

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

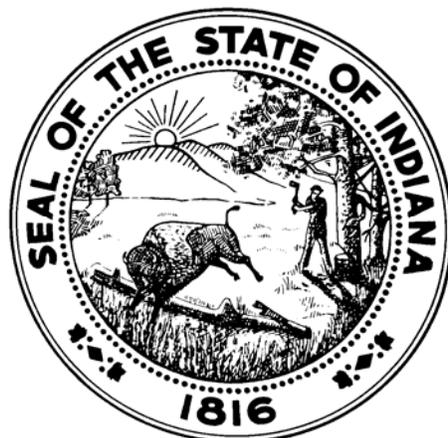
AUDIT REPORT

OF

TOWN OF BEVERLY SHORES

PORTER COUNTY, INDIANA

January 1, 2004 to December 31, 2005



**FILED**  
08/09/2006



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials.....	2
Independent Auditor's Report on Financial Statements and Supplementary Schedule of Expenditures of Federal Awards .....	3-4
Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards.....	5-6
Management's Discussion and Analysis .....	7-9
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Activities and Net Assets – Cash and Investment Basis .....	10,13
Fund Financial Statements:	
Governmental Funds:	
Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Governmental Funds.....	11,14
Fiduciary Funds:	
Statement of Additions, Deductions, and Changes in Cash and Investment Balances – Fiduciary Funds .....	12,15
Notes to Financial Statements .....	16-20
Required Supplementary Information:	
Budgetary Comparison Schedules .....	21-22
Supplementary Information:	
Combining Schedule of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Other Governmental Funds.....	23-24,26-27
Combining Schedule of Additions, Deductions, and Changes in Cash and Investment Balances – Agency Funds .....	25,28
Schedule of Capital Assets.....	29
Schedule of Long-Term Debt.....	30
Audit Results and Comments:	
Activity Not Reported .....	31
Escrow Fund .....	31
Building Permits.....	31-32
Ordinances and Resolutions.....	32
Checks Written Out of Sequence .....	33
Approval of Claims.....	33
Payroll .....	33
Appropriations.....	34
Capital Asset Records .....	34
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133 .....	36-37
Schedule of Expenditures of Federal Awards.....	38
Note to Schedule of Expenditures of Federal Awards .....	39
Schedule of Findings and Questioned Costs.....	40-41
Auditee Prepared Schedules:	
Summary Schedule of Prior Audit Findings.....	42
Corrective Action Plan.....	43
Exit Conference.....	44

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Gail Saum	01-01-04 to 12-31-07
President of the Town Council	Joan Bliss	01-01-04 to 12-31-05
	Grant Ireland	01-01-06 to 12-31-06



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS  
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF THE TOWN OF BEVERLY SHORES, PORTER COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Beverly Shores (Town), as of and for the years ended December 31, 2004 and 2005, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the Town prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, 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 respective cash and investment balances of the governmental activities, each major fund, and the aggregate remaining fund information of the Town as of December 31, 2004 and 2005, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated July 10, 2006, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Town taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS  
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
(Continued)

The Budgetary Comparison Schedules, as listed in the table of contents, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Management's Discussion and Analysis is not a required part of the basic financial statements, and we did not audit and do not express an opinion on such information. However, we have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. As a result of such limited procedures, we believe that the Management's Discussion and Analysis is not in conformity with accounting principles generally accepted in the United States because it omits extracted financial statement major sources of program and general revenues, as well as program and total disbursements. Additionally, the Management's Discussion and Analysis omits an analysis of significant budgetary variations.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The Combining Schedules, as listed in the table of contents, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not a required part of the basic financial statements. The Combining Schedules, as listed in the table of contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

July 10, 2006



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE TOWN OF BEVERLY SHORES, PORTER COUNTY, INDIANA

We have audited the financial statements of the Town of Beverly Shores (Town), as of and for the years ended December 31, 2004 and 2005, and have issued our report thereon dated July 10, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

We noted certain immaterial instances of noncompliance that we have discussed with the management of the Town on July 10, 2006. These immaterial instances of noncompliance were subsequently communicated to management in a separate letter.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Town's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as item 2005-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS  
(Continued)

internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. Of the reportable conditions described above, we consider item 2005-1 to be a material weakness.

We noted other matters involving the internal control over financial reporting that we have discussed with the management of the Town on July 10, 2006. These immaterial instances of noncompliance were subsequently communicated to management in a separate letter.

This report is intended solely for the information and use of the Town's management and federal awarding agencies and pass-through entities 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

July 10, 2006

**TOWN OF BEVERLY SHORES, INDIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL STATEMENTS FOR 2004 AND 2005**

This discussion and analysis highlights the Town of Beverly Shores financial activities for the years ending 2004 and 2005. We hope you will find this discussion helpful in assessing the town's financial condition. Please read it in conjunction with the town's financial statements and accompanying notes, which follow this discussion and analysis.

**Financial Highlights**

- The total net assets of the town at December 31, 2004 were \$2,138,267.
- The total net assets of the town at December 31, 2005 were \$1,361,296.
- The total net assets increased by \$1,436,223 in 2004.
- The town's long term debt decreased by \$208,495 in 2004.
- The town's long term debt decreased by \$429,638 in 2005.

**Basic Financial Statements**

The Governmental Accounting Standards Board (GASB) requires the town to present its financial statements in accordance with GASB Statement No. 34. This is the first year that the town's financial statements are presented in this new format so comparative data is not shown.

The basic financial statements of the Town of Beverly Shores consist of two sets:

1. Government-wide statements.
2. Fund financial statements.

*Government-wide statements* include the Statement of Cash Activities and Net Assets - Cash and Investment Basis and the Statement of Cash Activities. Government-wide statements report on two major categories of services:

- Governmental Activities, which encompass the town's basic services that are provided to its citizens.
- Business-type activities (not applicable)

Governmental activities include most of the town's basic services that are provided to its citizens, such as the general government, street, park, police and fire. Governmental activities are presented on the cash basis of accounting; in other words, receipts and expenditures are recorded in the financial statements when cash is actually received or disbursed.

*Fund financial statements*

*Fund financial statements* are broadly categorized as governmental, fiduciary, and proprietary. Financial statements are presented only for the governmental and fiduciary fund categories, as the others are not applicable.

Governmental Funds include the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Funds. These funds report what most people consider the basic government services. The Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances - Cash and Investment Balance Basis - Governmental Funds reports the four major funds separately, with all other funds combined into one total. This statement provides a detailed short-term view of the town's general government operations and the basic services it provides. This information will help you determine whether there are more or fewer financial resources that can be spent in the near future to finance the town's programs.

