

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

AUDIT REPORT

OF

TOWN OF LONG BEACH

LAPORTE COUNTY, INDIANA

January 1, 2005 to December 31, 2006



FILED
11/27/2007

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Anne Heywood	01-01-04 to 12-31-07
President of the Town Council	John Hayes Dr. Robert Angelo	01-01-05 to 12-31-05 01-01-06 to 12-31-07
President of the Water Board	Pete Sinnott Thomas Rutkowski	01-01-05 to 12-31-05 01-01-06 to 12-31-07
Superintendent of Water Utility	Ronald Griffin	01-01-05 to 12-31-07
Superintendent of Street Department	David Sechrist	01-01-05 to 12-31-07
Utility Office Clerk	Barbara Stupeck	01-01-05 to 12-31-07



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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 LONG BEACH, LAPORTE COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Long Beach (Town), as of and for the years ended December 31, 2005 and 2006, 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of December 31, 2005 and 2006, 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 October 17, 2007, 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 Schedule of Funding Progress, as listed in the Table of Contents, is not a required part of the basic financial statements but is 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 Town has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

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, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts 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 Long-Term Debt has 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 it..

STATE BOARD OF ACCOUNTS

October 17, 2007



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE TOWN OF LONG BEACH, LAPORTE COUNTY, INDIANA

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Long Beach (Town), as of and for the years ended December 31, 2005 and 2006, which collectively comprise the Town's basic financial statements and have issued our report thereon dated October 17, 2007. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies or material weaknesses, as defined above.

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

Compliance and Other Matters

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 grant agreements, 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 or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management in a separate letter dated October 17, 2007.

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

October 17, 2007

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

Functions/Programs	Program Receipts			Net (Disbursement) Receipt and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Primary Government		Totals
				Governmental Activities	Business-Type Activities	
Primary government:						
Governmental activities:						
General government	\$ 321,234	\$ 80,041	\$ -	\$ (241,193)	\$ -	\$ (241,193)
Public safety	899,142	75,086	5,955	(818,101)	-	(818,101)
Highways and streets	353,650	-	66,918	(286,732)	-	(286,732)
Culture and recreation	125,476	72,092	-	(53,384)	-	(53,384)
Interest on long-term debt	77,840	-	-	(77,840)	-	(77,840)
Total governmental activities	<u>1,777,342</u>	<u>227,219</u>	<u>72,873</u>	<u>(1,477,250)</u>	<u>-</u>	<u>(1,477,250)</u>
Business-type activities:						
Water	702,092	628,480	-	-	(73,612)	(73,612)
Trash	218,000	237,285	-	-	19,285	19,285
Total business-type activities	<u>920,092</u>	<u>865,765</u>	<u>-</u>	<u>-</u>	<u>(54,327)</u>	<u>(54,327)</u>
Total primary government	<u>\$ 2,697,434</u>	<u>\$ 1,092,984</u>	<u>\$ 72,873</u>	<u>(1,477,250)</u>	<u>(54,327)</u>	<u>(1,531,577)</u>
General receipts:						
Property taxes				1,004,073	-	1,004,073
Intergovernmental revenue:						
Excise tax				26,004	-	26,004
CAGIT				81,760	-	81,760
CEDIT				117,982	-	117,982
Gaming				109,062	-	109,062
Cigarette				6,133	-	6,133
ABC				3,942	-	3,942
Other local sources				38,770	-	38,770
Loan proceeds				155,000	83,505	238,505
Unrestricted investment earnings				44,246	5,144	49,390
Total general receipts				<u>1,586,972</u>	<u>88,649</u>	<u>1,675,621</u>
Change in net assets				109,722	34,322	144,044
Net assets - beginning				<u>1,402,334</u>	<u>607,997</u>	<u>2,010,331</u>
Net assets - ending				<u>\$ 1,512,056</u>	<u>\$ 642,319</u>	<u>\$ 2,154,375</u>
<u>Assets</u>						
Cash and investments				\$ 563,748	\$ 437,451	\$ 1,001,199
Restricted assets:						
Cash and investments				<u>948,308</u>	<u>204,868</u>	<u>1,153,176</u>
Total assets				<u>\$ 1,512,056</u>	<u>\$ 642,319</u>	<u>\$ 2,154,375</u>
<u>Net Assets</u>						
Restricted for:						
Debt service				\$ 176,587	\$ -	\$ 176,587
Other purposes				771,721	204,868	976,589
Unrestricted				<u>563,748</u>	<u>437,451</u>	<u>1,001,199</u>
Total net assets				<u>\$ 1,512,056</u>	<u>\$ 642,319</u>	<u>\$ 2,154,375</u>

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

TOWN OF LONG BEACH
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	Motor Vehicle Highway	Lease for Town	Riverboat	County Economic Development Income Tax	Cumulative Capital Development	Other Governmental Funds	Totals
Receipts:								
Taxes	\$ 586,943	\$ 330,430	\$ -	\$ -	\$ 117,982	\$ 40,062	\$ 46,638	\$ 1,122,055
Licenses and permits	64,011	-	-	-	-	-	-	64,011
Intergovernmental	103,803	57,331	42	109,062	-	394	29,142	299,774
Charges for services	89,898	-	-	-	-	-	73,310	163,208
Other	63,961	2,450	-	-	10,000	-	6,605	83,016
Total receipts	908,616	390,211	42	109,062	127,982	40,456	155,695	1,732,064
Disbursements:								
General government	179,034	-	-	10,868	54,377	6	9,777	254,062
Public safety	576,636	-	-	-	268,143	-	6,712	851,491
Highways and streets	-	299,685	-	-	-	-	53,965	353,650
Culture and recreation	-	-	-	-	-	-	94,679	94,679
Debt service:								
Principal	-	-	66,672	2,662	75,786	-	-	145,120
Interest	-	-	63,828	385	13,627	-	-	77,840
Fiscal agent fees	-	-	500	-	-	-	-	500
Total disbursements	755,670	299,685	131,000	13,915	411,933	6	165,133	1,777,342
Excess (deficiency) of receipts over disbursements	152,946	90,526	(130,958)	95,147	(283,951)	40,450	(9,438)	(45,278)
Other financing sources (uses):								
Loan proceeds	-	-	-	-	155,000	-	-	155,000
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	152,946	90,526	(130,958)	95,147	(128,951)	40,450	(9,438)	109,722
Cash and investment fund balance - beginning	110,830	165,919	307,545	90,676	321,478	150,650	255,236	1,402,334
Cash and investment fund balance - ending	<u>\$ 263,776</u>	<u>\$ 256,445</u>	<u>\$ 176,587</u>	<u>\$ 185,823</u>	<u>\$ 192,527</u>	<u>\$ 191,100</u>	<u>\$ 245,798</u>	<u>\$ 1,512,056</u>
Cash and Investment Assets - December 31								
Cash and investments	\$ 263,776	\$ -	\$ -	\$ 185,823	\$ -	\$ -	\$ 114,149	\$ 563,748
Restricted assets:								
Cash and investments	-	256,445	176,587	-	192,527	191,100	131,649	948,308
Total cash and investment assets - December 31	\$ 263,776	\$ 256,445	\$ 176,587	\$ 185,823	\$ 192,527	\$ 191,100	\$ 245,798	\$ 1,512,056
Cash and Investment Fund Balance - December 31								
Restricted for:								
Debt service	\$ -	\$ -	\$ 176,587	\$ -	\$ -	\$ -	\$ -	\$ 176,587
Other purposes	-	256,445	-	-	192,527	191,100	131,649	771,721
Unrestricted	263,776	-	-	185,823	-	-	114,149	563,748
Total cash and investment fund balance - December 31	\$ 263,776	\$ 256,445	\$ 176,587	\$ 185,823	\$ 192,527	\$ 191,100	\$ 245,798	\$ 1,512,056

