B33171

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

EXAMINATION REPORT

OF

TOWN OF WAVELAND

MONTGOMERY COUNTY, INDIANA

January 1, 2006 to December 31, 2007

FILED
11/06/2008

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OFFICIALS

Office	Official	Term
Clerk-Treasurer	Donna Sabolick	01-01-03 to 12-31-10
President of the Town Council	James W. Zach	01-01-06 to 02-18-08
	Lora Arts	03-03-08 to 12-31-08

STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial information presented herein of the Town of Waveland (Town), for the period of January 1, 2006 to December 31, 2007. The Town's management is responsible for the financial information presented herein. 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 information presented herein 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 financial information referred to above presents fairly, in all material respects, the financial information of the Town for the years ended December 31, 2006 and 2007, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets 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 basic financial information. They have not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

October 1, 2008

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, 2006 And 2007

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	$ 40,808	$ 41,202	$ 47,071	$ 34,939
Motor Vehicle Highway	33,718	18,100	15,537	36,281
Local Road and Street	11,046	2,013	6,000	7,059
Park and Recreation	48,368	205,075	212,033	41,410
Law Enforcement Continuing Education	288	-	-	288
Riverboat	7,877	2,618	-	10,495
Van Grant	-	55,769	55,769	-
Lake Shower House Loan/Grant	5,246	9,350	14,596	-
Lake Bond and Interest	522	9,602	9,333	791
Concert Fund 1 (2004)	492	-	492	-
Economic Development	10,626	56	-	10,682
Excess Levy	823	645	823	645
Cumulative Capital Improvement	761	1,486	1,857	390
Proprietary Funds:				
Water Utility - Operating	1,488	104,581	103,493	2,576
Water Utility - Bond and Interest	29,424	22,924	22,165	30,183
Water Utility - Customer Deposit	7,792	1,330	865	8,257
Water Utility - Improvement	41,458	166	9,183	32,441
Fiduciary Fund:				
Payroll	-	16,015	16,015	-
Totals	$ 240,737	$ 490,932	$ 515,232	$ 216,437

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	$ 34,939	$ 28,139	$ 48,102	$ 14,976
Motor Vehicle Highway	36,281	17,887	16,572	37,596
Local Road and Street	7,059	2,019	6,000	3,078
Park and Recreation	41,410	190,967	207,051	25,326
Law Enforcement Continuing Education	288	250	299	239
Riverboat	10,495	2,623	860	12,258
Van Grant	-	54,506	54,506	-
Lake Bond and Interest	791	9,558	9,355	994
Economic Development	10,682	54	-	10,736
Excess Levy	645	-	645	-
Cumulative Capital Improvement	390	1,461	1,000	851
Proprietary Funds:				
Water Utility - Operating	2,576	106,039	102,625	5,990
Water Utility - Bond and Interest	30,183	22,926	22,690	30,419
Water Utility - Customer Deposit	8,257	1,430	1,130	8,557
Water Utility - Improvement	32,441	141	10,000	22,582
Fiduciary Fund:				
Payroll	-	16,306	16,306	-
Totals	$ 216,437	$ 454,306	$ 497,141	$ 173,602

The accompanying notes are an integral part of the financial information.

TOWN OF WAVELAND
NOTES TO FINANCIAL INFORMATION

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). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively.

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 issued bonds for water system improvements and a shower house at Waveland Lake. The outstanding principal for bonds at December 31, 2007, was $442,400.

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 that 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. At July 31, 2008, the principal and interest due on the guaranteed note was $162,423. Four original members of the Town appointed committee make the payments on this note with their own money. They also make payments to a shirt vendor and the amount due on that invoice is approximately $5,000.

Note 8. Subsequent Event

The Town water system is in need of modernization and the Town would rather sell than incur debt for bringing the system up to date. The marketing committee is awaiting offers from Aqua Indiana and Indiana American Water. It is likely the Town will sell if either company offers them the appraised value.

TOWN OF WAVELAND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

For The Year Ended December 31, 2007

Capital assets are reported at actual or estimated historical cost. Contributed or donated assets are reported at estimated fair value at the time received.

Primary Government	Ending Balance
Governmental activities:	
Capital assets, not being depreciated:	
Town	
Land	$ 7,500
Machinery and equipment	43,503
Total Town capital assets	51,003
Waveland Lake	
Buildings	361,847
Machinery and equipment	404,319
Total Waveland Lake capital assets	766,166
Total governmental activities, capital assets not being depreciated	$ 817,169

Primary Government	Ending Balance
Business-type activities:	
Water Utility:	
Capital assets:	
Buildings	$ 11,000
Improvements other than buildings	57,605
Machinery and equipment	1,266,321
Total business-type activities capital assets	$ 1,334,926

TOWN OF WAVELAND
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
December 31, 2007

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:		
Lake Waveland Shower House	$ 170,400	$ 9,355
Business-type Activities:		
Water Utility		
Revenue bonds:		
Water System	$ 272,000	$ 22,240

DEPOSITS

As stated in the prior Report B27553 receipts were deposited later than the next business day. Three local tax distributions were deposited later than the next business day. In the billing test one of the ten payments tested was deposited later than the following business day.

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."

OPTICAL IMAGES OF WARRANTS

The financial institution did not return the actual cancelled checks with the monthly bank statements, but instead returned only an optical image of the front side of the checks.

Indiana Code 5-15-6-3 concerning optical imaging of checks states in part:

"(a) . . . 'original records' . . . includes the optical image of a check or deposit document when:

(1) the check or deposit document is recorded, copied, or reproduced by an optical imaging process . . . ; and

(2) the drawer of the check receives an optical image of the check after the check is processed for payment . . ."

Further, Indiana Code 26-2-8-111 states in part:

"(a) If a law requires that certain records be retained, that requirement is met by retaining an electronic record of the information in the record that:

(1) accurately reflects the information set forth in the record after it was first generated in its final form as an electronic record or otherwise: and

(2) remains accessible for later reference."

"(e) If a law requires retention of a check, that requirement is satisfied by retention of an electronic record of the information on the front and back of the check in accordance with subsection (a)."

TOWN OF WAVELAND
EXAMINATION RESULTS AND COMMENTS
(Continued)

ERRORS ON CLAIMS

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

1. Some claims were not certified by the Clerk-Treasurer.

2. Although the Town does not have an ordinance authorizing payments in advance of approval, the Clerk-Treasurer pays bills when received. She then lists the claims on a claims register which the Council signs. Claims paid did not receive approval until after they were paid.

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;

(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."

OFFICIAL POLICIES

The Town Council did not have written policies for customer deposit refunds and interest or unclaimed meter deposits.

The governing board over a water, gas, or electric utility should adopt written policies dealing with unclaimed meter deposits, bad debts, due dates, write-offs, NSF checks, etc. The governing body over a sewage utility should also adopt written collection policies for those areas not covered by statute. (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 October 1, 2008, with Donna Sabolick, Clerk-Treasurer; and Lora Arts, President of the Town Council. The officials concurred with our findings.