## Fund Analysis

In reviewing the major funds of the governmental activities the following changes were observed.

### General Fund:

Cash and Investments decreased by \$34,819 at December 31, 2004.

Cash and Investments decreased by \$4,382 at December 31, 2005.

Low cash balances resulted from the State of Indiana revising the tax laws, and implementing a freeze of the maximum levy.

### Water Tap-in Fund:

Water Tap-in Fund cash increased by \$568,879 at December 31, 2004.

Water Tap-in Fund cash decreased by \$127,618 at December 31, 2005.

The Water Tap-in Fund, a Non-Reverting Fund, was established in 2003 and is segregated from other town funds to be used for associated costs of putting a water distribution system into place. The fund was initiated with the knowledge that funding was needed before SRF loan funds became available. As of December 31, 2005 the town received 433 Tap-ins.

### Municipal Water Debt Service:

Debt Service cash increased by \$190,096 at December 31, 2004.

Debt Service cash decreased by \$13,020 at December 31, 2005.

These amounts are related to the 2003 state revolving loan that financed the town's municipal drinking water system. The 2003 debt service requirement will continue until early 2024.

### State Revolving Loan Fund:

In December of 2003 the State Revolving Fund approved a loan to the town in the amount of \$6,325,000 (with an interest rate of 3.51%) of which \$5,410,000 was received in 2004 and \$915,000 in 2005. The funds were used to finance a municipal drinking water system. Twenty (20) miles of water mains were installed during the years 2004 and 2005. The final construction cost was \$5,580,439 and an additional \$530,286 for a booster station. The engineering cost during construction was \$110,039 and \$300,000 for design. The final disbursement from this fund was made in 2005.

## Capital Assets and Long-Term Debt Activity

As of December 31, 2005, the town had \$7,061, 558 invested in capital assets, including buildings, equipment and infrastructure.

### Major capital asset additions for the governmental activities included:

- A replacement police vehicle--2005 Chevy Impala for a cost of \$18,641
- A replacement copy machine, printer, computer and software for Administration Building at the cost of \$10,307
- A replacement copy machine for the Fire Department for a cost of \$600
- The Fire Department received the following with a grant:
  - 4 Scott Air Packs for a cost of \$14,271
  - Thermal Image unit for a cost of \$8,705
  - 24 sets of Turn-out Gear for a cost of \$34,056
- Fountains were installed at Lituonica Park and at the Plaza, each fountain cost \$2,199
- The town received six land donations

### Long-term Debt Activity:

As of December 31, 2005 the town's outstanding debt consisted of the following:

- SRF loan for water \$8,306,500

- One-half of payment for Fire Truck \$23,866

### **Contacting the Town's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the town's finances and to show the town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the town Clerk-Treasurer Office at 500 S. Broadway, Beverly Shores, Indiana 46301-0038.

TOWN OF BEVERLY SHORES  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For The Year Ended December 31, 2004

<u>Functions/Programs</u>	<u>Disbursements</u>	Program Receipts			<u>Net (Disbursement) Receipt and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Primary government:					
Governmental activities:					
General government	\$ 267,352	\$ 429,230	\$ -	\$ 2,642	\$ 164,520
Public safety	265,224	129	85	-	(265,010)
Highways and streets	48,756	-	26,740	28,792	6,776
Sanitation	1,735	70,379	-	-	68,644
Health and welfare	4,541,933	-	-	-	(4,541,933)
Principle and interest on long-term debt	208,495	-	-	-	(208,495)
	<u>\$ 5,333,495</u>	<u>\$ 499,738</u>	<u>\$ 26,825</u>	<u>\$ 31,434</u>	<u>(4,775,498)</u>
Total primary government					
General receipts:					
Property taxes					638,808
Other local sources					162,915
Bonds and loans					5,410,000
					<u>6,211,723</u>
					Change in net assets 1,436,225
					702,042
					Net assets - beginning
					\$ 2,138,267
					Net assets - ending
 <u>Assets</u>					
Cash and investments					\$ 1,211,203
Restricted assets:					
Cash and investments					261,054
Cash with fiscal agent					666,010
					<u>927,267</u>
Total assets					\$ 2,138,267
 <u>Net Assets</u>					
Restricted for:					
Health and welfare					\$ 666,010
Debt service					190,096
Other purposes					70,958
Unrestricted					1,211,203
					<u>2,138,267</u>
Total net assets					\$ 2,138,267

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

TOWN OF BEVERLY SHORES  
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,  
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
GOVERNMENTAL FUNDS  
For The Year Ended December 31, 2004

