

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

FINANCIAL STATEMENTS REVIEW REPORT

OF

TOWN OF MICHIANA SHORES

LAPORTE COUNTY, INDIANA

January 1, 2015 to December 31, 2018



**FILED**  
11/12/2019



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Joan M. Lewis	01-01-15 to 12-31-19
President of the Town Council	Jean V. Poulard	01-01-15 to 12-31-15
	Alex Sprovtsoff	01-01-16 to 12-31-16
	Richard A. Young	01-01-17 to 12-31-17
	Pam A. Dubie	01-01-18 to 12-31-19



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

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

We have reviewed the accompanying financial statements of the Town of Michiana Shores (Town), for the period of July 1, 2015 to June 30, 2018. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Town's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with a regulatory basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6); which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. This includes determining that the basis of accounting the Town uses is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements whether due to fraud or error.

***Accountant's Responsibility***

Our responsibility is to conduct the review engagement in accordance with *Statements on Standards for Accounting and Review Services* promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with the prescribed basis of accounting described in Note 1. We believe that the results of our procedures provide a reasonable basis for our conclusion.


INDEPENDENT ACCOUNTANT'S REVIEW REPORT  
(Continued)

***Accountant's Conclusion***

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with the prescribed basis of accounting described in Note 1.

***Basis of Accounting***

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our conclusion is not modified with respect to this matter.

  
Paul D. Joyce, CPA  
State Examiner

September 25, 2019

## FINANCIAL STATEMENTS AND ACCOMPANYING NOTES

The financial statements and accompanying notes were approved by management of the Town. The financial statements and notes are presented as intended by the Town.

TOWN OF MICHIANA SHORES  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
For the Years Ended December 31, 2015 and 2016

Fund	Cash and Investments			Cash and Investments			Cash and Investments		
	01-01-15	Receipts	Disbursements	12-31-15	Receipts	Disbursements	12-31-16		
General Fund	\$ 55,569	\$ 167,003	\$ 157,978	\$ 64,594	\$ 140,313	\$ 155,794	\$ 49,113		
Motor Vehicle Highway	10,980	18,411	5,019	24,372	15,924	8,040	32,256		
Local Road & Street	(6,053)	6,225	4,997	(4,825)	6,282	2,569	(1,112)		
Refuse Collection	4,487	53,580	43,259	14,808	44,133	45,918	13,023		
Riverboat	93,759	43,206	250	136,715	50,614	36,148	151,181		
Park & Recreation	19,896	17,455	5,406	31,945	13,072	15,032	29,985		
Non-Reverting Building Department User Fee	-	-	-	-	1,149	1,074	75		
Rainy Day	(6,567)	20,497	3,555	10,375	-	1,723	8,652		
LOIT Special Distribution	-	-	-	-	9,009	9,600	(591)		
Cummulative Capital Improvement	12,536	786	-	13,322	375	1,143	12,554		
Cummulative Capital Development	19,605	68,842	51,800	36,647	45,067	75,000	6,714		
CEDIT	78,380	22,765	29,300	71,845	20,909	-	92,754		
Leaf Pickup Fund	868	-	-	868	-	-	868		
Payroll	424	32,520	28,929	4,015	32,767	30,393	6,389		
Cell Tower	178,959	-	-	178,959	-	4,500	174,459		
Grant Fund - Public Land Resource Management Plan	-	-	-	-	-	6,047	(6,047)		
Water Main Surcharge	161,518	14,983	157,266	19,235	1,389	3,335	17,289		
Totals	<u>\$ 624,361</u>	<u>\$ 466,273</u>	<u>\$ 487,759</u>	<u>\$ 602,875</u>	<u>\$ 381,003</u>	<u>\$ 396,316</u>	<u>\$ 587,562</u>		

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

TOWN OF MICHIANA SHORES  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
For the Years Ended December 31, 2017 and 2018

