

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

EXAMINATION REPORT  
OF  
TOWN OF MICHIANA SHORES  
LAPORTE COUNTY, INDIANA  
January 1, 2008 to December 31, 2010



**FILED**  
06/13/2011



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Steven J. Millick	01-01-08 to 12-31-11
President of the Town Council	Joan M. Lewis	01-01-08 to 12-31-08
	Dr. Jean V. Poulard	01-01-09 to 12-31-11



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF MICHIANA SHORES, LAPORTE COUNTY, INDIANA

We have examined the financial statement of the Town of Michiana Shores (Town), for the period of January 1, 2008 to December 31, 2010. The Town's management is responsible for the financial statement. 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 statement 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 Town 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. The basis noted above is a different basis than that used in the prior year.

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

This report is intended solely for the information and use of the Town's management and the Town Council 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

May 4, 2011

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FINANCIAL STATEMENT(S)

TOWN OF MICHIANA SHORES  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
As Of And For The Years Ended December 31, 2008, 2009 And 2010

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
General	\$ 1,625	\$ 112,321	\$ 102,460	\$ 11,486
Motor Vehicle Highway	75	46,032	32,835	13,272
Local Road and Street	13,895	5,222	15,279	3,838
Park and Recreation	3,943	11,069	1,862	13,150
Riverboat	23,464	35,638	31,265	27,837
Rainy Day	15,954	-	-	15,954
Grant # 2	175	-	175	-
T-Mobile Cell Tower	-	7,203	-	7,203
Cumulative Capital Improvement	8,106	1,073	-	9,179
Cumulative Capital Development	29,920	6,413	25,000	11,333
County Economic Development Income Tax	9,234	13,777	15,000	8,011
Major Moves	32,000	-	32,000	-
Refuse Collection	12,162	35,215	38,194	9,183
Water Surcharge	2,370	87,905	531	89,744
Leaf Pickup	2,710	3,990	4,350	2,350
<b>Totals</b>	<b>\$ 155,633</b>	<b>\$ 365,858</b>	<b>\$ 298,951</b>	<b>\$ 222,540</b>

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
General	\$ 11,486	\$ 92,744	\$ 97,295	\$ 6,935
Motor Vehicle Highway	13,272	28,941	42,000	213
Local Road and Street	3,838	5,849	431	9,256
Park and Recreation	13,150	6,811	3,606	16,355
Riverboat	27,837	45,874	6,000	67,711
Rainy Day	15,954	-	-	15,954
T-Mobile Cell Tower	7,203	13,344	-	20,547
Cumulative Capital Improvement	9,179	1,012	-	10,191
Cumulative Capital Development	11,333	4,171	-	15,504
County Economic Development Income Tax	8,011	13,300	-	21,311
Refuse Collection	9,183	33,854	39,279	3,758
Water Surcharge	89,744	29,108	80,653	38,199
Leaf Pickup	2,350	4,749	4,784	2,315
<b>Totals</b>	<b>\$ 222,540</b>	<b>\$ 279,757</b>	<b>\$ 274,048</b>	<b>\$ 228,249</b>

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
General	\$ 6,935	\$ 115,883	\$ 97,943	\$ 24,875
Motor Vehicle Highway	213	36,151	33,766	2,598
Local Road and Street	9,256	5,991	8,531	6,716
Park and Recreation	16,355	8,284	5,042	19,597
Riverboat	67,711	42,987	10,310	100,388
Rainy Day	15,954	-	-	15,954
T-Mobile Cell Tower	20,547	13,611	-	34,158
Cumulative Capital Improvement	10,191	966	-	11,157
Cumulative Capital Development	15,504	5,025	-	20,529
County Economic Development Income Tax	21,311	14,921	-	36,232
Refuse Collection	3,758	39,779	44,428	(891)
Water Surcharge	38,199	29,564	40,030	27,733
Leaf Pickup	2,315	192	1,639	868
<b>Totals</b>	<b>\$ 228,249</b>	<b>\$ 313,354</b>	<b>\$ 241,689</b>	<b>\$ 299,914</b>

The notes to the financial statement(s) are an integral part of this statement.

TOWN OF MICHIANA SHORES  
NOTES TO FINANCIAL STATEMENT(S)

**Note 1. 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 some or all of the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, electric, gas, storm water, trash, aviation, and urban redevelopment and housing.

The accompanying financial statement(s) present(s) the financial information for the Town (primary government), and does not include financial information for any of the Town'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 Town (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:

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the Town.