	General	Water Tap In	Municipal Water Debt Service	State Revolving Loan	Other Governmental Funds	Totals
<b>Receipts:</b>						
Taxes	\$ 276,423	\$ -	\$ 381,516	\$ -	\$ 27,787	\$ 685,726
Licenses and permits	20,712	-	-	-	60	20,772
Intergovernmental	18,048	-	17,075	-	96,654	131,777
Charges for services	85,236	372,011	-	-	51	457,298
Fines and forfeits	21,650	-	-	-	18	21,668
Other	2,390	5,332	-	34,672	85	42,479
<b>Total receipts</b>	<b>424,459</b>	<b>377,343</b>	<b>398,591</b>	<b>34,672</b>	<b>124,655</b>	<b>1,359,720</b>
<b>Disbursements:</b>						
General government	208,558	19,263	-	-	-	227,821
Public safety	264,884	-	-	-	340	265,224
Highways and streets	-	-	-	-	48,756	48,756
Sanitation	1,735	-	-	-	-	1,735
Debt service:						
Principal	-	-	103,000	-	-	103,000
Interest	-	-	105,495	-	-	105,495
Capital outlay:						
General government	-	-	-	-	39,531	39,531
Health and welfare	-	-	-	4,541,933	-	4,541,933
<b>Total disbursements</b>	<b>475,177</b>	<b>19,263</b>	<b>208,495</b>	<b>4,541,933</b>	<b>88,627</b>	<b>5,333,495</b>
Excess (deficiency) of receipts over (under) disbursements	(50,718)	358,080	190,096	(4,507,261)	36,028	(3,973,775)
<b>Other financing sources (uses)</b>						
Lease (loan) proceeds	-	-	-	5,410,000	-	5,410,000
Transfers in	15,899	210,799	-	-	11,529	238,227
Transfers out	-	-	-	(236,729)	(1,498)	(238,227)
<b>Total other financing sources</b>	<b>15,899</b>	<b>210,799</b>	<b>-</b>	<b>5,173,271</b>	<b>10,031</b>	<b>5,410,000</b>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(34,819)	568,879	190,096	666,010	46,059	1,436,225
Cash and investment fund balance - beginning	43,122	592,823	-	-	66,097	702,042
Cash and investment fund balance - ending	<u>\$ 8,303</u>	<u>\$ 1,161,702</u>	<u>\$ 190,096</u>	<u>\$ 666,010</u>	<u>\$ 112,156</u>	<u>\$ 2,138,267</u>
<b>Cash and Investment Assets - December 31</b>						
Cash and investments	\$ 8,303	\$ 1,161,702	\$ -	\$ -	\$ 41,198	\$ 1,211,203
Restricted assets:						
Cash and investments	-	-	190,096	-	70,958	261,054
Cash with fiscal agent	-	-	-	666,010	-	666,010
<b>Total cash and investment assets - December 31</b>	<u>\$ 8,303</u>	<u>\$ 1,161,702</u>	<u>\$ 190,096</u>	<u>\$ 666,010</u>	<u>\$ 112,156</u>	<u>\$ 2,138,267</u>
<b>Cash and Investment Fund Balance - December 31</b>						
Restricted for:						
Health and welfare	\$ -	\$ -	\$ -	\$ 666,010	\$ -	\$ 666,010
Debt service	-	-	190,096	-	-	190,096
Other purposes	-	-	-	-	70,958	70,958
Unrestricted	8,303	1,161,702	-	-	41,198	1,211,203
<b>Total cash and investment fund balance - December 31</b>	<u>\$ 8,303</u>	<u>\$ 1,161,702</u>	<u>\$ 190,096</u>	<u>\$ 666,010</u>	<u>\$ 112,156</u>	<u>\$ 2,138,267</u>

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

TOWN OF BEVERLY SHORES  
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
FIDUCIARY FUNDS  
For The Year Ended December 31, 2004

	Agency Funds
Agency fund additions	\$ 270,945
Agency fund deductions	269,185
Excess of agency fund additions over agency fund deductions	1,760
Cash and investment fund balance - beginning	-
Cash and investment fund balance - ending	\$ 1,760

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

TOWN OF BEVERLY SHORES  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For The Year Ended December 31, 2005

<u>Functions/Programs</u>	<u>Disbursements</u>	Program Receipts			<u>Net (Disbursement) Receipt and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Primary government:					
Governmental activities:					
General government	\$ 422,282	\$ 172,454	\$ -	\$ 2,189	\$ (247,639)
Public safety	262,894	109	95	-	(262,690)
Highways and streets	45,587	-	26,138	28,884	9,435
Sanitation	6,050	77,780	-	-	71,730
Culture and recreation	-	-	2,515	-	2,515
Health and welfare	1,590,666	-	-	-	(1,590,666)
Principle and interest on long-term debt	429,638	-	-	-	(429,638)
<b>Total primary government</b>	<b><u>\$ 2,757,117</u></b>	<b><u>\$ 250,343</u></b>	<b><u>\$ 28,748</u></b>	<b><u>\$ 31,073</u></b>	<b><u>(2,446,953)</u></b>
General receipts:					
Property taxes					678,237
Other local sources					76,745
Bonds and loans					<u>915,000</u>
Total general receipts					<u>1,669,982</u>
Change in net assets					(776,971)
Net assets - beginning					<u>2,138,267</u>
Net assets - ending					<u><u>\$ 1,361,296</u></u>
 <u>Assets</u>					
Cash and investments					\$ 1,095,513
Restricted assets:					
Cash and investments					<u>265,783</u>
<b>Total assets</b>					<b><u><u>\$ 1,361,296</u></u></b>
 <u>Net Assets</u>					
Restricted for:					
Debt service					\$ 177,076
Other purposes					88,707
Unrestricted					<u>1,095,513</u>
<b>Total net assets</b>					<b><u><u>\$ 1,361,296</u></u></b>

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

TOWN OF BEVERLY SHORES  
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,  
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
GOVERNMENTAL FUNDS  
For The Year Ended December 31, 2005

	General	Water Tap In	Municipal Water Debt Service	State Revolving Loan	Other Governmental Funds	Totals
<b>Receipts:</b>						
Taxes	\$ 264,227	\$ -	\$ 400,589	\$ -	\$ 13,421	\$ 678,237
Licenses and permits	19,805	-	-	-	50	19,855
Intergovernmental	19,968	-	16,029	-	75,276	111,273
Charges for services	93,355	96,000	-	-	44	189,399
Fines and forfeits	41,075	-	-	-	15	41,090
Other	2,985	19,697	-	-	2,610	25,292
<b>Total receipts</b>	<b>441,415</b>	<b>115,697</b>	<b>416,618</b>	<b>-</b>	<b>91,416</b>	<b>1,065,146</b>
<b>Disbursements:</b>						
General government	178,967	243,315	-	-	-	422,282
Public safety	262,199	-	-	-	695	262,894
Highways and streets	-	-	-	-	45,587	45,587
Sanitation	6,050	-	-	-	-	6,050
Debt service:						
Principal	-	-	226,000	-	-	226,000
Interest	-	-	203,638	-	-	203,638
Capital outlay:						
Highways and streets	-	-	-	-	9,656	9,656
Health and welfare	-	-	-	1,581,010	-	1,581,010
<b>Total disbursements</b>	<b>447,216</b>	<b>243,315</b>	<b>429,638</b>	<b>1,581,010</b>	<b>55,938</b>	<b>2,757,117</b>
Excess (deficiency) of receipts over (under) disbursements	(5,801)	(127,618)	(13,020)	(1,581,010)	35,478	(1,691,971)
<b>Other financing sources (uses)</b>						
Lease (loan) proceeds	-	-	-	915,000	-	915,000
Transfers in	1,419	-	-	-	14,000	15,419
Transfers out	-	-	-	-	(15,419)	(15,419)
<b>Total other financing sources (uses)</b>	<b>1,419</b>	<b>-</b>	<b>-</b>	<b>915,000</b>	<b>(1,419)</b>	<b>915,000</b>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(4,382)	(127,618)	(13,020)	(666,010)	34,059	(776,971)
Cash and investment fund balance - beginning	8,303	1,161,702	190,096	666,010	112,156	2,138,267
Cash and investment fund balance - ending	<u>\$ 3,921</u>	<u>\$ 1,034,084</u>	<u>\$ 177,076</u>	<u>\$ -</u>	<u>\$ 146,215</u>	<u>\$ 1,361,296</u>
<b><u>Cash and Investment Assets - December 31</u></b>						
Cash and investments	\$ 3,921	\$ 1,034,084	\$ -	\$ -	\$ 57,508	\$ 1,095,513
Restricted assets:						
Cash and investments	-	-	177,076	-	88,707	265,783
<b>Total cash and investment assets - December 31</b>	<u>\$ 3,921</u>	<u>\$ 1,034,084</u>	<u>\$ 177,076</u>	<u>\$ -</u>	<u>\$ 146,215</u>	<u>\$ 1,361,296</u>
<b><u>Cash and Investment Fund Balance - December 31</u></b>						
Restricted for:						
Debt service	\$ -	\$ -	\$ 177,076	\$ -	\$ -	\$ 177,076
Other purposes	-	-	-	-	88,707	88,707
Unrestricted	3,921	1,034,084	-	-	57,508	1,095,513
<b>Total cash and investment fund balance - December 31</b>	<u>\$ 3,921</u>	<u>\$ 1,034,084</u>	<u>\$ 177,076</u>	<u>\$ -</u>	<u>\$ 146,215</u>	<u>\$ 1,361,296</u>

