

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

AUDIT REPORT

OF

TOWN OF SILVER LAKE

KOSCIUSKO COUNTY, INDIANA

January 1, 2005 to December 31, 2006



FILED
03/30/2007

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Angela M. Glass	01-01-04 to 12-31-07
President of the Town Council	Ronald L. Jones Stanley R. Williams Ronald L. Jones	01-01-05 to 12-31-05 01-01-06 to 07-10-06 07-11-06 to 12-31-07
Superintendent of Utilities	Phillip J. Shalley	01-01-05 to 12-31-06
Superintendent of Water Utility	Joshua J. Naibaur	01-01-07 to 12-31-07
Superintendent of Wastewater Utility	Phillip J. Shalley	01-01-07 to 12-31-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE TOWN OF SILVER LAKE, KOSCIUSKO 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 Silver Lake (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. 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. The basis of accounting noted above is a different basis than that used in the prior year.

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.

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

STATE BOARD OF ACCOUNTS

March 8, 2007

TOWN OF SILVER LAKE
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	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 169,296	\$ 3,351	\$ -	\$ -	\$ (165,945)	\$ -	\$ (165,945)
Public safety	83,986	319	-	1,693	(81,974)	-	(81,974)
Highways and streets	141,316	-	20,869	-	(120,447)	-	(120,447)
Sanitation	27,082	-	-	-	(27,082)	-	(27,082)
Culture and recreation	3,353	-	-	-	(3,353)	-	(3,353)
Debt service	26,098	-	-	-	(26,098)	-	(26,098)
Total governmental activities	451,131	3,670	20,869	1,693	(424,899)	-	(424,899)
Business-type activities:							
Water	218,151	247,753	-	-	-	29,602	29,602
Wastewater	197,314	204,544	-	-	-	7,230	7,230
Total business-type activities	415,465	452,297	-	-	-	36,832	36,832
Total primary government	\$ 866,596	\$ 455,967	\$ 20,869	\$ 1,693	(424,899)	36,832	(388,067)
General receipts:							
Property taxes					251,260	-	251,260
Other local sources					10,150	55,170	65,320
Grants and contributions not restricted to specific programs					129,724	-	129,724
Unrestricted investment earnings					549	2,814	3,363
Total general receipts					391,683	57,984	449,667
Change in net assets					(33,216)	94,816	61,600
Net assets - beginning					452,124	925,429	1,377,553
Net assets - ending					\$ 418,908	\$ 1,020,245	\$ 1,439,153
<u>Assets</u>							
Cash and investments					\$ 418,908	\$ 550,548	\$ 969,456
Restricted assets:							
Cash and investments					-	469,697	469,697
Total assets					\$ 418,908	\$ 1,020,245	\$ 1,439,153
<u>Net Assets</u>							
Restricted for:							
Debt service					\$ -	\$ 341,619	\$ 341,619
Other purposes					-	128,078	128,078
Unrestricted					418,908	550,548	969,456
Total net assets					\$ 418,908	\$ 1,020,245	\$ 1,439,153

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

TOWN OF SILVER LAKE
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	Other Governmental Funds	Totals
Receipts:				
Taxes	\$ 133,981	\$ 113,108	\$ 4,171	\$ 251,260
Licenses and permits	10	-	10	20
Intergovernmental	100,662	14,634	36,990	152,286
Charges for services	3,091	-	24	3,115
Fines and forfeits	250	-	285	535
Other	9,967	17	715	10,699
	<u>247,961</u>	<u>127,759</u>	<u>42,195</u>	<u>417,915</u>
Total receipts				
Disbursements:				
General government	110,416	-	265	110,681
Public safety	83,645	-	341	83,986
Highways and streets	25,756	114,444	-	140,200
Sanitation	27,082	-	-	27,082
Culture and recreation	1,823	-	-	1,823
Debt service:				
Principal	-	-	14,655	14,655
Interest	-	-	11,443	11,443
Capital outlay:				
General government	-	-	5,433	5,433
Highways and streets	-	-	18	18
Culture and recreation	-	-	1,530	1,530
	<u>248,722</u>	<u>114,444</u>	<u>33,685</u>	<u>396,851</u>
Total disbursements				
Excess (deficiency) of revenue over disbursements	<u>(761)</u>	<u>13,315</u>	<u>8,510</u>	<u>21,064</u>
Other financing uses				
Other disbursements	<u>(53,182)</u>	<u>(1,098)</u>	<u>-</u>	<u>(54,280)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(53,943)</u>	<u>12,217</u>	<u>8,510</u>	<u>(33,216)</u>
Cash and investment fund balance - beginning	<u>218,964</u>	<u>122,213</u>	<u>110,947</u>	<u>452,124</u>
Cash and investment fund balance - ending	<u>\$ 165,021</u>	<u>\$ 134,430</u>	<u>\$ 119,457</u>	<u>\$ 418,908</u>
<u>Cash and Investment Assets - December 31</u>				
Cash and investments	<u>\$ 165,021</u>	<u>\$ 134,430</u>	<u>\$ 119,457</u>	<u>\$ 418,908</u>
<u>Cash and Investment Fund Balance - December 31</u>				
Unrestricted	<u>\$ 165,021</u>	<u>\$ 134,430</u>	<u>\$ 119,457</u>	<u>\$ 418,908</u>

