

**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2765**

EXAMINATION REPORT  
OF  
TOWN OF WAVELAND  
MONTGOMERY COUNTY, INDIANA  
January 1, 2004 to December 31, 2005



**FILED**  
08/09/2006



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials .....	2
Independent Accountant's Report .....	3
Schedules of Receipts, Disbursements, and Cash and Investment Balances.....	4
Notes to Schedules .....	5-6
Examination Results and Comments:	
Presigning Documents.....	7
Deposits .....	7
Fuel Allowance .....	7-8
Exit Conference .....	9

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Donna Sabolick	01-01-03 to 12-31-06
President of the Town Council	James W. Zach	01-01-04 to 12-31-06
Superintendent of the Water Utility	Mike Varvel	01-01-04 to 12-31-06



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2765

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

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF WAVELAND, MONTGOMERY COUNTY, INDIANA

We have examined the schedules of receipts, disbursements, and cash and investment balances of the Town of Waveland (Town), for the period of January 1, 2004 to December 31, 2005. The Town's management is responsible for the schedules. 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 schedule of receipts, disbursements, and cash and investment balances and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the schedules referred to above present fairly, in all material respects, the cash transactions of the Town for the years ended December 31, 2004 and 2005, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

July 20, 2006

TOWN OF WAVELAND  
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL GOVERNMENTAL, PROPRIETARY AND FIDUCIARY FUND TYPES  
As Of And For The Years Ended December 31, 2004 And 2005

	Cash and Investments 01-01-04	Receipts	Disbursements	Cash and Investments 12-31-04
Governmental Funds:				
General	\$ 6,662	\$ 62,419	\$ 32,709	\$ 36,372
Motor Vehicle Highway	33,472	15,703	19,066	30,109
Local Road and Street	9,313	2,055	-	11,368
Parks and Recreation	33,436	188,319	171,958	49,797
Law Enforcement Continuing Education	218	60	-	278
Riverboat	2,631	2,623	-	5,254
Van Grant	-	46,418	46,418	-
Lake Showerhouse Loan/Grant	-	184,401	183,048	1,353
Lake Bond and Interest	-	3,300	3,272	28
Lake Debt Service Reserve	-	200	-	200
Concert Fund 1 (2004)	-	101,838	100,743	1,095
Economic Development	25,129	126	10,000	15,255
Excess Levy	407	-	407	-
Cumulative Capital Improvement	7,593	1,552	6,025	3,120
Proprietary Funds:				
Water Utility - Operating	11,290	117,158	119,537	8,911
Water Utility - Bond and Interest	26,507	24,953	21,860	29,600
Water Utility - Customer Deposit	6,220	1,432	839	6,813
Water Utility - Improvement	41,029	10,245	20,000	31,274
Fiduciary Fund:				
Payroll	-	16,480	16,480	-
Totals	<u>\$ 203,907</u>	<u>\$ 779,282</u>	<u>\$ 752,362</u>	<u>\$ 230,827</u>

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General	\$ 36,372	\$ 41,620	\$ 37,184	\$ 40,808
Motor Vehicle Highway	30,109	14,721	11,112	33,718
Local Road and Street	11,368	2,058	2,380	11,046
Parks and Recreation	49,797	178,912	180,341	48,368
Law Enforcement Continuing Education	278	10	-	288
Riverboat	5,254	2,623	-	7,877
Van Grant	-	75,639	75,639	-
Lake Showerhouse Loan/Grant	1,353	11,250	7,357	5,246
Lake Bond and Interest	28	9,500	9,407	121
Lake Debt Service Reserve	200	201	-	401
Concert Fund 1 (2004)	1,095	14,442	15,045	492
Concert Fund 2 (2005)	-	132,344	132,344	-
Economic Development	15,255	71	4,700	10,626
Excess Levy	-	823	-	823
Cumulative Capital Improvement	3,120	1,286	3,645	761
Proprietary Funds:				
Water Utility - Operating	8,911	89,212	96,635	1,488
Water Utility - Bond and Interest	29,600	22,324	22,500	29,424
Water Utility - Customer Deposit	6,813	2,329	1,350	7,792
Water Utility - Improvement	31,274	10,184	-	41,458
Fiduciary Fund:				
Payroll	-	16,991	16,991	-
Totals	<u>\$ 230,827</u>	<u>\$ 626,540</u>	<u>\$ 616,630</u>	<u>\$ 240,737</u>

The accompanying notes are an integral part of the schedules.