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

TOWN OF BEVERLY SHORES  
 STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 FIDUCIARY FUNDS  
 For The Year Ended December 31, 2005

	<u>Agency Funds</u>
Agency fund additions	\$ <u>265,355</u>
Agency fund deductions	<u>265,355</u>
Excess of agency fund additions over agency fund deductions	-
Cash and investment fund balance - beginning	<u>1,760</u>
Cash and investment fund balance - ending	<u><u>\$ 1,760</u></u>

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

TOWN OF BEVERLY SHORES  
NOTES TO FINANCIAL STATEMENTS

I. 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 the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, and general administrative services.

The Town's financial reporting entity is composed of the following:

Primary Government: Town of Beverly  
Shores

In determining the financial reporting entity, the Town complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

Related Organizations

The Town's officials are also responsible for appointing the members of the boards of other organizations, but the Town's accountability for these organizations does not extend beyond making the appointments. The Town appoints the board members of the Beverly Shores Building Corporation. The Beverly Shores Building Corporation was formed as a holding corporation for the purpose of obtaining a loan, so that the Building Corporation could purchase the town hall from the Town. The Building Corporation now leases the town hall to the Town via a capital lease with annual rental payments made in sufficient amounts so as to retire the loan.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities; however, there are not any business-type activities to be presented. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Town reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

TOWN OF BEVERLY SHORES  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

The water tap in fund accounts for the fees collected by the town to connect to the water lines, and pays for the related costs associated with maintaining the water service.

The municipal water debt service fund allows for a separate tax rate to be established for the payment of the debt associated with installing the water lines.

The state revolving loan fund accounts for the resources obtained to install water lines.

Additionally, the Town reports the following fund types:

Agency funds account for assets held by the Town as an agent for other governmental and private entities.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, 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 cash and investment 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. Investment transactions are not presented on the financial statements.

If the Town utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

2. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental operations are accounted for as capital outlay disbursements of the fund upon acquisition.

3. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

TOWN OF BEVERLY SHORES  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

4. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments (2) law through constitutional provisions or enabling legislations.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the Town's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance.

E. Receipts and Disbursements

Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities – Cash and Investment Basis.

TOWN OF BEVERLY SHORES  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

On or before August 31, the fiscal officer of the Town submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the Town receives approval of the Indiana Department of Local Government Finance.

The Town's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

B. Disbursements in Excess of Appropriations

For the years ended December 31, 2004 and 2005, disbursements exceeded budgeted appropriations in the following funds by the amounts below:

Fund	2004
General	\$ 276
Cumulative Capital Development	404
Total	\$ 680

These disbursements were funded by available fund balances.

III. Detailed Notes on All Funds

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds; and has a principal office or branch that qualifies to receive public funds of the political subdivision. The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

TOWN OF BEVERLY SHORES  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

B. Interfund Transfers

Interfund transfers for the years ended December 31, 2004 and 2005, were as follows:

Transfer From	Transfer To	2004	2005
State Revolving Loan	General Fund	\$ 14,401	\$ -
	Water Tap In	210,799	-
	Other Governmental	11,529	-
Other Governmental	General Fund	1,498	1,419
	Other Governmental	-	14,000
Totals		<u>\$ 238,227</u>	<u>\$ 15,419</u>

The Town typically uses transfers to fund ongoing operating subsidies and to transfer the portion of state-shared revenues from the General Fund to the debt service fund for current-year debt service requirements.

IV. Other Information

A. Risk Management

The Town is 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.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

Job Related Illnesses or Injuries to Employees

During 2003, the Town joined with other governmental entities in the Indiana Public Employers' Plan, a public entity risk pool currently operating as a common risk management and insurance program for member governmental entities. This risk pool was formed in 1990. The purpose of the risk pool is to provide a medium for the funding and administration of job related illnesses or injuries. The Town pays an annual premium to the risk pool for its job related illnesses or injuries to employees coverage. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$1,000,000 per insured event.

B. Holding Corporation

The Town has entered into a capital lease with Beverly Shores Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing water line installation. The lessor has been determined to be a related party of the Town. Lease payments for the years ended December 31, 2004 and 2005, totaled \$208,495, and \$429,638, respectively.

TOWN OF BEVERLY SHORES  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULES  
GENERAL FUND  
For The Year Ended December 31, 2004

	General Fund			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Property	\$ 260,391	\$ 260,391	\$ 276,423	\$ 16,032
Licenses and permits	5,364	5,364	20,712	15,348
Intergovernmental	29,105	29,105	18,048	(11,057)
Charges for services	59,400	59,400	85,236	25,836
Fines and forfeits	31,000	31,000	21,650	(9,350)
Other	3,000	3,000	2,390	(610)
Total revenues	<u>388,260</u>	<u>388,260</u>	<u>424,459</u>	<u>36,199</u>
Expenditures:				
Current:				
General government:				
Clerk-Treasurer	145,796	205,052	192,166	12,886
Board of Zoning Appeals	2,806	2,806	2,622	184
Plan Commission	2,716	2,716	2,622	94
Building Department	3,748	3,748	11,148	(7,400)
Total general government	<u>155,066</u>	<u>214,322</u>	<u>208,558</u>	<u>5,764</u>
Public safety:				
Fire Department	25,550	25,550	26,575	(1,025)
Police Department	232,019	232,019	238,309	(6,290)
Total public safety	<u>257,569</u>	<u>257,569</u>	<u>264,884</u>	<u>(7,315)</u>
Culture and recreation:				
Park Department	3,010	3,010	1,735	1,275
Total expenditures	<u>415,645</u>	<u>474,901</u>	<u>475,177</u>	<u>(276)</u>
Other financing sources:				
Operating transfers in	-	-	15,899	15,899
Net change in fund balances	(27,385)	(86,641)	(34,819)	51,822
Fund balances - beginning	43,122	43,122	43,122	-
Fund balances - ending	<u>\$ 15,737</u>	<u>\$ (43,519)</u>	<u>\$ 8,303</u>	<u>\$ 51,822</u>