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

TOWN OF SILVER LAKE
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	Wastewater Utility	Total
Operating receipts:			
Metered receipts:	\$ 174,336	\$ 201,586	\$ 375,922
Fire protection receipts	71,317	-	71,317
Other	<u>2,100</u>	<u>2,958</u>	<u>5,058</u>
Total operating receipts	<u>247,753</u>	<u>204,544</u>	<u>452,297</u>
Operating disbursements:			
Collection system - operations and maintenance	-	31,326	31,326
Treatment and disposal disbursements - operations and maintenance	-	856	856
Operations and maintenance	31,729	-	31,729
Administration and general	19,431	19,430	38,861
Employee pensions and benefits	1,142	1,142	2,284
Purchased power	12,864	14,342	27,206
Repairs	11,267	9,786	21,053
Chemicals	1,917	538	2,455
Material and supplies	6,292	11,336	17,628
Contractual services	5,523	8,047	13,570
Rents	723	-	723
Transportation disbursements	4,086	3,989	8,075
Insurance disbursements	13,315	13,841	27,156
Miscellaneous disbursements	<u>22,876</u>	<u>12,961</u>	<u>35,837</u>
Total operating disbursements	<u>131,165</u>	<u>127,594</u>	<u>258,759</u>
Excess of operating receipts over operating disbursements	<u>116,588</u>	<u>76,950</u>	<u>193,538</u>
Nonoperating receipts (disbursements):			
Interest and investment receipts	422	2,392	2,814
Miscellaneous receipts	4,769	50,401	55,170
Debt service of principal	(25,000)	(65,000)	(90,000)
Interest and investment disbursement	(54,108)	(4,220)	(58,328)
Miscellaneous disbursements	<u>(7,878)</u>	<u>(500)</u>	<u>(8,378)</u>
Total nonoperating receipts (disbursements)	<u>(81,795)</u>	<u>(16,927)</u>	<u>(98,722)</u>
Excess of receipts over disbursements and nonoperating receipts	34,793	60,023	94,816
Cash and investment fund balance - beginning	<u>236,428</u>	<u>689,001</u>	<u>925,429</u>
Cash and investment fund balance - ending	<u>\$ 271,221</u>	<u>\$ 749,024</u>	<u>\$ 1,020,245</u>
<u>Cash and Investment Assets - December 31</u>			
Cash and investments	\$ 113,390	\$ 437,158	\$ 550,548
Restricted assets:			
Cash and investments	<u>157,831</u>	<u>311,866</u>	<u>469,697</u>
Total cash and investment assets - December 31	<u>\$ 271,221</u>	<u>\$ 749,024</u>	<u>\$ 1,020,245</u>
<u>Cash and Investment Fund Balance - December 31</u>			
Restricted for:			
Debt service	\$ 126,670	\$ 214,949	\$ 341,619
Other purposes	31,161	96,917	128,078
Unrestricted	<u>113,390</u>	<u>437,158</u>	<u>550,548</u>
Total cash and investment fund balance - December 31	<u>\$ 271,221</u>	<u>\$ 749,024</u>	<u>\$ 1,020,245</u>

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

TOWN OF SILVER LAKE
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUND
For The Year Ended December 31, 2005

	Agency Fund
Additions:	
Agency fund additions	\$ 196,000
Deductions:	
Agency fund deductions	194,293
Excess of total additions over total deductions	1,707
Cash and investment fund balance - beginning	6,769
Cash and investment fund balance - ending	\$ 8,476

