pass-Through Vigo County				
DUI Task Force Indiana Enforcement Program		K8-2010-03-03-31	-	1,800
Total for federal grantor agency			<u>1,149</u>	<u>2,869</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>				
Pass-Through Indiana Department of Homeland Security				
Disaster Grants - Public Assistance (Presidentially Declared				
Disasters)	97.036		<u>15,140</u>	-
Total federal awards expended			<u>\$ 975,036</u>	<u>\$ 181,585</u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

TOWN OF WEST TERRE HAUTE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town of West Terre Haute (Town) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statements. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with the Indiana Code (IC 5-11-1 et seq.), audits of Towns with populations under 5,000 shall be conducted biennially. Such audits shall include both years within the biennial period.

II. Loans Outstanding

The Town had the following loan balances, with continuing federal compliance requirements, outstanding at December 31, 2009 and 2010. These loan balances outstanding are also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2009	2010
Water and Waste Disposal Systems for Rural Communities	10.760	\$ 662,100	\$ 656,100

TOWN OF WEST TERRE HAUTE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued:	Qualified
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statements noted?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	no

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
10.760	Water and Waste Disposal Systems for Rural Communities
14.228	Community Development Block Grants / State's Program and Non-Entitlement Grants in Hawaii

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?	no
--	----

TOWN OF WEST TERRE HAUTE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section II – Financial Statement Findings

FINDING 2010-1 - MANAGEMENT OVERRIDE OF CONTROLS – MATERIAL WEAKNESS

During the course of the audit, we determined that the Deputy Clerk-Treasurer of the Town of West Terre Haute bypassed the internal controls in place for receipts from customer utility payments.

Controls were in place to properly accept, post, deposit, and reconcile customer utility payments. Each day, the employees accepted payments from customers, retained the bill stubs, posted the payments in batches, and ran a Cash Posting Journal report for each batch. Then, the cash and checks accepted were reconciled to the bill stubs and Cash Posting Journal report and a bank deposit was made.

However, the bill stubs and Cash Posting Journal reports for certain batches posted in 2007-2011 were not retained for audit. Upon running a Cash Payment Summary Report at the time of the audit, we discovered customer payments that could not be found on the Cash Posting Journal. Those payments could not be traced to a deposit.

The Clerk-Treasurer and Utility Clerk also bypassed the internal controls in place for receipts from customer utility payments. Several times during the audit period, they replaced some of the cash in a deposit with checks from their personal checking accounts. This resulted in the composition of cash and checks in the deposit to be different from the way the collections were received.

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or non-feasance in office of any officer or employee may be the personal obligation of the responsible officer or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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)

Failure to follow established controls may result in material misstatements in the financial statements which will remain undetected and uncorrected.

We recommended that internal control procedures be reviewed, improved, and adhered to, in order that material misstatements to the financial statements may be prevented, or detected and corrected, on a timely basis.

TOWN OF WEST TERRE HAUTE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.



Town Of West Terre Haute
500 W National Ave
West Terre Haute, IN 47885 *812-533-1053

August 11, 2011

Corrective Action Plan

FEDERAL FINDING 2010-1, MANAGEMENT OVERRIDE OF CONTROLS – MATERIAL WEAKNESS

Auditee Contact Person: Scott McClain
Title of Contact Person: Town Council President
Phone Number: (812) 533-1053
Expected Completion Date: 12-31-11

Corrective Action Planned:

The finding noted that Vickie Ashburn, Deputy Clerk-Treasurer, bypassed the internal controls over receipts from customer utility payments by destroying Cash Journal Reports and bill stubs. A joint investigation by the State Police and the State Board of Accounts indicated that she did this to hide the theft of numerous customer payments.

On July 13th, 2011, Vickie Ashburn's employment with the Town of West Terre Haute was terminated.

The finding also noted that Melody Buchanan, Clerk-Treasurer, and Jody Roach, Utility Clerk, disregarded the internal controls over receipts from customer utility payments by substituting checks from their personal bank accounts for part of the cash in several deposits, thereby depositing the collections in a different form than they were received.

On August 5th, 2011, Jody Roach's employment with the Town of West Terre Haute was terminated.

Melody Buchanan is an elected official. Her term ends on December 31, 2011 and she has two opponents in the upcoming Democratic caucus.

We have hired Jim Mann, a former West Terre Haute Clerk-Treasurer to work in the office. He is currently running for Clerk-Treasurer against Ms. Buchanan. We have also hired Jeff McCullough, CPA as a consultant to assist Mr. Mann with recordkeeping.

We plan to strengthen the internal controls over receipts from utility customer payments by requesting that customers make any cash payments at one of our two local banks, unless they need help interpreting their bills. We will also make sure that the employee who posts the receipts to the computer system and runs the Cash Posting Journal does not also make up the bank deposits and reconcile the bank accounts to the ledger.

Scott McClain

Town Council President

August 11, 2011

Date

TOWN OF WEST TERRE HAUTE
EXIT CONFERENCE

The contents of this report were discussed on August 11, 2011, with Melody Buchanan, Clerk-Treasurer, and Scott McClain, President of the Town Council.

The contents of this report were discussed on August 11, 2011, with Jody Roach, former Utility Clerk.

The contents of this report were discussed on August 11, 2011, with Vickie Ashburn, former Deputy Clerk-Treasurer.