TOWN OF BEVERLY SHORES  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULES  
GENERAL FUND  
For The Year Ended December 31, 2005

	General Fund			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Property	\$ 270,461	\$ 270,461	\$ 264,227	\$ (6,234)
Licenses and permits	20,200	20,200	19,805	(395)
Intergovernmental	24,825	24,825	19,968	(4,857)
Charges for services	82,300	82,300	93,355	11,055
Fines and forfeits	28,000	28,000	41,075	13,075
Other	1,000	1,000	2,985	1,985
Total revenues	<u>426,786</u>	<u>426,786</u>	<u>441,415</u>	<u>14,629</u>
Expenditures:				
Current:				
General government:				
Clerk-Treasurer	197,079	197,079	162,433	34,646
Board of Zoning Appeals	2,728	2,806	1,776	1,030
Plan Commission	2,828	2,828	2,805	23
Building Department	11,647	116,747	11,953	104,794
Total general government	<u>214,282</u>	<u>319,460</u>	<u>178,967</u>	<u>140,493</u>
Public safety:				
Fire Department	27,550	27,550	30,134	(2,584)
Police Department	222,946	222,946	232,065	(9,119)
Total public safety	<u>250,496</u>	<u>250,496</u>	<u>262,199</u>	<u>(11,703)</u>
Culture and recreation				
Park Department	3,010	3,010	6,050	(3,040)
Total expenditures	<u>467,788</u>	<u>572,966</u>	<u>447,216</u>	<u>125,750</u>
Other financing sources:				
Operating transfers in	-	-	1,419	1,419
Net change in fund balances	(41,002)	(146,180)	(4,382)	141,798
Fund balances - beginning	8,303	8,303	8,303	-
Fund balances - December 31	<u>\$ (32,699)</u>	<u>\$ (137,877)</u>	<u>\$ 3,921</u>	<u>\$ 141,798</u>

TOWN OF BEVERLY SHORES  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2004

	Motor Vehicle Highway	Local Road and Street	Law Enforcement Continuing Education	Rainy Day	Police Donation
Receipts:					
Taxes	\$ 12,249	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	60	-	-
Intergovernmental	29,453	28,792	-	-	-
Charges for services	-	-	51	-	-
Fines and forfeits	-	-	18	-	-
Other	-	-	-	-	85
<b>Total receipts</b>	<b>41,702</b>	<b>28,792</b>	<b>129</b>	<b>-</b>	<b>85</b>
Disbursements:					
Public safety	-	-	340	-	-
Highways and streets	14,833	33,923	-	-	-
Capital outlay:					
General government	-	-	-	-	-
<b>Total disbursements</b>	<b>14,833</b>	<b>33,923</b>	<b>340</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts over (under) disbursements	<u>26,869</u>	<u>(5,131)</u>	<u>(211)</u>	<u>-</u>	<u>85</u>
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	26,869	(5,131)	(211)	-	85
Cash and investment fund balance - beginning	<u>(25,314)</u>	<u>19,539</u>	<u>828</u>	<u>40,000</u>	<u>194</u>
Cash and investment fund balance - ending	<u>\$ 1,555</u>	<u>\$ 14,408</u>	<u>\$ 617</u>	<u>\$ 40,000</u>	<u>\$ 279</u>
<u>Cash and Investment Assets - December 31</u>					
Cash and investments	\$ -	\$ -	\$ -	\$ 40,000	\$ 279
Restricted assets:					
Cash and investments	<u>1,555</u>	<u>14,408</u>	<u>617</u>	<u>-</u>	<u>-</u>
<b>Total cash and investment assets - December 31</b>	<u>\$ 1,555</u>	<u>\$ 14,408</u>	<u>\$ 617</u>	<u>\$ 40,000</u>	<u>\$ 279</u>
<u>Cash and Investment Fund Balance - December 31</u>					
Restricted for:					
Other purposes	\$ 1,555	\$ 14,408	\$ 617	\$ -	\$ -
Unrestricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,000</u>	<u>279</u>
<b>Total cash and investment fund balance - December 31</b>	<u>\$ 1,555</u>	<u>\$ 14,408</u>	<u>\$ 617</u>	<u>\$ 40,000</u>	<u>\$ 279</u>

TOWN OF BEVERLY SHORES  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2004  
 (Continued)

	Park Plaza Gift	Cumulative Capital Improvement	Cumulative Capital Development	County Economic Development Income Tax	Totals
<b>Receipts:</b>					
Taxes	\$ -	\$ -	\$ 15,538	\$ -	\$ 27,787
Licenses and permits	-	-	-	-	60
Intergovernmental	-	2,642	712	35,055	96,654
Charges for services	-	-	-	-	51
Fines and forfeits	-	-	-	-	18
Other	-	-	-	-	85
<b>Total receipts</b>	<b>-</b>	<b>2,642</b>	<b>16,250</b>	<b>35,055</b>	<b>124,655</b>
<b>Disbursements:</b>					
Public safety	-	-	-	-	340
Highways and streets	-	-	-	-	48,756
Capital outlay:					
General government	-	2,405	33,226	3,900	39,531
<b>Total disbursements</b>	<b>-</b>	<b>2,405</b>	<b>33,226</b>	<b>3,900</b>	<b>88,627</b>
Excess (deficiency) of receipts over (under) disbursements	-	237	(16,976)	31,155	36,028
<b>Other financing sources (uses)</b>					
Transfers in	-	-	11,529	-	11,529
Transfers out	-	(1,498)	-	-	(1,498)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(1,498)</b>	<b>11,529</b>	<b>-</b>	<b>10,031</b>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	-	(1,261)	(5,447)	31,155	46,059
Cash and investment fund balance - beginning	919	1,365	28,566	-	66,097
Cash and investment fund balance - ending	<u>\$ 919</u>	<u>\$ 104</u>	<u>\$ 23,119</u>	<u>\$ 31,155</u>	<u>\$ 112,156</u>
<b><u>Cash and Investment Assets - December 31</u></b>					
Cash and investments	\$ 919	\$ -	\$ -	\$ -	\$ 41,198
Restricted assets:					
Cash and investments	-	104	23,119	31,155	70,958
<b>Total cash and investment assets - December 31</b>	<u>\$ 919</u>	<u>\$ 104</u>	<u>\$ 23,119</u>	<u>\$ 31,155</u>	<u>\$ 112,156</u>
<b><u>Cash and Investment Fund Balance - December 31</u></b>					
Restricted for:					
Other purposes	\$ -	\$ 104	\$ 23,119	\$ 31,155	\$ 70,958
Unrestricted	919	-	-	-	41,198
<b>Total cash and investment fund balance - December 31</b>	<u>\$ 919</u>	<u>\$ 104</u>	<u>\$ 23,119</u>	<u>\$ 31,155</u>	<u>\$ 112,156</u>