Licenses and permits which include amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

TOWN OF MICHIANA SHORES  
NOTES TO FINANCIAL STATEMENT(S)  
(Continued)

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.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits which include receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

Utility fees which are comprised mostly of charges for current services.

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.

*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:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

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.

Debt service principal and interest which include fixed obligations resulting from financial transactions previously entered into by the Town. It includes all expenditures for the reduction of the principal and interest of the Town's general obligation indebtedness.

TOWN OF MICHIANA SHORES  
NOTES TO FINANCIAL STATEMENT(S)  
(Continued)

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

Utility operating expenses which include all outflows for operating the utilities.

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.

*F. Interfund Transfers*

The Town may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

*G. Fund Accounting*

Separate funds are established, maintained, and reported by the Town. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the Town. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the Town in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

**Note 2. Budgets**

The operating budget is initially prepared and approved at the local level. The fiscal officer of the Town submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

**Note 3. Property Taxes**

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the Town in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent 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 normally become delinquent if not paid by May 10 and November 10, respectively.

TOWN OF MICHIANA SHORES  
NOTES TO FINANCIAL STATEMENT(S)  
(Continued)

**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.

State statutes authorize the Town to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

**Note 5. *Risk Management***

The Town 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; medical benefits to employees, retirees, and dependents; 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 Town 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 Town by recording as a disbursement and replacement items purchased.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Town's Annual Report(s) can be found on the Indiana Transparency Portal website: [www.in.gov/itp/annual\\_reports/](http://www.in.gov/itp/annual_reports/).

TOWN OF MICHIANA SHORES  
EXAMINATION RESULTS AND COMMENTS

**ANNUAL REPORTS**

Annual Reports for 2008, 2009, and 2010 were not presented for examination as required. The Clerk-Treasurer prepares a report for the Town Council and for advertising purposes; however, it is not prepared using the prescribed format. In addition, the reports prepared for advertising included only receipts, disbursements and balances by fund; they did not include details of receipts and/or disbursements.

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

**CONDITION OF RECORDS**

The following deficiencies relating to the recordkeeping were noted during our period of examination. The errors were not detected because, as discussed in another comment, the Town did not perform reconcilements of the bank balances to the fund balances.

1. There were a considerable number of posting errors. These errors included deposits not recorded in the records, checks recorded twice, checks and receipts not recorded, and checks and receipts not recorded in the proper amounts or to the proper funds.

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)

2. The beginning balance of some funds did not always agree with the ending balance of those funds from the prior years.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

3. The Ledger of Appropriations, Encumbrances, Disbursements and Balances (Town Form 209) was not always used and reconciled to the Ledger of Receipts, Disbursements and Balances (Town Form 208). This allowed errors in disbursements to go undetected and also prohibited the Town from comparing actual expenditures to approved budgets.

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 MICHIANA SHORES  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

***PUBLIC RECORDS RETENTION***

Several records requested were not presented for examination. As discussed in the following comments, not all of the minutes of Town Council meetings were available, several bank statements could not be found, wage and income reports required by the federal and state governments were not presented, and many accounts payable vouchers did not include detailed invoices or receipts attached.

Indiana Code 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

Supporting documentation such as receipts, canceled checks, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

***TOWN COUNCIL MINUTES***

Not all minutes of meetings of the Town Council were available for audit. Official minutes were not available for four of the meetings held during our examination period. In addition, several of the minutes presented were draft copies only; they were not the minutes approved by the Town Council.

Indiana Code 5-14-1.5-4 states in part:

"(b) As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes taken, by individual members if there is a roll call.
- (5) Any additional information required under IC 5-1.5-2-2.5 or IC 20-12-63-7."

***BANK ACCOUNT RECONCILIATIONS***

Depository reconciliations of the fund balances to the bank account balances were not presented for examination. A preliminary reconciliation performed as of December 31, 2010, resulted in cash necessary to balance of \$6,110.09. After many adjustments, the reconciliation reported an excess depository balance of \$2,044.64. The differences were due to many recording errors over the examination period that were not detected and corrected because reconciliations were not performed. In addition, 7 of the 36 bank statements for the examination period were not presented.

