

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

WEST GATE @ CRANE AUTHORITY, INC.

DAVISS COUNTY, INDIANA

January 1, 2007 to December 31, 2010



FILED
01/26/2012

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Executive Director	Charles E. Selby	07-15-11 to 12-31-11
Treasurer	Joyce Goodwin Martin L. Mumaw, III	07-25-06 to 12-31-08 01-01-09 to 12-31-11
President of the Board	Paul Eugene Shaw Kent Parisien	07-25-06 to 12-31-09 01-01-10 to 12-31-11



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF WEST GATE @ CRANE AUTHORITY, INC., DAVIESS COUNTY, INDIANA

We have examined the financial statements of West Gate @ Crane Authority, Inc. (Authority), for the period of January 1, 2007 to December 31, 2010. The Authority's management is responsible for the financial statements. 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 statements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

As discussed in Note 1, the Authority prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Authority for the years ended December 31, 2007, 2008, 2009, and 2010, on the basis of accounting described in Note 1.

The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis for the year ended December 31, 2010, and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statements. They have not been subjected to the examination procedures applied to the financial statements and, accordingly, we express no opinion on them. The Combining Schedules of Receipts, Disbursements, and Cash and Investments Balances – Regulatory Basis were not presented for the years ended December 31, 2007, 2008, or 2009.

This report is intended solely for the information and use of the Authority's management and the Authority Board, 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

December 13, 2011

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FINANCIAL STATEMENTS

The financial statements and accompanying notes were approved by management of the Authority. The financial statements and notes are presented as intended by the Authority.

WESTGATE @ CRANE AUTHORITY, INC.
STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended December 31, 2007, 2008, 2009, and 2010

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
General Fund	\$ <u> -</u>	\$ <u> 155,353</u>	\$ <u> 145,403</u>	\$ <u> 9,950</u>
	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
General Fund	\$ <u> 9,950</u>	\$ <u> 1,217,447</u>	\$ <u> 1,103,892</u>	\$ <u> 123,505</u>
	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
General Fund	\$ <u> 123,505</u>	\$ <u> 1,982,671</u>	\$ <u> 1,154,335</u>	\$ <u> 951,841</u>
	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
General Fund	\$ <u> 951,841</u>	\$ <u> 2,120,874</u>	\$ <u> 1,485,694</u>	\$ <u> 1,587,021</u>

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

WEST GATE @ CRANE AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The Authority was created through an interlocal agreement, as authorized by Indiana Code 36-1-7, between the redevelopment commissions of Daviess, Martin, and Greene Counties and approved by the Indiana Economic Development Corporation on June 13, 2006. The Authority operates under an appointed governing board and was created for the main purpose of developing and managing the West Gate @ Crane Technology Park.

The accompanying financial statements present the financial information for the Authority (primary government), and does not include financial information for any of the Authority's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of the Authority (primary government).

B. Basis of Accounting

The financial statements are reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), 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 regulatory 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.

C. Cash and Investments

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

D. Receipts

Receipts are presented in the aggregate on the face of the financial statements. The aggregate receipts may include, but are not limited to, the following sources:

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state, local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

WEST GATE @ CRANE AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statements. The aggregate disbursements may include, but are not limited to, the following uses:

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

Note 2. Budgets

The governing board shall establish and maintain a budget annually, to be adopted on or before September 30th of each year, and to be effective for the next calendar year.

Note 3. Incremental Taxes

The Treasurer of State shall establish an incremental tax financing fund for each certified technology park designated under Indiana Code 36-7-32. The following amounts shall be deposited during each state fiscal year in the incremental tax financing fund: (1) The aggregate amount of state gross retail and use taxes that are remitted under Indiana Code 6-2.5 by businesses operating in the certified technology park, until the amount of state gross retail and use taxes deposited equals the gross retail incremental amount for the certified technology park, and (2) The aggregate amount of the following taxes paid by employees employed in the certified technology park with respect to wages earned for work in the certified technology park, until the amount deposited equals the income tax incremental amount: (A) The adjusted gross income tax; (B) The county adjusted gross income tax; (C) The county option income tax; and (D) The county economic development income tax. In accordance with Indiana Code 36-7-32-22, not more than a total of \$5,000,000 may be deposited in a particular incremental tax financing fund for a certified technology park over the life of the certified technology park; however, the Indiana Economic Development Corporation has agreed to increase the statutory limit to \$10,000,000. As of December 31, 2010, a total of \$3,119,781 in incremental taxes has been distributed to the Authority.