TOWN OF BEVERLY SHORES  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 AGENCY FUNDS  
 For The Year Ended December 31, 2004

	Payroll	Escrow	Total
Additions:			
Agency fund additions	\$ 269,185	\$ 1,760	\$ 270,945
Deductions:			
Agency fund deductions	269,185	-	269,185
Excess of total additions over total deductions	-	1,760	1,760
Cash and investment fund balance - beginning	-	-	-
Cash and investment fund balance - ending	\$ -	\$ 1,760	\$ 1,760

TOWN OF BEVERLY SHORES  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2005

	Motor Vehicle Highway	Local Road and Street	Law Enforcement Continuing Education	Rainy Day	Police Donation	Park Plaza Gift
<b>Receipts:</b>						
Taxes	\$ 1,351	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	50	-	-	-
Intergovernmental	26,192	28,884	-	-	-	-
Charges for services	-	-	44	-	-	-
Fines and forfeits	-	-	15	-	-	-
Other	-	-	-	-	95	-
<b>Total receipts</b>	<b>27,543</b>	<b>28,884</b>	<b>109</b>	<b>-</b>	<b>95</b>	<b>-</b>
<b>Disbursements:</b>						
Public safety	-	-	395	-	300	-
Highways and streets	17,033	28,554	-	-	-	-
Capital outlay:						
General government	-	-	-	-	-	-
<b>Total disbursements</b>	<b>17,033</b>	<b>28,554</b>	<b>395</b>	<b>-</b>	<b>300</b>	<b>-</b>
Excess (deficiency) of receipts over (under) disbursements	10,510	330	(286)	-	(205)	-
<b>Other financing sources (uses)</b>						
Transfers in	-	-	-	14,000	-	-
Transfers out	-	(14,000)	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(14,000)</b>	<b>-</b>	<b>14,000</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	10,510	(13,670)	(286)	14,000	(205)	-
Cash and investment fund balance - beginning	1,555	14,408	617	40,000	279	919
Cash and investment fund balance - ending	<u>\$ 12,065</u>	<u>\$ 738</u>	<u>\$ 331</u>	<u>\$ 54,000</u>	<u>\$ 74</u>	<u>\$ 919</u>
<u>Cash and Investment Assets - December 31</u>						
Cash and investments	\$ -	\$ -	\$ -	\$ 54,000	\$ 74	\$ 919
Restricted assets:						
Cash and investments	12,065	738	331	-	-	-
<b>Total cash and investment assets - December 31</b>	<u>\$ 12,065</u>	<u>\$ 738</u>	<u>\$ 331</u>	<u>\$ 54,000</u>	<u>\$ 74</u>	<u>\$ 919</u>
<u>Cash and Investment Fund Balance - December 31</u>						
Restricted for:						
Other purposes	\$ 12,065	\$ 738	\$ 331	\$ -	\$ -	\$ -
Unrestricted	-	-	-	54,000	74	919
<b>Total cash and investment fund balance - December 31</b>	<u>\$ 12,065</u>	<u>\$ 738</u>	<u>\$ 331</u>	<u>\$ 54,000</u>	<u>\$ 74</u>	<u>\$ 919</u>

TOWN OF BEVERLY SHORES  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2005  
 (Continued)

	<u>Park Donation</u>	<u>Cumulative Capital Improvement</u>	<u>Cumulative Capital Development</u>	<u>County Economic Development Income Tax</u>	<u>Totals</u>
<b>Receipts:</b>					
Taxes	\$ -	\$ -	\$ 12,070	\$ -	\$ 13,421
Licenses and permits	-	-	-	-	50
Intergovernmental	-	2,189	483	17,528	75,276
Charges for services	-	-	-	-	44
Fines and forfeits	-	-	-	-	15
Other	2,515	-	-	-	2,610
	<u>2,515</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,610</u>
<b>Total receipts</b>	<u>2,515</u>	<u>2,189</u>	<u>12,553</u>	<u>17,528</u>	<u>91,416</u>
<b>Disbursements:</b>					
Public safety	-	-	-	-	695
Highways and streets	-	-	-	-	45,587
Capital outlay:					
General government	-	874	7,720	1,062	9,656
	<u>-</u>	<u>874</u>	<u>7,720</u>	<u>1,062</u>	<u>9,656</u>
<b>Total disbursements</b>	<u>-</u>	<u>874</u>	<u>7,720</u>	<u>1,062</u>	<u>55,938</u>
Excess (deficiency) of receipts over (under) disbursements	<u>2,515</u>	<u>1,315</u>	<u>4,833</u>	<u>16,466</u>	<u>35,478</u>
<b>Other financing sources (uses)</b>					
Transfers in	-	-	-	-	14,000
Transfers out	-	(1,419)	-	-	(15,419)
	<u>-</u>	<u>(1,419)</u>	<u>-</u>	<u>-</u>	<u>(15,419)</u>
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>(1,419)</u>	<u>-</u>	<u>-</u>	<u>(1,419)</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	2,515	(104)	4,833	16,466	34,059
Cash and investment fund balance - beginning	<u>-</u>	<u>104</u>	<u>23,119</u>	<u>31,155</u>	<u>112,156</u>
Cash and investment fund balance - ending	<u>\$ 2,515</u>	<u>\$ -</u>	<u>\$ 27,952</u>	<u>\$ 47,621</u>	<u>\$ 146,215</u>
<b><u>Cash and Investment Assets - December 31</u></b>					
Cash and investments	\$ 2,515	\$ -	\$ -	\$ -	\$ 57,508
Restricted assets:					
Cash and investments	-	-	27,952	47,621	88,707
	<u>-</u>	<u>-</u>	<u>27,952</u>	<u>47,621</u>	<u>88,707</u>
<b>Total cash and investment assets - December 31</b>	<u>\$ 2,515</u>	<u>\$ -</u>	<u>\$ 27,952</u>	<u>\$ 47,621</u>	<u>\$ 146,215</u>
<b><u>Cash and Investment Fund Balance - December 31</u></b>					
Restricted for:					
Other purposes	\$ -	\$ -	\$ 27,952	\$ 47,621	\$ 88,707
Unrestricted	2,515	-	-	-	57,508
	<u>2,515</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>57,508</u>
<b>Total cash and investment fund balance - December 31</b>	<u>\$ 2,515</u>	<u>\$ -</u>	<u>\$ 27,952</u>	<u>\$ 47,621</u>	<u>\$ 146,215</u>