Indiana Code 5-13-6-1(e) states in part: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

TOWN OF MICHIANA SHORES  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

**ACCOUNTING FOR PAYROLL AND PAYROLL TAXES**

The following deficiencies relating to accounting for payroll and payroll taxes were noted during our period of examination:

1. Quarterly state and federal payroll tax reports were not presented for audit for the years 2008, 2009, and 2010.
2. The Town did not comply with directives of the Internal Revenue Service and the Indiana Department of Revenue by filing the proper reports and paying the required withholding and employer tax amounts in a timely manner. The Town remits federal payroll taxes on a monthly basis. The monthly tax payments were not based on actual payroll taxes withheld from employees, but were a lump sum of \$600 causing overpayments/underpayments of taxes due. It could not be determined on what basis state withholding taxes were reported and paid.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

3. In 2010, several months' remittances of payroll taxes were not made and the proper quarterly reports were not filed until November 29, 2010. The Town was charged penalties and interest for late filing and late payment; however, the majority of the penalties and interest was later removed based on the Town's compliance history.
4. Based on the 2010 employee W-2's, federal withholding and social security taxes were overpaid by \$2,841.47 and state and local withholding taxes were underpaid by \$947.59.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit. Additionally,

TOWN OF MICHIANA SHORES  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit. Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

5. The Town does not use prescribed payroll forms, including Form 99 Payroll Schedule and Voucher, Form 99B Employee Earnings Record.

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)

6. Only the net pay of each employee is charged to the proper funds (General, Motor Vehicle Highway, and Park and Recreation); all withholdings and the employer share of federal social security and Medicare taxes are paid from the Motor Vehicle Highway Fund.

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

**ERRORS ON CLAIMS**

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

1. Claims could not be located for some disbursements.
2. Claims were not adequately itemized for some disbursements. Many claims did not have an invoice or receipt attached.
3. Claims (excluding those allowed to be paid prior to board approval by ordinance) were paid prior to approval by the Town Council.

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;

TOWN OF MICHIANA SHORES  
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."

***RATES AND COLLECTION OF AMOUNTS DUE***

The \$100 per home per year (\$50 twice per year) refuse user charge approved by the Town Council is insufficient to meet operating expenses. In addition, several homeowners are delinquent in paying their user charge. Refuse collection service contracts are awarded based upon bids received. The annual user charge for homeowners should be calculated to cover the cost of the contract. The balance in the Refuse Collection Fund steadily declined over the three-year examination period. At December 31, 2010, the Refuse Collection Fund was overdrawn \$890.55.

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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)

***MILEAGE REIMBURSEMENT***

In September 2010, the Town Council approved a \$35 per month "mileage stipend" for the Building Commissioner. Instead of reimbursing the Building Commissioner for actual miles traveled in his own vehicle on official Town business, he was to receive this flat monthly stipend. A stipend of \$45 was paid in December 2010. No other payments were noted. All other officials and employees continued to be reimbursed for actual miles driven for official business at the rate of \$0.50 per mile.

Officers and employees may be reimbursed for actual miles traveled in their own motor vehicles on official business of the city or town at a reasonable rate per mile as fixed by ordinance or resolution of the board. Reimbursement mileage shall not include travel to and from the officer's or employee's home and the office. If two or more persons ride in the same motor vehicle, only one mileage reimbursement is allowable. The speedometer reading columns on this form are to be used only when distance between points cannot be determined by fixed mileage or official state highway map. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 4)

***PUBLIC EMPLOYEE LISTS***

The Town did not file a Certified Report of Compensation of Officers and Employees (Form 100-R or its equivalent) with the State Board of Accounts for the years 2008, 2009, and 2010. Additionally, the Town did not certify a list of employees to the County Treasurer for the same period.

TOWN OF MICHIANA SHORES  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

Indiana Code 5-11-13-1 states in part:

"Every state, county, city, town, township, or school official . . . shall during the month of January of each year prepare, make, and sign a written or printed certified report, correctly and completely showing the names and addresses of each and all officers, employees, and agents . . . and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts."

Indiana Code 6-1.1-22-14(a) states in part:

"On or before June 1 and December 1 of each year . . . the disbursing officer of each political subdivision . . . shall certify the names and addresses of each person who has money due from the political subdivision to the treasurer of each county in which the political subdivision is located."

***PARK DONATION FUND SOURCES AND USES***

During 2003 and 2004, the Town of Michiana Shores was awarded two federal grants through the State of Indiana for land acquisition along White Ditch with the ultimate goal of establishing a public access nature trail/park within the Town. The first grant award (Grant #1) was approved in December 2003 for \$41,496; the Town was required to contribute an additional 25 percent of this amount - approximately \$10,374. The Town committed \$11,029 in appraised value of eight lots acquired from LaPorte County as their match; there was no cash committed for the required additional amount, only the value of the land.