TOWN OF WAVELAND  
NOTES TO SCHEDULES

Note 1. Introduction

The Town was established under the laws of the State of Indiana. The Town provides the following services: public safety, culture and recreation, water and general administrative services.

Note 2. Fund Accounting

The Town uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Town in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Ordinarily, taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. Due to the reassessment, in 2003, taxes were payable in one installment due November 10 and in 2004, taxes were payable in two installments due June 20 and November 10.

TOWN OF WAVELAND  
NOTES TO SCHEDULES  
(Continued)

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statute (IC 5-13-9) authorizes the Town to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Note 6. Long-Term Debt

The Town has entered into various debts such as bonds for water system improvements, a shower house and a loan for a police car. The outstanding principal at December 31, 2005, was \$465,000 and \$10,956, respectively.

Note 7. Fundraiser Concert

In 2004, the Town formed a committee to raise funds for the revitalization of the Town. The committee decided to hold a concert and found a promoter that said he could get John Mellencamp to perform at the event. In preparation for the concert, the committee incurred \$300,000 in expenses. A local businessman guaranteed a note for \$178,000, so the committee would have working capital. The promoter did not produce John Mellencamp and Kenny Rogers was booked as a substitute. The concert revenue was \$80,000. There is approximately \$32,000 due to vendors and \$166,000 principal outstanding on the note.

TOWN OF WAVELAND  
EXAMINATION RESULTS AND COMMENTS

PRESIGNING DOCUMENTS

Some checks were signed and left in the filing cabinet or bank binders.

Checks and receipts should be prepared timely and not signed in advance of the event or transaction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

DEPOSITS

In 40% of instances tested, receipts were deposited later than the next business day. Park receipts were not remitted to the Clerk-Treasurer daily.

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."

FUEL ALLOWANCE

One employee was given a fuel credit card to be used for fuel for his personal vehicle, which was being used for Town business. The employee did not keep a mileage log. A \$50 per month limit was set. The failure to keep a mileage log is in violation of IRS regulation and may cause the amount paid to be considered taxable wages.

The State Board of Accounts will not take exception to the use of procurement cards by a governmental unit provided the following criteria are observed:

- (1) The governing board must authorize procurement card use through an ordinance or resolution.
- (2) Issuance and use should be handled by an official or employee designated by the board.
- (3) The purposes for which the procurement card may be used must be specifically stated in the ordinance or resolution.
- (4) When the purpose for which the procurement card has been issued has been accomplished, the card should be returned to the custody of the responsible person.
- (5) The designated responsible official or employee should maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.

TOWN OF WAVELAND  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

- (6) Procurement cards should be used in conjunction with the accounting system.
- (7) Payment should not be made on the basis of a statement or a procurement card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.
- (8) If properly authorized, an annual fee may be paid.
- (9) Procurement cards shall not be used to procure cash advances or at "ATM" machine or as a debit card.
- (10) An audit trail must exist for all transaction including changes made by an "administrator."
- (11) Access to transactions in accordance with the Public Records Law, IC 5-14-3-1 et seq. as appropriate must be assured.
- (12) Procurement card agreements should not contain references to debt.
- (13) Governmental Units need to have available (if applicable) a copy of "SAS 70" audits of a sponsoring bank. (Cities and Towns Bulletin, September 2004)

Official Opinion No. 74 of 1953 (of the Attorney General) states in part: ". . . I can find no statutory authority for the payment of a fixed monthly travel allowance to municipal employees and the employment relationship does not change the fact that such a 'travel allowance' is in the nature of extra compensation to the employees involved." (Cities and Towns Bulletin, September 2002)

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)

TOWN OF WAVELAND  
EXIT CONFERENCE

The contents of this report were discussed on July 20, 2006, with Donna Sabolick, Clerk-Treasurer. The official concurred with our findings.