TOWN OF BEVERLY SHORES  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 AGENCY FUNDS  
 For The Year Ended December 31, 2005

	Payroll	Escrow	Total
Additions:			
Agency fund additions	\$ 265,355	\$ -	\$ 265,355
Deductions:			
Agency fund deductions	265,355	-	265,355
Excess of total additions over total deductions	-	-	-
Cash and investment fund balance - beginning	-	1,760	1,760
Cash and investment fund balance - ending	\$ -	\$ 1,760	\$ 1,760

TOWN OF BEVERLY SHORES  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CAPITAL ASSETS  
 For The Year Ended December 31, 2005

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

General infrastructure assets completed in the current year have been reported.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Infrastructure	\$ 6,325,000
Buildings	82,400
Improvements other than buildings	59,839
Machinery and equipment	<u>594,319</u>
 Total governmental activities, capital assets not being depreciated	 <u><u>\$ 7,061,558</u></u>

TOWN OF BEVERLY SHORES  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 For The Year Ended December 31, 2005

CAPITAL LEASES

The Town has entered into the following capital leases:

Description of Asset	Present Value of Net Minimum Lease Payments	Principal and Interest Due Within One Year
Town Hall	<u>\$ 5,996,000</u>	<u>\$ 449,000</u>
	<u>Ending Principal Balance</u>	<u>Principal and Interest Due Within One Year</u>
Governmental activities: Loans payable (Shared loan)	<u>\$ 47,875</u>	<u>\$ 13,061</u>

TOWN OF BEVERLY SHORES  
AUDIT RESULTS AND COMMENTS

ACTIVITY NOT REPORTED

A building corporation was formed for the purpose of obtaining a state revolving loan. The proceeds of this loan were then used to purchase the town hall owned by the Town of Beverly Shores, which is being leased by the Town from the building corporation. The Town used the proceeds to fund the installation of water lines. The funds were actually never disbursed by the building corporation to the Town, but were held in trust. As the invoices submitted by the Town were approved by the State for payment from the state revolving loan funds, the trustee paid the invoices to the vendors directly. Thus, since the Town did not receive or disburse the funds, the activity was not recorded in the records of the Town. The lease or loan proceeds which were not recorded by the Town totaled \$6,325,000. Officials agreed that the activity should have been recorded; so, the financial statements were adjusted.

Indiana Code 5-11-1-11 states: "There shall be kept in the office of each public officer, board, commission, agency, instrumentality, and institution in this state, a record of money collected for the public treasury, the forms and records for which, for each class of offices, shall be devised and formulated by the state board of accounts. Such records as are provided for in this section shall be public records and must be accessible to the public during regular office hours."

ESCROW FUND

The Town had established an escrow fund for the receipt of cash performance bonds. Once a project is completed, the cash bond is either returned or kept by the Town. In 2004, money was receipted into this fund that was not a cash bond, but a result of a settlement agreement. The Town should have receipted this money into the general fund.

The General Fund is the chief operating fund of the municipality. Tax revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. The general operating expenditures of the municipality are paid from the general fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 2)

BUILDING PERMITS

1. Building permit fees are based upon estimated values or costs of projects, yet not all permits show the estimated value or cost.
2. Many of the applications for building permits do not indicate the fee to be charged.
3. Many of the applications do not indicate the type of work to be performed.
4. It was indicated that the building inspector may upon inspection find that changes have been made to a project that increase the estimated value. When he finds this, he assesses additional fees.
5. When a project is estimated to cost over a certain dollar amount, a nonrefundable deposit is required prior to approving the project. Instances were found in which a deposit was required, but not paid.

TOWN OF BEVERLY SHORES  
AUDIT RESULTS AND COMMENTS  
(Continued)

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)

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)

ORDINANCES AND RESOLUTIONS

The Town has an ordinance which addresses various parking violations. The police officers issue a number of tickets addressing such violations. The back of the ticket states, "You may admit the violation of the ordinance of the Town of Beverly Shores and pay the fine. If you admit it and pay the fine, within 30 days, no further action will be taken against you. You have the right to a trial for your offense. If you want a trial, you must appear before the Clerk Treasurer and deny the violation or send a written denial to the Clerk Treasurer within 30 days. If you deny a violation or if you fail to deny or admit the violation, then the Clerk Treasurer will initiate further legal proceedings for the alleged violation, at which point the Porter County Superior Court will issue a summons for you to appear in court. Failure to appear may result in the suspension of your driver's license and/or motor vehicle registration." The Ordinance calls for a violation fee if paid within 30 days. The fee doubles when paid after the 30 days.

Some tickets issued were voided: 1) without a reason being noted; 2) based upon letters written by the person receiving the citation; or 3) because the citation was written in error. The Town Council did not authorize the voids. Additionally, if a person does not pay the ticket, a couple of letters are sent requesting payment; however, no further action is taken. Some tickets could not be located, so it is not known if the tickets were issued or not. Finally, the doubled violation fee is not always enforced if paying after the 30 day grace period.

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)

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 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)

TOWN OF BEVERLY SHORES  
AUDIT RESULTS AND COMMENTS  
(Continued)

CHECKS WRITTEN OUT OF SEQUENCE

Checks were noted as being written out of numerical sequence.

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 Cities and Towns, Chapter 7)

APPROVAL OF CLAIMS

Accounts payable vouchers (claims) or invoices attached did not always include evidence of the receipt of goods or services. Also, the Town uses an accounts payable voucher register to indicate that the Clerk-Treasurer has audited the claims and that the council has approved the claims. The form used to certify this information is a copy of the board members signatures; the council members are not signing their approval each month.