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

TOWN OF LONG BEACH
STATEMENT OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUNDS
As of and for the Year Ended December 31, 2005

	Water Utility	Trash Utility	Totals
Operating receipts:			
Unmetered water receipts	\$ 80,170	\$ -	\$ 80,170
Metered water receipts:			
Residential	506,472	-	506,472
Fire protection receipts	20,165	-	20,165
Penalties	2,703	-	2,703
Other water receipts	18,970	-	18,970
Flat rate receipts	-	237,074	237,074
Other	-	211	211
	<u>628,480</u>	<u>237,285</u>	<u>865,765</u>
Total operating receipts			
Operating disbursements:			
Water - operations and maintenance	17,050	-	17,050
Operations and maintenance	-	64,058	64,058
Administration and general	28,625	1,759	30,384
Salaries and wages	109,064	22,983	132,047
Employee pensions and benefits	34,375	69	34,444
Purchased water	177,413	-	177,413
Purchased power	5,108	-	5,108
Material and supplies	3,532	-	3,532
Contractual services	108,081	129,131	237,212
Transportation disbursements	2,385	-	2,385
Insurance disbursements	4,862	-	4,862
Miscellaneous disbursements	21,037	-	21,037
	<u>511,532</u>	<u>218,000</u>	<u>729,532</u>
Total operating disbursements			
Excess of operating receipts over operating disbursements	<u>116,948</u>	<u>19,285</u>	<u>136,233</u>
Nonoperating receipts (disbursements):			
Loan proceeds	83,505	-	83,505
Interest and investment receipts	5,144	-	5,144
Debt service of principal	(69,069)	-	(69,069)
Interest and investment disbursement	(6,399)	-	(6,399)
Purchase of capital assets	(115,092)	-	(115,092)
	<u>(101,911)</u>	<u>-</u>	<u>(101,911)</u>
Total nonoperating receipts (disbursements)			
Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements)	15,037	19,285	34,322
Cash and investment fund balance - beginning	<u>312,000</u>	<u>295,997</u>	<u>607,997</u>
Cash and investment fund balance - ending	<u>\$ 327,037</u>	<u>\$ 315,282</u>	<u>\$ 642,319</u>
<u>Cash and Investment Assets - December 31</u>			
Cash and investments	\$ 122,169	\$ 315,282	\$ 437,451
Restricted assets:			
Cash and investments	<u>204,868</u>	<u>-</u>	<u>204,868</u>
Total cash and investment assets - December 31	<u>\$ 327,037</u>	<u>\$ 315,282</u>	<u>\$ 642,319</u>
<u>Cash and Investment Fund Balance - December 31</u>			
Restricted for:			
Other purposes	\$ 204,868	\$ -	\$ 204,868
Unrestricted	<u>122,169</u>	<u>315,282</u>	<u>437,451</u>
Total cash and investment fund balance - December 31	<u>\$ 327,037</u>	<u>\$ 315,282</u>	<u>\$ 642,319</u>

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

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

	Agency Funds
Additions:	
Agency fund additions	\$ 23,845
Deductions:	
Agency fund deductions	27,151
Excess (deficiency) of total additions over total deductions	(3,306)
Cash and investment fund balance - beginning	(21,731)
Cash and investment fund balance - ending	\$ (25,037)

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

TOWN OF LONG BEACH
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2006

Functions/Programs	Program Receipts			Net (Disbursement) Receipt and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Total
Primary government:						
Governmental activities:						
General government	\$ 351,522	\$ 81,022	\$ -	\$ (270,500)	\$ -	\$ (270,500)
Public safety	653,747	93,520	-	(560,227)	-	(560,227)
Highways and streets	280,090	-	69,618	(210,472)	-	(210,472)
Culture and recreation	137,964	79,333	-	(58,631)	-	(58,631)
Interest on long-term debt	74,569	-	-	(74,569)	-	(74,569)
Total governmental activities	<u>1,497,892</u>	<u>253,875</u>	<u>69,618</u>	<u>(1,174,399)</u>	<u>-</u>	<u>(1,174,399)</u>
Business-type activities:						
Water	1,956,145	850,647	-	-	(1,105,498)	(1,105,498)
Trash	200,100	225,234	-	-	25,134	25,134
Total business-type activities	<u>2,156,245</u>	<u>1,075,881</u>	<u>-</u>	<u>-</u>	<u>(1,080,364)</u>	<u>(1,080,364)</u>
Total primary government	<u>\$ 3,654,137</u>	<u>\$ 1,329,756</u>	<u>\$ 69,618</u>	<u>(1,174,399)</u>	<u>(1,080,364)</u>	<u>(2,254,763)</u>
General receipts:						
Property taxes				855,734	-	855,734
Intergovernmental revenue:						
Excise tax				22,822	-	22,822
CAGIT				76,902	-	76,902
CEDIT				112,413	-	112,413
Gaming				133,247	-	133,247
Cigarette				7,089	-	7,089
ABC				3,170	-	3,170
Major moves				341,864	-	341,864
Other local sources				24,851	-	24,851
Loan proceeds				25,636	1,407,455	1,433,091
Unrestricted investment earnings				49,242	9,060	58,302
Total general receipts				<u>1,652,970</u>	<u>1,416,515</u>	<u>3,069,485</u>
Change in net assets				478,571	336,151	814,722
Net assets - beginning				<u>1,512,056</u>	<u>642,319</u>	<u>2,154,375</u>
Net assets - ending				<u>\$ 1,990,627</u>	<u>\$ 978,470</u>	<u>\$ 2,969,097</u>
<u>Assets</u>						
Cash and investments				\$ 653,669	\$ 671,092	\$ 1,324,761
Restricted assets:						
Cash and investments				<u>1,336,958</u>	<u>307,378</u>	<u>1,644,336</u>
Total assets				<u>\$ 1,990,627</u>	<u>\$ 978,470</u>	<u>\$ 2,969,097</u>
<u>Net Assets</u>						
Restricted for:						
Debt service				\$ 70,677	\$ 149,840	\$ 220,517
Other purposes				1,266,281	157,538	1,423,819
Unrestricted				<u>653,669</u>	<u>671,092</u>	<u>1,324,761</u>
Total net assets				<u>\$ 1,990,627</u>	<u>\$ 978,470</u>	<u>\$ 2,969,097</u>