Fund	Cash and Investments			Cash and Investments			Cash and Investments		
	01-01-17	Receipts	Disbursements	12-31-17	Receipts	Disbursements	12-31-18		
General Fund	\$ 49,113	\$ 161,860	\$ 173,233	\$ 37,740	\$ 150,551	\$ 130,189	\$ 58,102		
Motor Vehicle Highway	32,256	17,029	9,434	39,851	20,587	10,954	49,484		
Local Road and Street	(1,112)	7,375	2,910	3,353	9,975	4,894	8,434		
Refuse Collection	13,023	46,294	46,825	12,492	50,995	47,087	16,400		
Riverboat	151,181	40,316	-	191,497	36,569	47,514	180,552		
Park and Recreation	29,985	11,388	26,879	14,494	18,181	9,536	23,139		
Non Reverting Building Department User Fee	75	8,306	6,441	1,940	7,936	7,233	2,643		
Rainy Day	8,652	-	-	8,652	-	-	8,652		
LOIT Special Distribution	(591)	-	-	(591)	-	-	(591)		
Levy Excess Fund	-	1,251	-	1,251	-	-	1,251		
Cumulative Capital Improvement	12,554	362	-	12,916	-	-	12,916		
Cumulative Capital Development	6,714	46,210	50,000	2,924	42,531	33,248	12,207		
CEDIT	92,754	23,185	22,160	93,779	23,651	18,945	98,485		
Leaf Pickup Fund	868	-	868	-	-	-	-		
Payroll	6,389	42,483	39,495	9,377	50,275	46,501	13,151		
Cell Tower	174,459	170	24,950	149,679	-	10,000	139,679		
Grant Fund - Public Land Resource Management Plan	(6,047)	4,750	125	(1,422)	5,001	128	3,451		
Water Main Surcharge	17,289	148	-	17,437	220	-	17,657		
Totals	<u>\$ 587,562</u>	<u>\$ 411,127</u>	<u>\$ 403,320</u>	<u>\$ 595,369</u>	<u>\$ 416,472</u>	<u>\$ 366,229</u>	<u>\$ 645,612</u>		

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

TOWN OF MICHIANA SHORES  
NOTES TO FINANCIAL STATEMENTS

**Note 1. 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 some or all of 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, wastewater, electric, gas, storm water, trash, aviation, and urban redevelopment and housing.

The accompanying financial statements present the financial information for the Town.

*B. Basis of Accounting*

The financial statements are reported on a regulatory basis of accounting prescribed by the Indiana State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

The regulatory 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.

*C. Cash and Investments*

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

*D. Receipts*

Receipts are presented in the aggregate on the face of the financial statements. The aggregate receipts include the following sources:

*Taxes.* Amounts received from one or more of the following: property tax, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeeper's tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the Town.

*Licenses and permits.* Amounts received from businesses, occupations, or non-businesses that must be licensed before doing business within the government's jurisdiction, or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include the following: peddler licenses, animal licenses, auctioneer licenses, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

TOWN OF MICHIANA SHORES  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

*Intergovernmental receipts.* Amounts received from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of intergovernmental receipts include, but are not limited to, the following: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distributions received from the state, local road and street distributions received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

*Charges for services.* Amounts received for services including, but not limited to, the following: planning commission charges, building department charges, copies of public records, copy machines charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable TV receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

*Fines and forfeits.* Amounts received from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

*Other receipts.* Amounts received from various sources, including, but not limited to, the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution, or court order; internal service receipts; and fiduciary receipts.

**E. Disbursements**

Disbursements are presented in the aggregate on the face of the financial statements. The aggregate disbursements include the following uses:

*Personal services.* Amounts disbursed for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

*Supplies.* Amounts disbursed for articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include, but are not limited to, the following: office supplies, operating supplies, and repair and maintenance supplies.

*Other services and charges.* Amounts disbursed for services including, but not limited to, the following: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

*Capital outlay.* Amounts disbursed for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

*Other disbursements.* Amounts disbursed for various other purposes including, but not limited to, the following: interfund loan payments; loans made to other funds; internal service disbursements; and transfers out that are authorized by statute, ordinance, resolution, or court order.

