

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF MICHIANA SHORES

LAPORTE COUNTY, INDIANA

January 1, 2011 to December 31, 2014



FILED
06/16/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Steven J. Millick	01-01-08 to 12-31-11
	Patrick J. Margraf	01-01-12 to 12-31-13
	Joan M. Lewis	01-01-14 to 12-31-19
President of the Town Council	Jean V. Poulard	01-01-11 to 12-31-15
	Alex Sprovtsoff	01-01-16 to 12-31-16
Building Commissioner	Robert Horning	01-01-11 to 12-31-15
	(Vacant)	01-01-16 to 02-10-16



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

This report is supplemental to our examination report of the Town of Michiana Shores (Town), for the period from January 1, 2011 to December 31, 2014. It has been provided as a separate report so that the reader may easily identify any Examination Results and Comments that pertain to the Town. It should be read in conjunction with our Financial Statements Examination Report of the Town, which provides our opinion on the Town's financial statements. This report may be found at www.in.gov/sboa/.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Examination Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Official Response to the Examination Results and Comments, incorporated within this report, was not verified for accuracy.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

February 10, 2016

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TOWN COUNCIL
TOWN OF MICHIANA SHORES

TOWN COUNCIL
TOWN OF MICHIANA SHORES
EXAMINATION RESULTS AND COMMENTS

COLLECTION OF AMOUNTS DUE

The Town did not have a policy or procedure for collecting delinquent water and refuse fees that were billed, but remain unpaid.

The governing body of a governmental unit should have a written policy concerning a procedure for the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balances.

Documentation should exist for all efforts made by the governmental unit to collect amounts owed prior to any write-offs.

Officials or employees authorizing, directing or executing write-offs or adjustments to records which are not documented or warranted may be held personally responsible. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ORDINANCES AND RESOLUTIONS

The Town Council passed Ordinance 92-2 on September 8, 1992, which imposed a surcharge to all water users within the Town to be used exclusively for the upgrading and expansion of the water distribution system. The Town Council also passed Ordinance 92-5, an amendment to Ordinance 92-2, to establish penalties for late payment of the surcharge.

According to both ordinances, the amount to be billed per water user each year was \$75. Our examination noted that the Town billed the water users \$95 a year in 2011, 2012, and 2013. A template of the bills sent to customers on July 1, 2012, indicated that Ordinance 92-5 was the authority by which the \$95 water surcharge was billed.

Ordinance 81-4 established a refuse collection fee of \$100 per year on all residents.

In 2014, the Town billed water customers \$100 for the year, and the refuse was billed at \$95 for the year. Thus, the water customers were overcharged \$25 for the year, and the refuse customers were undercharged \$5 for the year.

The minutes of the Town Council meeting from March 8, 2011, referenced Ordinances 91-5 and 81-4 stating that the Water and Refuse rates established by these two ordinances were \$95 and \$100, respectively, per year; however, Ordinance 91-5 was not provided for examination and would have been superseded by Ordinance 92-2.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

COMPENSATION AND BENEFITS

Based upon the most current Salary Resolution in effect for 2011 and 2012, four Council members were overpaid \$70 each, or \$280 in total. The President of the Town Council was overpaid \$85 in each of those two years.

TOWN COUNCIL
TOWN OF MICHIANA SHORES
EXAMINATION RESULTS AND COMMENTS
(Continued)

On November 13, 2012, and on October 22, 2013, the Town Council passed and adopted Resolutions 2012-18 and 2013-07 stating: "The existing compensation rates and salaries for the employees, officials and servants of the Town of Michiana Shores shall continue at the most recently enacted budgeted amounts, levels and rates for the year 2013 and beyond, or until modified or amended by official action under law."

Budgets provided a line item amount that should not be exceeded, as opposed to the salaries and wages to be paid to a particular job classification.

The budgets for 2013 and 2014 indicated the salaries and wages for Council members (including the President of the Town Council) as \$8,200 and \$10,200, respectively. In 2013 and 2014, Council members were paid \$9,745, and \$9,745, with the President of the Town Council receiving \$395 in excess of the other Council members.

Since the budgets did not provide a breakdown by Council member, we could not determine if the correct rates were paid.

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)

APPROPRIATIONS

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

Year	Fund	Excess Amount Expended
2011	General	\$ 16,675
2011	Local Road and Street	9,252
2011	Motor Vehicle Highway	8,089

Year	Fund	Excess Amount Expended
2012	General	\$ 42,903
2012	Local Road and Street	7,968

Year	Fund	Excess Amount Expended
2013	General	\$ 19,999
2013	Local Road and Street	1,487

Year	Fund	Excess Amount Expended
2014	Cumulative Capital Development	\$ 7,028

TOWN COUNCIL
TOWN OF MICHIANA SHORES
EXAMINATION RESULTS AND COMMENTS
(Continued)

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."