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

TOWN OF SILVER LAKE
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	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 126,078	\$ 2,461	\$ -	\$ 1,950	\$ (121,667)	\$ -	\$ (121,667)
Public safety	83,633	502	-	-	(83,131)	-	(83,131)
Highways and streets	196,641	-	34,069	253	(162,319)	-	(162,319)
Sanitation	24,360	-	-	-	(24,360)	-	(24,360)
Culture and recreation	662	-	-	-	(662)	-	(662)
Debt service	26,098	-	-	-	(26,098)	-	(26,098)
Total governmental activities	<u>457,472</u>	<u>2,963</u>	<u>34,069</u>	<u>2,203</u>	<u>(418,237)</u>	<u>-</u>	<u>(418,237)</u>
Business-type activities:							
Water	218,625	201,009	-	-	-	(17,616)	(17,616)
Wastewater	187,643	195,621	-	-	-	7,978	7,978
Total business-type activities	<u>406,268</u>	<u>396,630</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,638)</u>	<u>(9,638)</u>
Total primary government	<u>\$ 863,740</u>	<u>\$ 399,593</u>	<u>\$ 34,069</u>	<u>\$ 2,203</u>	<u>(418,237)</u>	<u>(9,638)</u>	<u>(427,875)</u>
General receipts:							
Property taxes					231,286	-	231,286
Other local sources					5,060	6,301	11,361
Grants and contributions not restricted to specific programs					149,973	-	149,973
Unrestricted investment earnings					4,220	12,650	16,870
Total general receipts					<u>390,539</u>	<u>18,951</u>	<u>409,490</u>
Change in net assets					(27,698)	9,313	(18,385)
Net assets - beginning					418,908	1,020,245	1,439,153
Net assets - ending					<u>\$ 391,210</u>	<u>\$ 1,029,558</u>	<u>\$ 1,420,768</u>
<u>Assets</u>							
Cash and investments					\$ 391,210	\$ 620,376	\$ 1,011,586
Restricted assets:							
Cash and investments					-	409,182	409,182
Total assets					<u>\$ 391,210</u>	<u>\$ 1,029,558</u>	<u>\$ 1,420,768</u>
<u>Net Assets</u>							
Restricted for:							
Debt service					\$ -	\$ 270,135	\$ 270,135
Other purposes					-	139,047	139,047
Unrestricted					391,210	620,376	1,011,586
Total net assets					<u>\$ 391,210</u>	<u>\$ 1,029,558</u>	<u>\$ 1,420,768</u>

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

TOWN OF SILVER LAKE
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	Other Governmental Funds	Totals
Receipts:				
Taxes	\$ 118,046	\$ 109,511	\$ 3,729	\$ 231,286
Licenses and permits	10	-	130	140
Intergovernmental	114,796	27,957	43,492	186,245
Charges for services	2,126	-	12	2,138
Fines and forfeits	325	-	360	685
Other	8,742	38	500	9,280
Total receipts	244,045	137,506	48,223	429,774
Disbursements:				
General government	125,898	-	-	125,898
Public safety	83,244	-	389	83,633
Highways and streets	15,827	170,735	970	187,532
Sanitation	24,360	-	-	24,360
Culture and recreation	662	-	-	662
Debt service:				
Principal	-	-	15,463	15,463
Interest	-	-	10,635	10,635
Capital outlay:				
General government	-	-	180	180
Highways and streets	-	-	9,109	9,109
Total disbursements	249,991	170,735	36,746	457,472
Excess (deficiency) of revenue over disbursements	(5,946)	(33,229)	11,477	(27,698)
Other financing sources (uses)				
Other receipts	10,046	8,369	274	18,689
Other disbursements	(10,046)	(8,369)	(274)	(18,689)
Total other financing sources (uses)	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(5,946)	(33,229)	11,477	(27,698)
Cash and investment fund balance - beginning	165,021	134,430	119,457	418,908
Cash and investment fund balance - ending	<u>\$ 159,075</u>	<u>\$ 101,201</u>	<u>\$ 130,934</u>	<u>\$ 391,210</u>
<u>Cash and Investment Assets - December 31</u>				
Cash and investments	<u>\$ 159,075</u>	<u>\$ 101,201</u>	<u>\$ 130,934</u>	<u>\$ 391,210</u>
<u>Cash and Investment Fund Balance - December 31</u>				
Unrestricted	<u>\$ 159,075</u>	<u>\$ 101,201</u>	<u>\$ 130,934</u>	<u>\$ 391,210</u>