Indiana Code 5-11-10-2(a) states: "Claims against a political subdivision of the state must be approved by the officer or person receiving the goods or services, be audited for correctness and approved by the disbursing officer of the political subdivision, and, where applicable, be allowed by the governing body having jurisdiction over allowance of such claims before they are paid. If the claim is against a governmental entity (as defined in section 1.6 of this chapter), the claim must be certified by the fiscal officer."

PAYROLL

Employee service records are only maintained for the two full-time police officers. All other employees of the Town are part-time. Employee service records are not maintained on the part-time employees.

Also, some employees work in more than one capacity for the Town and are being paid from more than one department or fund. Time records maintained do not indicate the breakdown of hours among the departments.

Indiana Code 5-11-9-4 states in part: "(b) The state board of accounts shall require that records be maintained showing which hours were worked each day by officers and employees:

- (1) covered by section 1 or 2 of this chapter; and
- (2) employed by more than one (1) public agency or in more than one (1) covered position by the same public agency."

TOWN OF BEVERLY SHORES  
 AUDIT RESULTS AND COMMENTS  
 (Continued)

APPROPRIATIONS

The records presented for audit indicated the following expenditures in excess of budgeted appropriations for the year ended December 31, 2004:

Fund	Excess Amount Expended
General	\$ 276
Cumulative Capital Development	404

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."

CAPITAL ASSET RECORDS

The capital asset records maintained by the Town do not include values for donated property.

The records included items owned by the volunteer fire department, as well as some items which were either sold under lease, or removed. Additionally, water lines which were placed in service in 2005 were not included in the capital asset records. Adjustments have been made to the capital asset records to record and report these known items, but adjustments were not made for the donated property.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded in the Capital Assets Ledger. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

The records of each governmental unit should reflect land owned, its location, its acquisition date and the cost (purchase price). If the purchase price is not available, appraised value may be used. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

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Fax: (317) 232-4711  
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE TOWN OF BEVERLY SHORES, PORTER COUNTY, INDIANA

Compliance

We have audited the compliance of the Town of Beverly Shores (Town) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended December 31, 2004 and 2005. The Town's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town's compliance with those requirements.

In our opinion, the Town complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2004 and 2005.

Internal Control Over Compliance

The management of the Town is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133  
(Continued)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Town's management and federal awarding agencies and pass-through entities 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

July 10, 2006

TOWN OF BEVERLY SHORES  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For The Years Ended December 31, 2004 and 2005

Federal Grantor Agency/Pass-Through Entity Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 12-31-04	Total Federal Awards Expended 12-31-05
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>				
Pass-through Indiana Department of Environmental Management Capitalization Grants for Clean Water State Revolving Funds	66.458	DW101196 01	\$ <u>1,916,990</u>	\$ <u>705,556</u>

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

TOWN OF BEVERLY SHORES  
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town of Beverly Shores (Town) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with the Indiana Code (IC 5-11-1 et seq.), audits of Towns with populations under 5,000 shall be conducted biennially. Such audits shall include both years within the biennial period.

TOWN OF BEVERLY SHORES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	yes
Reportable conditions identified that are not considered to be material weaknesses?	none reported
Noncompliance material to financial statements noted?	no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	no
--	----

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
66.458	Capitalization Grants for Clean Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?	no
--	----

TOWN OF BEVERLY SHORES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

Section II – Financial Statement Findings

FINDING 2005-1, ACTIVITY NOT REPORTED

A building corporation was formed for the purpose of obtaining a state revolving loan. The proceeds of this loan were then used to purchase the town hall owned by the Town of Beverly Shores, which is being leased by the Town from the building corporation. The Town used the proceeds to fund the installation of water lines. The funds were actually never disbursed by the building corporation to the Town, but were held in trust. As the invoices submitted by the Town were approved by the State for payment from the state revolving loan funds, the trustee paid the invoices to the vendors directly. Thus, since the Town did not receive or disburse the funds, the activity was not recorded in the records of the Town. The lease or loan proceeds which were not recorded by the Town totaled \$6,325,000. Officials agreed that the activity should have been recorded, so the financial statements were adjusted.

Indiana Code 5-11-1-11 states: "There shall be kept in the office of each public officer, board, commission, agency, instrumentality, and institution in this state, a record of money collected for the public treasury, the forms and records for which, for each class of offices, shall be devised and formulated by the state board of accounts. Such records as are provided for in this section shall be public records and must be accessible to the public during regular office hours."

We recommended that officials use care in ensuring that all public funds are properly accounted for in the financial recordkeeping system of the Town.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

TOWN OF BEVERLY SHORES  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

# TOWN OF BEVERLY SHORES

P.O. BOX 38, BEVERLY SHORES, IN 46301-0038  
PHONE (219) 872-0046 FAX (219) 872-1983

## CORRECTIVE ACTION PLAN

July 10, 2006

### Finding Number 2005-1 ACTIVITY NOT REPORTED

Auditee Contact Person: Gail Saum

Title of Contact Person: Clerk-Treasurer

#### Description:

According to audit findings during the year 2006, the Town was found to be in violation of I.C. 5-11-1-11 regarding the State Revolving Loan fund. I.C. 5-11-1-11 states: "There shall be kept in the office of each public officer...a record of money collected for the public treasury, the forms and records for which, for each class of offices, shall be devised and formulated by the state board of accounts...."

The State Revolving Loan fund consisted of a loan that totaled \$6,325,000. This amount was expended to fund a municipal water system. The loan amount was held in a trust and was never received, or disbursed by, the Town. Records of the activity of the State Revolving Loan fund are kept in the Office of the Clerk-Treasurer. However, they are not accounted for in the approved recordkeeping system of the Town.

#### Corrective Action Planned:

The Town will transfer the records of State Revolving Loan fund to the Town's approved record keeping system.

The amount of the State Revolving Loan fund (\$6,325,000) will be included as infrastructure on the 2006 CTAR-1, part 10, Capital Assets.

Future public funds that are handled through a trust will be recorded in the approved record keeping system of the town.

#### Anticipated Completion Date:

December 31, 2006

Signed:   
Gail Saum, Clerk-Treasurer

TOWN OF BEVERLY SHORES  
EXIT CONFERENCE

The contents of this report were discussed on July 10, 2006, with Gail Saum, Clerk-Treasurer; Grant Ireland, President of the Town Council; and Joan Bliss, Town Council Member.