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

TOWN OF LONG BEACH
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, 2006

	General	Motor Vehicle Highway	Lease for Town	Riverboat	County Economic Development Income Tax	Cumulative Capital Development	Major Moves Fund	Other Governmental Funds	Totals
Receipts:									
Taxes	\$ 446,956	\$ 259,429	\$ 25,428	\$ -	\$ 112,413	\$ 40,556	\$ -	\$ 83,365	\$ 968,147
Licenses and permits	63,893	-	-	-	-	-	-	-	63,893
Intergovernmental	93,768	66,242	662	133,247	-	1,056	331,168	28,569	654,712
Charges for services	109,206	-	-	-	-	-	-	80,776	189,982
Other	74,093	-	-	-	-	-	-	-	74,093
Total receipts	787,916	325,671	26,090	133,247	112,413	41,612	331,168	192,710	1,950,827
Disbursements:									
General government	207,682	-	-	72,347	638	-	-	-	280,667
Public safety	606,465	-	-	-	31,005	-	-	2,643	640,113
Highways and streets	-	280,090	-	-	-	-	-	-	280,090
Culture and recreation	-	-	-	-	-	-	-	105,370	105,370
Debt service:									
Principal	-	-	70,355	2,848	43,380	-	-	-	116,583
Interest	-	-	61,145	199	13,225	-	-	-	74,569
Fiscal agent fees	-	-	500	-	-	-	-	-	500
Total disbursements	814,147	280,090	132,000	75,394	88,248	-	-	108,013	1,497,892
Excess (deficiency) of receipts over disbursements	(26,231)	45,581	(105,910)	57,853	24,165	41,612	331,168	84,697	452,935
Other financing sources (uses):									
Loan proceeds	-	-	-	-	25,636	-	-	-	25,636
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(26,231)	45,581	(105,910)	57,853	49,801	41,612	331,168	84,697	478,571
Cash and investment fund balance - beginning	263,776	256,445	176,587	185,823	192,527	191,100	-	245,798	1,512,056
Cash and investment fund balance - ending	<u>\$ 237,545</u>	<u>\$ 302,026</u>	<u>\$ 70,677</u>	<u>\$ 243,676</u>	<u>\$ 242,328</u>	<u>\$ 232,712</u>	<u>\$ 331,168</u>	<u>\$ 330,495</u>	<u>\$ 1,990,627</u>
Cash and Investment Assets - December 31									
Cash and investments	\$ 237,545	\$ -	\$ -	\$ 243,676	\$ -	\$ -	\$ -	\$ 172,448	\$ 653,669
Restricted assets:									
Cash and investments	-	302,026	70,677	-	242,328	232,712	331,168	158,047	1,336,958
Total cash and investment assets - December 31	<u>\$ 237,545</u>	<u>\$ 302,026</u>	<u>\$ 70,677</u>	<u>\$ 243,676</u>	<u>\$ 242,328</u>	<u>\$ 232,712</u>	<u>\$ 331,168</u>	<u>\$ 330,495</u>	<u>\$ 1,990,627</u>
Cash and Investment Fund Balance - December 31									
Restricted for:									
Debt service	\$ -	\$ -	\$ 70,677	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 70,677
Other purposes	-	302,026	-	-	242,328	232,712	331,168	158,047	1,266,281
Unrestricted	237,545	-	-	243,676	-	-	-	172,448	653,669
Total cash and investment fund balance - December 31	<u>\$ 237,545</u>	<u>\$ 302,026</u>	<u>\$ 70,677</u>	<u>\$ 243,676</u>	<u>\$ 242,328</u>	<u>\$ 232,712</u>	<u>\$ 331,168</u>	<u>\$ 330,495</u>	<u>\$ 1,990,627</u>

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

TOWN OF LONG BEACH
STATEMENT OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUNDS
As of and for the Year Ended December 31, 2006

	Water Utility	Trash Utility	Totals
Operating receipts:			
Unmetered water receipts	\$ 108,521	\$ -	\$ 108,521
Metered water receipts:			
Residential	635,050	-	635,050
Fire protection receipts	24,000	-	24,000
Penalties	2,556	-	2,556
Other water revenue	80,520	-	80,520
Flat rate receipts	-	220,034	220,034
Other	-	5,200	5,200
	<u>850,647</u>	<u>225,234</u>	<u>1,075,881</u>
Total operating receipts			
Operating disbursements:			
Water - operations and maintenance	22,061	-	22,061
Operations and maintenance	-	9,721	9,721
Administration and general	15,028	1,523	16,551
Salaries and wages	107,550	8,503	116,053
Employee pensions and benefits	29,791	171	29,962
Purchased water	158,796	-	158,796
Purchased power	3,269	-	3,269
Material and supplies	5,814	-	5,814
Contractual services	-	180,182	180,182
Transportation disbursements	2,625	-	2,625
Insurance disbursements	8,840	-	8,840
Miscellaneous disbursements	14,045	-	14,045
	<u>367,819</u>	<u>200,100</u>	<u>567,919</u>
Total operating disbursements			
Excess of operating receipts over operating disbursements	<u>482,828</u>	<u>25,134</u>	<u>507,962</u>
Nonoperating receipts (disbursements):			
Loan proceeds	1,407,455	-	1,407,455
Interest and investment receipts	9,060	-	9,060
Debt service of principal	(71,170)	-	(71,170)
Interest and investment disbursement	(8,596)	-	(8,596)
Purchase of capital assets	(1,508,560)	-	(1,508,560)
	<u>(171,811)</u>	<u>-</u>	<u>(171,811)</u>
Total nonoperating receipts (disbursements)			
Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements)	311,017	25,134	336,151
Cash and investment fund balance - beginning	<u>327,037</u>	<u>315,282</u>	<u>642,319</u>
Cash and investment fund balance - ending	<u>\$ 638,054</u>	<u>\$ 340,416</u>	<u>\$ 978,470</u>
<u>Cash and Investment Assets - December 31</u>			
Cash and investments	\$ 330,676	\$ 340,416	\$ 671,092
Restricted assets:			
Cash and investments	<u>307,378</u>	<u>-</u>	<u>307,378</u>
Total cash and investment assets - December 31	<u>\$ 638,054</u>	<u>\$ 340,416</u>	<u>\$ 978,470</u>
<u>Cash and Investment Fund Balance - December 31</u>			
Restricted for:			
Debt service	\$ 149,840	\$ -	\$ 149,840
Other purposes	157,538	-	157,538
Unrestricted	<u>330,676</u>	<u>340,416</u>	<u>671,092</u>
Total cash and investment fund balance - December 31	<u>\$ 638,054</u>	<u>\$ 340,416</u>	<u>\$ 978,470</u>

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

TOWN OF LONG BEACH
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For The Year Ended December 31, 2006

	<u>Agency Funds</u>
Additions:	
Agency fund additions	\$ <u> -</u>
Deductions:	
Agency fund deductions	<u> -</u>
Excess of total additions over total deductions	-
Cash and investment fund balance - beginning	<u> (25,037)</u>
Cash and investment fund balance - ending	<u><u> (25,037)</u></u>

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

TOWN OF LONG BEACH
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, general administrative services, water, and trash pick up.