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

TOWN OF SILVER LAKE
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	Wastewater Utility	Total
Operating receipts:			
Metered water receipts	\$ 161,939	\$ 189,879	\$ 351,818
Fire protection receipts	36,593	-	36,593
Other	<u>2,477</u>	<u>5,742</u>	<u>8,219</u>
Total operating receipts	<u>201,009</u>	<u>195,621</u>	<u>396,630</u>
Operating disbursements:			
Salaries and wages	45,666	48,850	94,516
Employee pensions and benefits	3,621	3,865	7,486
Purchased power	17,259	18,356	35,615
Repairs	7,339	16,158	23,497
Chemicals	1,452	90	1,542
Material and supplies	2,481	2,620	5,101
Contractual services	24,817	3,327	28,144
Rents	796	631	1,427
Transportation disbursements	4,002	3,394	7,396
Insurance disbursements	7,775	7,620	15,395
Miscellaneous disbursements	<u>16,248</u>	<u>4,267</u>	<u>20,515</u>
Total operating disbursements	<u>131,456</u>	<u>109,178</u>	<u>240,634</u>
Excess of operating receipts over operating disbursements	<u>69,553</u>	<u>86,443</u>	<u>155,996</u>
Nonoperating receipts (disbursements):			
Interest and investment receipts	3,271	9,379	12,650
Miscellaneous receipts	5,044	1,257	6,301
Debt service of principal	(26,000)	(70,000)	(96,000)
Interest and investment disbursement	(44,924)	(7,965)	(52,889)
Miscellaneous disbursements	<u>(16,245)</u>	<u>(500)</u>	<u>(16,745)</u>
Total nonoperating receipts (disbursements)	<u>(78,854)</u>	<u>(67,829)</u>	<u>(146,683)</u>
Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements)	(9,301)	18,614	9,313
Cash and investment fund balance - beginning	<u>271,221</u>	<u>749,024</u>	<u>1,020,245</u>
Cash and investment fund balance - ending	<u>\$ 261,920</u>	<u>\$ 767,638</u>	<u>\$ 1,029,558</u>
<u>Cash and Investment Assets - December 31</u>			
Cash and investments	\$ 97,312	\$ 523,064	\$ 620,376
Restricted assets:			
Cash and investments	<u>164,608</u>	<u>244,574</u>	<u>409,182</u>
Total cash and investment assets - December 31	<u>\$ 261,920</u>	<u>\$ 767,638</u>	<u>\$ 1,029,558</u>
<u>Cash and Investment Fund Balance - December 31</u>			
Restricted for:			
Debt service	\$ 133,151	\$ 136,984	\$ 270,135
Other purposes	31,457	107,590	139,047
Unrestricted	<u>97,312</u>	<u>523,064</u>	<u>620,376</u>
Total cash and investment fund balance - December 31	<u>\$ 261,920</u>	<u>\$ 767,638</u>	<u>\$ 1,029,558</u>

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

TOWN OF SILVER LAKE
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUND
For The Year Ended December 31, 2006

	Agency Fund
Additions:	
Agency fund additions	\$ 199,227
Deductions:	
Agency fund deductions	196,407
Excess of total additions over total deductions	2,820
Cash and investment fund balance - beginning	8,476
Cash and investment fund balance - ending	\$ 11,296

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

TOWN OF SILVER LAKE
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 Council-Mayor Town Council form of government and provides the following services: public safety (police and fire), highways and streets, culture and recreation, public improvements, planning and zoning, general administrative services, water, and wastewater.

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

Primary Government: Town of Silver Lake

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 street construction and the operations of the street maintenance department. Financing is provided by state motor vehicle highway distributions.

The Town reports the following major proprietary funds:

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

The wastewater utility fund accounts for the operation of the wastewater treatment plant, pumping stations and collection systems.

TOWN OF SILVER LAKE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Additionally, the Town reports the following fund types:

An agency fund accounts for assets held by the Town as an agent for payroll deductions.

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.

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.

TOWN OF SILVER LAKE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

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.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows: Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – 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.

TOWN OF SILVER LAKE
NOTES TO FINANCIAL STATEMENTS
(Continued)

II. Stewardship, Compliance and Accountability

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.

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.

III. Detailed Notes on All Funds

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. At December 31, 2006, 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.

B. Restatements and Reclassifications

For the year ended December 31, 2006, certain changes have been made to the financial statements to more appropriately reflect financial activity of the Town. The following schedule presents a summary of restated beginning balances by opinion unit. Prior period adjustments represent corrections to cash and investment balances previously reported.