TOWN OF MICHIANA SHORES  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

*F. Interfund Transfers*

The Town may, from time to time, make transfers from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

*G. Fund Accounting*

Separate funds are established, maintained, and reported by the Town. Each fund is used to account for amounts received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the Town. The amounts accounted for in a specific fund may only be available for use for certain, legally-restricted purposes. Additionally, some funds are used to account for assets held by the Town in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and, therefore, the funds cannot be used for any expenditures of the unit itself.

**Note 2. Budgets**

The operating budget is initially prepared and approved at the local level. The fiscal officer of the Town submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

**Note 3. Property Taxes**

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the Town in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by December 31 of the year preceding the budget year or January 15 of the budget year if the Town is issuing debt after December 1 or intends on filing a shortfall appeal. These rates were based upon the assessed valuations adjusted for various tax credits from the preceding year's lien date of January 1. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

TOWN OF MICHIANA SHORES  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

**Note 4. Deposits and Investments**

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

State statutes authorize the Town to invest in securities including, but not limited to, the following: federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

**Note 5. Risk Management**

The Town may be 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; and natural disasters.

**Note 6. Cash Balance Deficits**

The financial statements contain some funds with deficits in cash. For the Grant Fund - Public Land Resource Management Plan fund, this is a result of the fund being set up for a reimbursable grant. The Local Road & Street fund had a negative balance of \$4,825 and \$1,112 on December 31, 2015 and 2016, respectively. The LOIT Special Distribution fund had a negative balance of \$591 on December 31, 2016, 2017, and 2018, respectively. These are a result of expenditures exceeding receipts.

**Note 7. Restatements**

For the year ended December 31, 2015, certain changes have been made to some of the beginning balances of the financial statements to more appropriately reflect financial activity of the Town. The following schedule presents a summary of restated beginning balances:

Fund	Balance as of December 31, 2014	Adjustment	Balance as of January 1, 2015
General Fund	\$ 65,830	\$ (10,261)	\$ 55,569
Rainy Day	(16,828)	10,261	(6,567)

TOWN OF MICHIANA SHORES  
REVIEW RESULTS AND COMMENTS

***BUILDING PERMIT COLLECTIONS***

The same comment also appeared in prior Report B46475.

The Building Commissioner issued building permits and collected building fees. Some of the fees were based on square footage and some were based on the cost of the project. The permits did not indicate the square footage or the project cost for six out of the ten examined. We were unable to determine if the correct fee was charged.

Fees can only be collected as specifically authorized by law or properly authorized ordinance/resolution. When a fee is NOT specified by law, but instead through the use of an ordinance/resolution, sufficient authoritative reference should be maintained. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

***CAPITAL ASSETS***

The same comment also appeared in prior Reports B46475 and B47384.

The Town had not adopted a capitalization policy to establish a threshold for items to be reported as capital assets. Additionally, the Town does not have a complete or updated capital asset list detailing all of their assets.

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

***LOCAL ROAD & STREET FUND DISBURSEMENTS***

The same comment also appeared in prior Report B47384.

Invoices for the Town's usage of gas, electric, and telephone services were paid from the Local Road & Street fund. Indiana Code restricts how the Local Road & Street fund can be used, which does not include the payment of utilities.

Indiana Code 8-14-2-5 states:

"Money from the local road and street account shall be used exclusively by the cities, towns, and counties for:

- (1) engineering, land acquisition, construction, resurfacing, maintenance, restoration, or rehabilitation of both local and arterial road and street systems;
- (2) the payment of principal and interest on bonds sold primarily to finance road, street, or thoroughfare projects;
- (3) any local costs required to undertake a recreational or reservoir road project under [IC 8-23-5](#); or
- (4) the purchase, rental, or repair of highway equipment."

TOWN OF MICHIANA SHORES  
EXIT CONFERENCE

The contents of this report were discussed on September 25, 2019, with Joan M. Lewis, Clerk-Treasurer; Richard A. Young, Town Council member; Robert Uryga, Vice President of the Town Council; and Brenda Heckman, Administrative Assistant/Refuse Clerk.