The second grant award (Grant #2) was approved in August 2004 for \$29,305; the Town was required to match 50 percent of this amount - \$14,652.50 in cash. The grant application described the composition and source of the matching funds as follows: "One-half of the total will be matched in cash. These matching funds include contributions from the Park Booster Fund and the Town of Michiana Shores." The application also included letters of commitment from the Park Booster Club and the Town; Town committed \$7,652.50 and the Michiana Shores Park Booster Club committed \$7,000. The Town received \$7,345.39 from the Park Booster Club on June 23, 2004, which included the \$7,000 plus interest earned on the investment of the fund. This donation was receipted into the Park Donation Fund.

The project budgets submitted for both grants were for the purchase of several lots and the related administrative expenses such as appraisal fees, title policies, deed and title transfer fees, as well as some miscellaneous grant administrative costs. During June and July of 2004, several checks totaling \$18,485.56 were issued to purchase and pay the administrative expenses of several lots designated in the application for Grant #1. The Town transferred \$7,178.45 from the Riverboat Fund to the Grant #1 Fund to cover \$18,485.56 in grant expenses. The Booster Club's donation accounted for \$7,312.89 of the funds that were spent and reimbursed under Grant #1. The Quarterly Financial Report for Grant #1, dated July 30, 2004, was submitted with a claim voucher for reimbursement to the State of Indiana. In April 2005, \$18,485.56, 100 percent of the land acquisition expenses, was reimbursed to the Town through the State of Indiana and receipted into the Grant #1 Fund. For various reasons, the Town was unable to purchase the remaining lots by the end of the grant period. The final financial report was filed on October 10, 2005.

TOWN OF MICHIANA SHORES  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

Because the Booster Club donation was received by the Town prior to most of the expenditures for Grant #1, the donated funds were expended for the purchase of lots that were designated in Grant #1 rather than Grant #2 as per the commitment. There was no required cash match for Grant #1; the donation was committed as the cash match for the expenses of Grant #2. Since the expenses of Grant #1 were fully reimbursed to the Town by the grantor agency, no Booster Club donation funds were actually expended for Grant #1. The Town was able to expend only \$5,991.70 of the eligible expenses of Grant #2 by the grant expiration date. Of the amount expended, the Town's share was 50 percent or \$2,995.85, which is the amount properly paid from Booster Club funds and charged to the Park Donation Fund. The remaining balance of the Booster Club donation was \$4,349.54.

The Booster Club donation was originally receipted into the Park Donation Fund and then transferred to the Grant #1 Fund from which it was expended; the reimbursement was receipted into the Grant #1 Fund. Funds were transferred from the Grant #1 Fund to the Grant #2 Fund from which expenditures for the second grant were made, however, most of the reimbursement (\$2,812.50) for 50 percent of Grant #2 expenditures was receipted into the Grant #1 Fund in error. Because of this, the balance of the Park Booster Club donation was in the Grant #1 Fund as of October 20, 2006, where it remained until February 13, 2007. On February 13, 2007, the Town Council approved the transfers of \$12,000 from the Grant #1 Fund to the Riverboat Fund and the remaining balance of \$4,801.32 in the Grant #1 Fund to the Rainy Day Fund. Therefore, the unexpended balance of the Booster Club donation to Grant #2 was receipted into the Rainy Day Fund where it remained as of December 31, 2010.

After a thorough review of the Park Booster Club donation and grant transactions, we have concluded that:

1. Grant funds were spent in accordance with the grant agreements.
2. The Town has possession of \$4,349.54 in unexpended funds donated by the Park Booster Club.
3. Although the Park Booster Club donation lost its identity due to numerous bookkeeping errors and transfers of money and expenses between funds, there was no misappropriation of the donated funds.

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

A restricted donation shall be placed into a separate fund after such fund is established by the legislative body of the unit. Any appropriate descriptive name may be given the donation fund. The donation can be expended only for the purpose and under the terms and conditions agreed to on accepting the donation. (Cities and Towns Bulletin and Uniform Compliance Guidelines, June 2006)

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

TOWN OF MICHIANA SHORES  
EXIT CONFERENCE

The contents of this report were discussed on May 4, 2011, with Steven J. Millick, Clerk-Treasurer; and Dr. Jean V. Poulard, President of the Town Council. The officials concurred with our findings.