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

Primary Government: Town of Long Beach

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

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. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise 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.

The motor vehicle highway fund accounts for distributions from the state principally for the construction and maintenance of local roadways.

The lease for town fund accounts for property tax collections used to pay principal and interest for a capital lease for the addition and remodeling of the town hall building.

The riverboat fund accounts for resources from the State and the City of Michigan City from gambling admissions. This fund can be used for debt retirement, infrastructure, capital improvements, and other general government expenditures.

TOWN OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
(Continued)

The county economic development income tax (CEDIT) fund accounts for tax collections from the County and is used for economic development projects.

The cumulative capital development fund accounts for property taxes and can be used for capital improvements.

The major moves fund accounts for distributions from the State and can be used for capital improvements and the construction and maintenance of local roadways.

The Town reports the following major proprietary funds:

The water utility fund accounts for the operation of the water distribution system.

The trash utility fund accounts for the operation of trash collection and disposal.

Additionally, the Town reports the following fund type:

Agency funds account for assets held by the Town as an agent of the County for levy excess taxes and for the state and federal governmental agencies for payroll withholdings.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary 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, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the Town and the Utilities. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

TOWN OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
(Continued)

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating receipts of the enterprise funds are charges to customers for sales and services. Operating disbursements for enterprise funds include the cost of sales and services and administrative costs. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements. Internal service funds are used to account for activities provided to other departments or agencies primarily with the government. The Town does not have any internal service funds.

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 or proprietary fund 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 and proprietary 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.

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, or (2) law through constitutional provisions or enabling legislation.
- 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. Proprietary fund equity is classified the same as in the government-wide statements.

TOWN OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
(Continued)

E. Receipts and Disbursements

1. Program Receipts

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

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.

Government-Wide Financial Statements

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

Internal activities –The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities and Net Assets – Cash and Investment Basis.

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.

Prior to the first required publication, 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.

TOWN OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
(Continued)

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, 2005 and 2006, disbursements exceeded budgeted appropriations in the following funds by the amounts below:

Fund	2005	2006
Lease for Town	\$ 500	\$ -
Old School Community Center	10,578	5,730
Totals	\$ 11,078	\$ 5,730

These disbursements were funded by available cash balances within those funds.

C. Cash and Investment Balance Deficits

At December 31, 2005 and 2006, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines and state statute:

Fund	2005	2006
Payroll	\$ 48,882	\$ 48,882

Cash and investment deficits arose primarily from the recording of disbursements in prior years exceeding receipts, these deficits are to be repaid from future additions.

III. Detailed Notes on All Funds

A. Deposits and Investments

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 LONG BEACH
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Subsequent Event

Property Taxes

Property tax rates and levies for 2006 payable 2007 were not established by February 15th, as required by state statute due to the delay in the completion of the reassessment. Currently, tax bills have not been mailed for the spring and fall installments, normally due May 10th and November 10th, respectively. It is not yet known when the County will be billing and collecting taxes; thus it is not known as to when the Town will receive its respective tax settlements.

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; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); 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 Illness or Injuries to Employees

During 1996, the Town and Utilities joined with other governmental entities in the Indiana Public Employee's Plan, a public entity risk pool currently operating as a common risk management and insurance program for 679 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 illness or injuries to employees. The Town pays an annual premium to the risk pool for its job related illness or injuries 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. The risk pool obtains independent coverage for insured events in excess of the \$1,000,000 limit.

B. Holding Corporation

The Town has entered into a capital lease with the Long Beach Town Hall Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the Town. The lessor has been determined to be a related party of the Town. Lease payments during the years 2005 and 2006 totaled \$131,000 and \$132,000, respectively.

C. Rate Structure – Enterprise Funds

Water Utility

The current rate structure was approved by the Town Council on December 12, 2005.

TOWN OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
(Continued)

Trash Utility

The current rate structure was approved by the Town Council on December 31, 2005.

D. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Town contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the Town authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The Town's annual pension cost and related information, as provided by the actuary, is presented in this note.

Information to segregate the assets/liabilities and the actuarial study figures between the Town and the Utilities is not available.

TOWN OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 30,886
Interest on net pension obligation	(2,115)
Adjustment to annual required contribution	2,411
Annual pension cost	31,182
Contributions made	38,671
Decrease in net pension obligation	(7,489)
Net pension obligation, beginning of year	(29,179)
Net pension obligation, end of year	\$ (36,668)
Contribution rates:	
Town	6.5%
Plan members	3%
Actuarial valuation date	07-01-05
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	40 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

Actuarial Assumptions

Investment rate of return	7.25%
Projected future salary increases:	
Total	5%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	2%

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-04	\$ 29,536	131%	\$ (15,398)
	06-30-05	23,729	158%	(29,179)
	06-30-06	31,182	163%	(36,668)

TOWN OF LONG BEACH
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-04	\$ 532,209	\$ 599,651	\$ (67,442)	89%	\$ 435,946	(15%)
07-01-05	559,834	679,304	(119,470)	82%	478,533	(25%)
07-01-06	773,808	726,509	47,299	107%	533,683	9%

TOWN OF LONG BEACH
 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

	Police Grant - Vest	Grant Money Police	Rainey Day Fund	Local Road and Street	Accident Report	Firearms Training	Law Enforcement Continuing Education
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	755	5,200	-	17,155	-	-	-
Charges for services	-	-	-	-	-	-	1,218
Other	-	-	-	-	-	-	-
Total receipts	755	5,200	-	17,155	-	-	1,218
Disbursements:							
General government	-	-	-	-	-	-	-
Public safety	-	5,200	-	-	31	59	1,422
Highways and streets	-	-	-	53,965	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Total disbursements	-	5,200	-	53,965	31	59	1,422
Excess (deficiency) of receipts over disbursements	755	-	-	(36,810)	(31)	(59)	(204)
Cash and investment fund balance - beginning	-	743	45,735	120,411	485	152	3,469
Cash and investment fund balance - ending	<u>\$ 755</u>	<u>\$ 743</u>	<u>\$ 45,735</u>	<u>\$ 83,601</u>	<u>\$ 454</u>	<u>\$ 93</u>	<u>\$ 3,265</u>
<u>Cash and Investment Assets - December 31</u>							
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ 454	\$ 93	\$ 3,265
Restricted assets:							
Cash and investments	755	743	45,735	83,601	-	-	-
Total cash and investment assets - December 31	<u>\$ 755</u>	<u>\$ 743</u>	<u>\$ 45,735</u>	<u>\$ 83,601</u>	<u>\$ 454</u>	<u>\$ 93</u>	<u>\$ 3,265</u>
<u>Cash and Investment Fund Balance - December 31</u>							
Restricted for:							
Other purposes	\$ 755	\$ 743	\$ 45,735	\$ 83,601	\$ -	\$ -	\$ -
Unrestricted	-	-	-	-	454	93	3,265
Total cash and investment fund balance - December 31	<u>\$ 755</u>	<u>\$ 743</u>	<u>\$ 45,735</u>	<u>\$ 83,601</u>	<u>\$ 454</u>	<u>\$ 93</u>	<u>\$ 3,265</u>