Note 4. Deposits and Investments

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be 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.

WEST GATE @ CRANE AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)

State statutes authorize the Authority 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.

Note 5. Risk Management

The Authority may be 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; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the Authority to set aside money for claim settlements. The self-insurance fund would be included in the financial statements. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the Authority by recording as a disbursement and replacement items purchased.

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SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Authority's 2010 Annual Report can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

Differences may be noted between the financial information presented in the financial statements contained in this report and the financial information presented in the Annual Report of the Authority which is referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the examination. This is a common occurrence in any financial statement examination. The financial information presented in this report is examined information, and the accuracy of such information can be determined by reading the opinion given in the Independent Accountant's Report.

The supplementary information presented was prepared and/or approved by management of the Authority. It is presented as intended by the Authority.

WESTGATE @ CRANE AUTHORITY, INC.
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010

	<u>General Fund</u>
Cash and investments - beginning	\$ <u>951,841</u>
Receipts:	
Intergovernmental	1,603,673
Other receipts	<u>517,201</u>
Total receipts	<u>2,120,874</u>
Disbursements:	
Other services and charges	761,224
Capital outlay	388,947
Other disbursements	<u>335,523</u>
Total disbursements	<u>1,485,694</u>
Excess of receipts over disbursements	<u>635,180</u>
Cash and investments - ending	<u>\$ <u>1,587,021</u></u>

WESTGATE @ CRANE AUTHORITY, INC.
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2010

Description of Debt	Ending Principal Balance	Interest Due Within One Year
Notes and loans payable	\$ 513,550	\$ 20,811

WEST GATE @ CRANE AUTHORITY, INC.
EXAMINATION RESULTS AND COMMENTS

ANNUAL REPORT

Annual Reports for 2007, 2008, and 2009 were not presented for examination.

Indiana Code 5-11-19(a) states in part:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be filed electronically, in a manner prescribed by the state examiner . . ."

ERRORS ON CLAIMS

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

1. Sales tax was paid on a few claims.
2. One claim was paid based upon an estimate of hours to complete the project instead of actual hours.
3. Supporting documentation was not always attached. Claims were paid based upon statements only.
4. Amount invoiced did not always agree to the amount paid. Adequate explanations were not noted on the claim.

Indiana Code 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;

WEST GATE @ CRANE AUTHORITY, INC.
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (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."

Supporting documentation such as receipts, cancelled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

INTERNAL CONTROLS

We noted the following concerning the controls over the receipting, disbursing, recording, and accounting for the financial activities:

- 1. All receipts and disbursements are reported in one fund even though the sources and uses of those monies vary.
- 2. Disbursements for contracted services were made without evidence of a contract available to support all disbursements.
- 3. Records were not maintained in a centralized location making it difficult to obtain records for examination and to ensure that adequate record retention existed.
- 4. Adequate control does not exist over printed, but unsigned, checks until they are received and signed by the Treasurer of the Authority.
- 5. Per the Interlocal Agreement creating the Authority, the Board shall establish and maintain a budget annually. A budget was established each year but no further maintenance occurred.

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.

Controls over the receipting, disbursing, recording and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records, and financial statements and incorrect decision making.

(Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

WEST GATE @ CRANE AUTHORITY, INC.
EXIT CONFERENCE

The contents of this report were discussed on December 13, 2011, with Charles E. Selby, Executive Director. The official concurred with our findings.

The contents of this report were discussed on December 13, 2011, with Kent Parisien, President of the Board.

The contents of this report were discussed on December 13, 2011, by telephone, with Martin L. Mumaw, III, Treasurer.