TRANSFERS BETWEEN FUNDS

In 2011, 2012, and 2013, the Town transferred \$43,000, \$65,000, and \$65,000 from the River Boat Win Tax fund to the General fund. Also in 2013, the Town transferred \$15,000 from the Rainy Day fund to the General fund. None of the above transfers were disclosed in the minutes of the Town Council meetings or in Resolutions passed and adopted by the Town Council.

Indiana Code 36-1-8-9 states in part:

"(a) Each unit that receives:

- (1) tax revenue under IC 4-33-12-6 or IC 4-33-13;
- (2) revenue under an agreement to share the tax revenue received under IC 4-33-12 or IC 4-33-13 by another unit;
- (3) revenue under a development agreement (as defined in section 9.5 of this chapter);

may establish a riverboat fund. Money in the fund may be used for any legal or corporate purpose of the unit.

(b) The riverboat fund established under subsection (a) shall be administered by the unit's treasurer, and the expenses of administering the fund shall be paid from money in the fund. Money in the fund not currently needed to meet the obligations of the fund may be invested in the same manner as other public funds may be invested. Interest that accrues from these investments shall be deposited in the fund. Money in the fund at the end of a particular fiscal year does not revert to the unit's general fund."

Indiana Code 36-1-8-5.1(g) states:

"A county, city, or town may at any time, by ordinance or resolution, transfer to:

- (1) its general fund; or
- (2) any other appropriated funds of the county, city, or town; money that has been deposited in the rainy day fund of the county, city, or town."

CAPITAL ASSETS

The Town Council had not adopted a capitalization policy to establish a threshold for the items to be included and reported as capital assets.

The governing body should establish a capitalization policy that sets a dollar amount as a threshold to be used in determining which items will be recorded. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN COUNCIL
TOWN OF MICHIANA SHORES
EXAMINATION RESULTS AND COMMENTS
(Continued)

OFFICIAL BOND INSUFFICIENT

The meeting minutes of the Town Council did not indicate if the Town Council had fixed the amount of the Clerk-Treasurer's bond as required by statute. The amount of the surety bond provided for the Clerk-Treasurer was \$15,000, which was less than the minimum allowed provided by statute.

Indiana Code 5-4-1-18 states in part:

"(c) . . . the fiscal bodies of the respective units shall fix the amount of the bond . . . town clerk-treasurers, . . . as follows:

- (1) The amount must equal thirty thousand dollars (\$30,000) for each one million dollars (\$1,000,000) of receipts of the officer's office during the last complete fiscal year before the purchase of the bond, subject to subdivision (2).
- (2) The amount may not be less than thirty thousand dollars (\$30,000) nor more than three hundred thousand dollars (\$300,000) unless the fiscal body approves a greater amount for the officer or employee.

County auditors shall file bonds in amounts of not less than thirty thousand dollars (\$30,000), as fixed by the fiscal body of the county. The amount of the bond of any other person required to file an individual bond shall be fixed by the fiscal body of the unit at not less than fifteen thousand dollars (\$15,000)."

TOWN COUNCIL
TOWN OF MICHIANA SHORES
EXIT CONFERENCE

The contents of this report were discussed on February 10, 2016, with Joan M. Lewis, Clerk-Treasurer; Alex Sprovtsoff, President of the Town Council; and Jean V. Poulard, former President of the Town Council.

BUILDING DEPARTMENT
TOWN OF MICHIANA SHORES

BUILDING DEPARTMENT
TOWN OF MICHIANA SHORES
EXAMINATION RESULT AND COMMENT

BUILDING PERMIT COLLECTIONS

The Building Commissioner issued building permits and collected the building fees. Most of the fees were based upon square footage. Three out of the eleven permits examined did not indicate the square footage, so we could not determine if the correct fee was charged.

For two of the eleven permits examined, the method of payment noted on the permit was cash; however, checks were deposited. On one of the permits, it was indicated that cash was received but the Building Commissioner tendered a check to the Clerk-Treasurer for deposit.

Fees should only be collected as specifically authorized by statute or properly authorized resolutions or ordinances, as applicable, which are not contrary to statutory or Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Indiana Code 5-13-6-1(c) states in part:

" . . . all local officers, . . . who collect public funds of their respective political subdivisions, shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance . . . Public funds deposited under this subsection shall be deposited in the same form in which they were received."

BUILDING DEPARTMENT
TOWN OF MICHIANA SHORES
EXIT CONFERENCE

The contents of this report were discussed on February 10, 2016, with Robert Horning, Building Commissioner; Joan M. Lewis, Clerk-Treasurer; and Alex Sprovtsoff, President of the Town Council.