TOWN OF LONG BEACH
 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)

	Law Enforcement County Drug Free	Park	Insurance Fire Fund	Old School Community Center	Cumulative Capital Improvement	Totals
Receipts:						
Taxes	\$ -	\$ 46,638	\$ -	\$ -	\$ -	\$ 46,638
Intergovernmental	-	1,213	-	-	4,819	29,142
Charges for services	-	750	-	71,342	-	73,310
Other	-	-	6,605	-	-	6,605
Total receipts	-	48,601	6,605	71,342	4,819	155,695
Disbursements:						
General government	-	-	-	-	9,777	9,777
Public safety	-	-	-	-	-	6,712
Highways and streets	-	-	-	-	-	53,965
Culture and recreation	-	27,317	-	67,362	-	94,679
Total disbursements	-	27,317	-	67,362	9,777	165,133
Excess (deficiency) of receipts over disbursements	-	21,284	6,605	3,980	(4,958)	(9,438)
Cash and investment fund balance - beginning	511	59,741	-	18,216	5,773	255,236
Cash and investment fund balance - ending	<u>\$ 511</u>	<u>\$ 81,025</u>	<u>\$ 6,605</u>	<u>\$ 22,196</u>	<u>\$ 815</u>	<u>\$ 245,798</u>
<u>Cash and Investment Assets - December 31</u>						
Cash and investments	\$ 511	\$ 81,025	\$ 6,605	\$ 22,196	\$ -	\$ 114,149
Restricted assets:						
Cash and investments	-	-	-	-	815	131,649
Total cash and investment assets - December 31	<u>\$ 511</u>	<u>\$ 81,025</u>	<u>\$ 6,605</u>	<u>\$ 22,196</u>	<u>\$ 815</u>	<u>\$ 245,798</u>
<u>Cash and Investment Fund Balance - December 31</u>						
Restricted for:						
Other purposes	\$ -	\$ -	\$ -	\$ -	\$ 815	\$ 131,649
Unrestricted	511	81,025	6,605	22,196	-	114,149
Total cash and investment fund balance - December 31	<u>\$ 511</u>	<u>\$ 81,025</u>	<u>\$ 6,605</u>	<u>\$ 22,196</u>	<u>\$ 815</u>	<u>\$ 245,798</u>

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

	Levy Excess	Performance Bond	Payroll	Totals
Additions:				
Agency fund additions	\$ 23,845	\$ -	\$ -	\$ 23,845
Deductions:				
Agency fund deductions	-	900	26,251	27,151
Excess (deficiency) of total additions over total deductions	23,845	(900)	(26,251)	(3,306)
Cash and investment fund balance - beginning	-	900	(22,631)	(21,731)
Cash and investment fund balance - ending	\$ 23,845	\$ -	\$ (48,882)	\$ (25,037)

TOWN OF LONG BEACH
 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, 2006

	Police Grant - Vest	Grant Money Police	Rainey Day Fund	Local Road and Street	Accident Report	Firearms Training	Law Enforcement Continuing Education
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	20,828	-	-	-
Charges for services	-	-	-	-	-	-	1,443
Total receipts	-	-	-	20,828	-	-	1,443
Disbursements:							
Public safety	-	-	-	-	-	-	2,643
Culture and recreation	-	-	-	-	-	-	-
Total disbursements	-	-	-	-	-	-	2,643
Excess (deficiency) of receipts over disbursements	-	-	-	20,828	-	-	(1,200)
Cash and investment fund balance - beginning	755	743	45,735	83,601	454	93	3,265
Cash and investment fund balance - ending	<u>\$ 755</u>	<u>\$ 743</u>	<u>\$ 45,735</u>	<u>\$ 104,429</u>	<u>\$ 454</u>	<u>\$ 93</u>	<u>\$ 2,065</u>
<u>Cash and Investment Assets - December 31</u>							
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ 454	\$ 93	\$ 2,065
Restricted assets:							
Cash and investments	755	743	45,735	104,429	-	-	-
Total cash and investment assets - December 31	<u>\$ 755</u>	<u>\$ 743</u>	<u>\$ 45,735</u>	<u>\$ 104,429</u>	<u>\$ 454</u>	<u>\$ 93</u>	<u>\$ 2,065</u>
<u>Cash and Investment Fund Balance - December 31</u>							
Restricted for:							
Other purposes	\$ 755	\$ 743	\$ 45,735	\$ 104,429	\$ -	\$ -	\$ -
Unrestricted	-	-	-	-	454	93	2,065
Total cash and investment fund balance - December 31	<u>\$ 755</u>	<u>\$ 743</u>	<u>\$ 45,735</u>	<u>\$ 104,429</u>	<u>\$ 454</u>	<u>\$ 93</u>	<u>\$ 2,065</u>

TOWN OF LONG BEACH
 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, 2006
 (Continued)

	Law Enforcement County Drug Free	Park	Insurance Fire Fund	Old School Community Center	Cumulative Capital Improvement	Totals
Receipts:						
Taxes	\$ -	\$ 83,365	\$ -	\$ -	\$ -	\$ 83,365
Intergovernmental	-	2,171	-	-	5,570	28,569
Charges for services	-	675	-	78,658	-	80,776
Total receipts	-	86,211	-	78,658	5,570	192,710
Disbursements:						
Public safety	-	-	-	-	-	2,643
Culture and recreation	-	30,140	-	75,230	-	105,370
Total disbursements	-	30,140	-	75,230	-	108,013
Excess (deficiency) of receipts over disbursements	-	56,071	-	3,428	5,570	84,697
Cash and investment fund balance - beginning	511	81,025	6,605	22,196	815	245,798
Cash and investment fund balance - ending	\$ 511	\$ 137,096	\$ 6,605	\$ 25,624	\$ 6,385	\$ 330,495
<u>Cash and Investment Assets - December 31</u>						
Cash and investments	\$ 511	\$ 137,096	\$ 6,605	\$ 25,624	\$ -	\$ 172,448
Restricted assets:						
Cash and investments	-	-	-	-	6,385	158,047
Total cash and investment assets - December 31	\$ 511	\$ 137,096	\$ 6,605	\$ 25,624	\$ 6,385	\$ 330,495
<u>Cash and Investment Fund Balance - December 31</u>						
Restricted for:						
Other purposes	\$ -	\$ -	\$ -	\$ -	\$ 6,385	\$ 158,047
Unrestricted	511	137,096	6,605	25,624	-	172,448
Total cash and investment fund balance - December 31	\$ 511	\$ 137,096	\$ 6,605	\$ 25,624	\$ 6,385	\$ 330,495

TOWN OF LONG BEACH
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For The Year Ended December 31, 2006

	Levy Excess	Payroll	Total
Additions:			
Agency fund additions	\$ -	\$ -	\$ -
Deductions:			
Agency fund deductions	-	-	-
Excess of total additions over total deductions	-	-	-
Cash and investment fund balance - beginning	23,845	(48,882)	(25,037)
Cash and investment fund balance - ending	\$ 23,845	\$ (48,882)	\$ (25,037)

TOWN OF LONG BEACH
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT

For The Year Ended December 31, 2006

The Town has entered into the following long term debt:

Description of Debt	Ending Balance	Due Within One Year
Governmental Activities:		
Capital leases:		
Town Hall	\$ 895,933	\$ 74,242
Fire Truck	156,688	15,669
Energy Savings Equipment	<u>90,046</u>	<u>34,495</u>
Total governmental activities long-term debt	<u>\$ 1,142,667</u>	<u>\$ 124,406</u>
Business-type Activities:		
Water Utility		
State revolving fund loan	\$ 1,529,136	\$ -
Loan from Michigan City	<u>104,546</u>	<u>73,335</u>
Total business-type activities	<u>\$ 1,633,682</u>	<u>\$ -</u>

** Interest only due in 2007, principal payments begin July 1, 2008

TOWN OF LONG BEACH
AUDIT RESULTS AND COMMENTS

CAPITAL ASSET RECORDS

The Town maintains departmental lists of equipment, vehicles and other assets. These lists had the following deficiencies:

1. City and Town Form 211, Capital Asset Ledger was not being used.
2. The purchase date of police vehicles was not documented, only vehicle model year was noted.
3. Disposals of assets were not listed. For example, the disposal of a squad car, sold for \$3,500 in July 2006, was not documented in the inventory lists.
4. Not all additions were listed. For example, the Town purchased a computer server for \$9,467 in March 2006, which was not listed.
5. The Trash Utility (Garbage Fund 244) does not maintain its' own inventory records, its' assets are commingled with the street department's inventory.

Officials indicated that the Town is in the process of having an outside consultant prepare a complete capital asset record; however, as of October 4, 2007, this was not completed.

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)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PERSONAL PROPERTY USE

Most employees of the Town and Utility use town cell phones during normal work hours and have access to the cell phones outside of normal work hours. A log was not presented for audit documenting business versus personal use.

Assets of the governmental unit may not be used in a manner unrelated to the functions and purposes of the governmental unit.

Whenever an item or other asset owned by the political subdivision is entrusted to an officer or employee, to be used at times outside the normal work time for business purposes, such as a cellular phone, or vehicle, a log should be maintained which clearly shows the business use. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF LONG BEACH
AUDIT RESULTS AND COMMENTS
(Continued)

ACCOUNTS PAYABLE VOUCHER DEFICIENCIES

The following deficiencies were noted in our testing of disbursements:

1. Twenty percent of the invoices reviewed were not signed to indicate that the goods were received.
2. The computer system used by the Town is an accrual based accounting application. When amounts are entered on the system for payment, the amounts are posted as an expense and corresponding accounts payable amount. Check numbers are only indicated for the accounts payable posting and not the expense portion of the entry, because technically, checks are not yet written. Then, when the checks are written, the accounts payable is eliminated, and the cash account is posted. Once again, check numbers are not indicated, because the cash account is posted in total and not individual amounts by check number. Thus, individual checks could not be traced to the posted ledgers. In order to trace a payment in the ledger, you must refer to the check register to determine the vendor, amount, and the fund and account to which the payment was posted.

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."

"(e) The certification provided for in subsection (c)(4) must be on a form prescribed by the state board of accounts."

The computerized accounting system must maintain electronic audit trails sufficient to trace all transactions from original source of entry into the system, through all system processing, and to the results produced by the system. The audit trails must also maintain sufficient information to trace all transactions from the final results produced by the system, through all system processing, and to the original source of entry into the system. These audit trails must be protected from modification and deletion. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF LONG BEACH
AUDIT RESULTS AND COMMENTS
(Continued)

SALARY ORDINANCE

Salaries and wages for the Street Department, Water Utility, and Community Center employees were not set by ordinance.

All compensation and benefits paid to officials and employees must be included in the salary ordinance adopted by the legislative body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PAYROLL

1. The seven employee service records provided for audit were not maintained properly. These service records were not updated to account for leave time earned, used, and cumulative balances. The employee's hire date and/or job classification was not indicated on the record.
2. A part-time employee is paid above the rate established by Salary Ordinance 0601. For this employee's job category, the rate of \$9.00 per hour was established; however, \$10.00 per hour was paid.
3. One employee was underpaid \$179.92 in longevity for 2006.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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)

This form, Employee Service Record (General Form 99A), must be kept by each office or department for each employee in order to properly prepare "Payroll Schedule and Voucher, General Form 99." It records the hours or days worked, sick leave, vacation and days lost. It may also be used to comply with the requirements of IC 5-11-9-4 regarding recording hours worked each day by an employee. It is suggested that these be arranged alphabetically in a binder. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 4)

PAYROLL FUND – WITHHOLDINGS

In 2005 and 2006, the Payroll Fund was not used to account for payroll transactions. At December 31, 2005 and 2006, the Payroll Fund has a negative balance of \$48,882. This Fund has been dormant since December 31, 2003. In the prior audit report the negative balance was attributed to the employer's share of payroll taxes and retirement contributions being paid directly from the Payroll Fund. Other governmental funds did not transfer their allocation into the Payroll Fund prior to disbursement. Officials should further research the source of the deficit and correct by transferring the appropriate amounts from each of the related funds.

TOWN OF LONG BEACH
AUDIT RESULTS AND COMMENTS
(Continued)

Payroll deductions will be accumulated in the payroll fund, and then disbursed from this fund at the proper time to the various receiving agencies by payroll warrants. It is suggested, the payroll fund ledger sheet is supported by subsidiary ledger sheets for each type of payroll deduction, in order to see that no unidentified balance is allowed to accumulate in the payroll fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 3)

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

APPROPRIATIONS OVERSPENT

The following expenditures were in excess of budgeted appropriations:

Fund	2005	2006
Lease for Town	\$ 500	\$ -
Old School Community Center	10,578	5,730
Totals	\$ 11,078	\$ 5,730

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."

RECEIPTS NOT WRITTEN - COMMUNITY CENTER

Officials collecting money for facility rentals, sweatshirts, posters and Pepsi machine proceeds, did not always write receipts. Receipts were written for less than 1% of the collections remitted to the Clerk-Treasurer's office. Collections remitted to the Clerk-Treasurer's office were \$67,087 and \$81,674 for 2005 and 2006, respectively.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment.

Public funds deposited should be deposited in the same form in which they were received. This simply means all daily receipts received by the political subdivision should be deposited intact. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PUBLIC PURCHASE - FIRE TRUCK

In 2005, the Town purchased a fire truck for \$300,000 (including installed equipment) through a lease purchase agreement without using the bid process for the purchase.

The State Board of Accounts is of the audit position that in purchasing a computer or any other equipment from public funds, the appropriate purchasing authority of a city or town has the right to enter into a rental with option to purchase agreement if the rental charge is fair and reasonable.

TOWN OF LONG BEACH
AUDIT RESULTS AND COMMENTS
(Continued)

However, before such an agreement is entered into, there must be a sufficient appropriation balance available for payment of the current year's rental charge. The agreement should not obligate the city or town for payment of rental beyond the current year's appropriation. Provision may be made in the agreement for renewal for succeeding years by rental payments subject to appropriations being available.

If the original gross cost of the equipment (without consideration of any trade-in) exceeds seventy-five thousand dollars (\$75,000), the purchasing agency must comply with the "Public Purchases Law", IC 5-22 (certain exceptions exist), by advertising for the bids and by awarding with reasonable promptness by written notice a contract to the lowest responsible and responsive bidder. Only by awarding a contract pursuant to IC 5-22 would the city or town have authority to purchase the equipment at a later date. A lease-purchase agreement will often contain an option to purchase at the end of the lease term for nominal consideration or no additional consideration.

The specifications for the equipment must be recognized standard specifications to allow competitive bidding and should provide for the bidder to quote the total purchase cost, the rental charge to be made, and the percentage of the amount of the rental charge that will be credited toward the purchase cost should the city or town exercise the option to purchase. Any interest or carrying charges must be made a part of the original bid price without specific reference made thereto. (City and Towns Bulletin and Uniform Compliance Guidelines, March, 2000)

VOLUNTEER FIRE DEPARTMENT CONTRACT

The Town pays for varying expenses of the Long Beach Volunteer Fire Department, a not for profit organization, without a contractual agreement. In 2005, the Town entered into a lease purchase agreement for a fire truck and paid other expenses of the Long Beach Volunteer Fire Department for a total of \$164,238. In 2006, the Town paid \$43,483 for expenses of the Volunteer Fire Department, such as gas and diesel fuel, supplies, clothing allowance, electronics, equipment, and equipment maintenance.

The Town has entered into a contract with a neighboring community to provide fire protection services. However, these services would be provided by the Long Beach Volunteer Fire Department, a legally separate entity. The Town received \$9,250 and \$9,550 for 2005 and 2006, respectively.

The Town's Code of Ordinances regarding the Voluntary Fire Department, section 33.33 (A), states in part: "The Department (Volunteer Fire Department) shall be equipped with such apparatus and other equipment as may be required, . . . that may be necessary to fulfill the obligation of emergency medical services, and other services for which the Department may contract with the Town."

The Town's Code of Ordinances regarding the Voluntary Fire Department, section 33.33 (F), states in part: "The Fire Department is authorized to enter into agreements or contracts with nearby incorporated communities or governing bodies of other organizations, to provide the members of such communities or organizations with fire protection or to establish a mutual aid system with the approval by the Town Council."

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)

Indiana Code 36-8-12-3 authorizes cities and towns to enter into agreements with one or more volunteer fire companies that maintain adequate firefighting service for the use and operation of firefighting apparatus and equipment owned by the volunteer fire company, including the service of operators of the apparatus and equipment.

TOWN OF LONG BEACH
AUDIT RESULTS AND COMMENTS
(Continued)

Indiana Code 36-8-12-4 states the contract must provide an amount determined by negotiation between the municipality and volunteer fire company. The consideration must include the amounts the unit is required to pay under this chapter for insurance premiums and clothing, automobile, and other allowances.

Indiana Code 36-8-12-5, Sec. 5 (a), states:

"Unless otherwise provide by contract, a unit served by a volunteer fire department shall pay to each active and participating member of the department:

- (1) a clothing allowance of not less than one hundred dollars (\$100) per year; and
- (2) an automobile allowance of not less than one hundred dollars (\$100) per year for the use of the member's automobile in the line of duty.

ACCIDENT REPORT AND HANDGUN PERMIT FEES

As noted in the prior audit, accident reports and handgun permit fees should be receipted into the Law Enforcement Continuing Education (LECE) Fund and not the General Fund. As of August 17, 2007, the General Fund owes the LECE Fund \$173. This is for accident report and handgun permit fees as follows, \$30 for 2005, \$75 for 2006, and \$68 for 2007.

Indiana Code 9-29-11-1 states that the main department, office, agency, or other person under whose supervision a law enforcement officer carries on the law enforcement officers' duties may charge a fee that is fixed by ordinance of the fiscal body in an amount not less than three dollars (\$3) for each report. The fee collected shall be deposited in the local law enforcement continuing education fund.

Indiana Code 35-47-2-3 states in part:

"(b) The law enforcement agency which accepts an application for a handgun license shall collect the following application fees:

- (1) From a person applying for a four (4) year handgun license, a ten dollar (\$10) application fee, five dollars (\$5) of which shall be refunded if the license is not issued.
- (2) From a person applying for a lifetime handgun license who does not currently possess a valid Indiana handgun license, a fifty dollar (\$50) application fee, thirty dollars (\$30) of which shall be refunded if the license is not issued.
- (3) From a person applying for a lifetime handgun license who currently possesses a valid Indiana handgun license, a forty dollar (\$40) application fee, thirty dollars (\$30) of which shall be refunded if the license is not issued."

"(h) If the law enforcement agency that charges a fee under subsection (b) is a city or town law enforcement agency, the fee shall be deposited in the law enforcement continuing education fund established under IC 5-2-8-2."

TOWN OF LONG BEACH
AUDIT RESULTS AND COMMENTS
(Continued)

POLICE DEPARTMENT DEPOSITS

As stated in the prior two audits, police receipts for accident reports and handgun permits were deposited with the Clerk-Treasurer four or five times per year. Some receipts were deposited as much as 100 days after receipt.

Receipts and fees collected by a police department should be remitted to the clerk-treasurer or city controller at least once each week. (Cities and Towns Bulletin and Uniform Compliance Guidelines, September 2003)

GUARANTEED ENERGY SAVINGS CONTRACT

In 1999, the Town of Long Beach entered into a guaranteed energy savings contract, for 10 years, with Exelon Services, Inc., formerly known as American Energy Conservation, Inc. The contract guaranteed an annual savings in the amount of \$41,921 annually, once they installed a heating and air conditioning system and replaced the windows. The energy monitoring and reporting was to be performed by American Energy Conservation, Inc. The Town agreed to pay the cost of the monitoring, reporting and bonding to American Energy Conservation, Inc., in the amount of \$120 per year for the 10 years. In reviewing the Town's records, this \$120 payment could not be found for the years 2005 and 2006. The Town received annual reports for the period November 14, 2004 through November 13, 2006, on September 19, 2007. These reports contain the same information as prior years. For example, energy costs saved \$619, energy cost savings guaranteed \$1,158, operating costs saved \$41,921, operating cost savings guaranteed \$41,921, total costs saved \$41,302 and total costs guaranteed \$40,763. These reports did not contain any supporting documentation for the figures reported.

Indiana Code 36-1-12.5-3 states in part:

"(2) After June 30, 1999, the term means a person that satisfies all of the following: . . .

(D) The person provides:

- (i) monitoring for the facility performance guarantee; and
- (ii) service personnel under the person's direct employment and supervision; for the duration of the contract's guarantee."

Indiana Code 36-1-12.5-5 states in part:

"(d) An agreement to participate in a utility energy efficiency program or guaranteed energy savings contract under this section must provide that: . . .

(3) in the case of the guaranteed energy savings contract:

(A) the:

- (i) savings in energy and water consumption costs, wastewater usage costs, and other operating costs; and

TOWN OF LONG BEACH
AUDIT RESULTS AND COMMENTS
(Continued)

- (ii) increase in billable revenues; due to the conservation measures are guaranteed to cover the costs of the payments for the measures; and
- (B) the qualified provider will reimburse the school corporation or political subdivision for the difference between the guaranteed savings and the actual savings; and . . ."

TOWN OF LONG BEACH
OTHER REPORT

The annual report presented herein was prepared in addition to another official report prepared for the Utilities listed below:

Water and Trash Utilities

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
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 LONG BEACH, LAPORTE COUNTY, INDIANA

Compliance

We have audited the compliance of the Town of Long Beach (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, 2005 and 2006. The Town's major federal program is 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 of America; 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 its major federal program for the years ended December 31, 2005 and 2006.

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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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)

A control deficiency in a Town's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies or material weaknesses, as defined above.

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

October 17, 2007

TOWN OF LONG BEACH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended December 31, 2005 and 2006

Federal Grantor Agency/Pass-Through Entity Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 12-31-05	Total Federal Awards Expended 12-31-06
<u>U.S. DEPARTMENT OF JUSTICE</u>				
Pass-through Indiana Criminal Justice Institute Local Law Enforcement Block Grant Program	16.592	2003-LB-BX-1698	\$ 5,200	\$ -
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>				
Pass-through Indiana Department of Environmental Management Capitalization Grants for Clean Water State Revolving Funds	66.458	DW05124601	<u>54,513</u>	<u>845,153</u>
Total federal awards expended			<u>\$ 59,713</u>	<u>\$ 845,153</u>

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

TOWN OF LONG BEACH
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town of Long Beach (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 LONG BEACH
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? no
 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

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

TOWN OF LONG BEACH
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

TOWN OF LONG BEACH
EXIT CONFERENCE

The contents of this report were discussed on October 17, 2007, with Anne Heywood, Clerk-Treasurer; and Dr. Robert Angelo, President of the Town Council. The official response has been made a part of this report and may be found on pages 49 and 50.



ANNE HEYWOOD
Clerk-Treasurer

TOWN HALL - STOP 24
Long Beach, IN 46360-1614
TELEPHONE 874-6616

November 9, 2007

Mr. Bruce Hartman
State Board of Accounts
302 W. Washington St., Room E418
Indianapolis, IN 46204-2765

RE: Town of Long Beach Clerk-Treasurer's Office recent audit of 2005 & 2006

This correspondence is in response to the recent 2005 & 2006 findings and comments from the State Board of Accounts regarding its audit of Town of Long Beach Clerk Treasurer's Office for the periods of January 1, 2005 to December 31, 2006.

On October 17, 2007, State Board of Accounts' representatives met with me, and the President of the town council to discuss the contents of their report and the following responses are hereby submitted.

CAPTIAL ASSETS RECORDS
(Response)

The State Board of Account noted there were few deficiencies listed in the recording of town assets. The departments were not using a form #211, each department were doing their own spreadsheets, but lacked dates of purchase or missing disposal dates. The police keep separate folders on each vehicle where it states the date of purchase and date of disposal.

ACCOUNTS PAYABLE VOUCHER

The invoices were not signed to show goods were received, we explained that the department heads always indicated by the appropriation number that goods were received. We have asked each department to sign the invoices next to the appropriation number in the future to acknowledge the goods were received.

The State would also like to have another report generated to trace check numbers, this report is already in the system, under accounts payable table lists, check history it can be pulled up by month, check number, date or vendor.



TOWN COUNCIL

ROBERT S. ANGELO
HENRY BAUSBACK
MARY LOU MCFADDEN
ROBERT SCHAEFER
JOHN P. HAYES

SALARY ORDINANCE

The director of the community center was missing on the salary ordinance, which was just a clerical oversight and will be taken care of.

APPROPRIATIONS OVERSPENT

Community Center Fund expenditures exceeded budget for 2005 and 2006. I did not do additional appropriations to this fund because no tax dollars were used. I will comply with the procedure even thou it's "cash in - cash out". As for the lease for the town, when doing the budget with the DLGF the fee to the Holding Company was an oversight on both parties and was corrected.

RECEIPTS NOT WRITTEN

Community Center Director submits a computer ledger of all checks and cash received with every deposit to the town. It was asked that we keep a carbon receipt ledger. This has already been corrected.

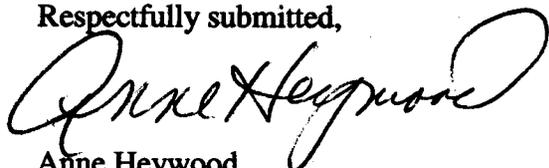
PUBLIC PURCHASE – FIRE TRUCK

In 2005 the fire department purchased a fire truck for \$300,000 (including installed equipment). The Fire Chief had initiated the purchase and should have advertised for bids because the cost exceeded \$75,000.00. The Fire Chief will be advised on procedures for future purchases.

VOLUNTEER FIRE DEPARTMENT CONTRACT

In the last audit from 2004 it was stated that the towns contract with the fire department needed to be updated. The Council President and Fire Chief during 2005 neglected to follow thru. I will oversee this project, making sure that the appropriate parties handle this situation.

Respectfully submitted,



Anne Heywood
Clerk-Treasurer