TOWN OF SILVER LAKE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Opinion Unit	Balance as Reported December 31, 2004	Prior Period Adjustments	Balance as Restated January 1, 2005
General fund	\$ 254,525	\$ (35,561)	\$ 218,964
Motor Vehicle Highway	122,213	-	122,213
Other governmental funds	<u>113,268</u>	<u>(2,321)</u>	<u>110,947</u>
Total governmental activities	<u>\$ 490,006</u>	<u>\$ (37,882)</u>	<u>\$ 452,124</u>
Water utility	234,021	2,407	236,428
Wastewater utility	<u>685,450</u>	<u>3,551</u>	<u>689,001</u>
Total business-type activities	<u>\$ 919,471</u>	<u>\$ 5,958</u>	<u>\$ 925,429</u>
Agency fund	<u>\$ 906</u>	<u>\$ 5,863</u>	<u>\$ 6,769</u>

IV. Other Information

A. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters.

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

Job Related Illnesses or Injuries to Employees

During 1994, the Town joined the Public Employee's Plan, Inc. (IPEP), a public entity risk pool currently operating as a common risk management and insurance program for approximately 300 member governmental entities. This risk pool was formed in 1990. The purpose of the risk pool is to provide a medium for the funding and administration of job related illnesses or injuries to employees. The Town pays an annual premium to the risk pool for its coverage. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$1,000,000 per insured event.

B. Rate Structure – Enterprise Funds

Water Utility

On October 14, 1986, the Town Council adopted Ordinance No. 86-8 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Council on October 28, 1998.

TOWN OF SILVER LAKE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Wastewater Utility

The current rate structure was approved by the Town Council in March 1997. On January 9, 2007, the Council approved reducing the rates.

TOWN OF SILVER LAKE
 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

	Rainy Day	Police Donation	Brownsfield Renovate Donation	Local Road and Street	Law Enforcement Continuing Education	Cumulative Capital Improvement	Cumulative Capital Development	Economic Development Income Tax	Totals
Receipts:									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,171	\$ -	\$ 4,171
Licenses and permits	-	-	-	-	10	-	-	-	10
Intergovernmental	-	-	-	6,235	-	1,688	5	29,062	36,990
Charges for services	-	-	-	-	24	-	-	-	24
Fines and forfeits	-	-	-	-	285	-	-	-	285
Other	-	515	200	-	-	-	-	-	715
Total receipts	-	515	200	6,235	319	1,688	4,176	29,062	42,195
Disbursements:									
General government	-	-	265	-	-	-	-	-	265
Public safety	-	-	-	-	341	-	-	-	341
Debt service:									
Principal	-	-	-	-	-	-	-	14,655	14,655
Interest	-	-	-	-	-	-	-	11,443	11,443
Capital outlay:									
General government	-	-	-	-	-	1,990	53	3,390	5,433
Highways and streets	-	-	-	-	-	-	-	18	18
Culture and recreation	-	-	-	-	-	-	-	1,530	1,530
Total disbursements	-	-	265	-	341	1,990	53	31,036	33,685
Excess (deficiency) of revenue over disbursements	-	515	(65)	6,235	(22)	(302)	4,123	(1,974)	8,510
Cash and investment fund balance - beginning	3,508	100	2,576	17,068	2,245	12,023	23,337	50,090	110,947
Cash and investment fund balance - ending	<u>\$ 3,508</u>	<u>\$ 615</u>	<u>\$ 2,511</u>	<u>\$ 23,303</u>	<u>\$ 2,223</u>	<u>\$ 11,721</u>	<u>\$ 27,460</u>	<u>\$ 48,116</u>	<u>\$ 119,457</u>
Cash and Investment Assets - December 31									
Cash and investments	<u>\$ 3,508</u>	<u>\$ 615</u>	<u>\$ 2,511</u>	<u>\$ 23,303</u>	<u>\$ 2,223</u>	<u>\$ 11,721</u>	<u>\$ 27,460</u>	<u>\$ 48,116</u>	<u>\$ 119,457</u>
Cash and Investment Fund Balance - December 31									
Unrestricted	<u>\$ 3,508</u>	<u>\$ 615</u>	<u>\$ 2,511</u>	<u>\$ 23,303</u>	<u>\$ 2,223</u>	<u>\$ 11,721</u>	<u>\$ 27,460</u>	<u>\$ 48,116</u>	<u>\$ 119,457</u>

TOWN OF SILVER LAKE
 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

	Rainy Day	Police Donation	Brownsfield Renovate Donation	Local Road and Street	Law Enforcement Continuing Education	Cumulative Capital Improvement	Cumulative Capital Development	Economic Development Income Tax	Totals
Receipts:									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,729	\$ -	\$ 3,729
Licenses and permits	-	-	-	-	130	-	-	-	130
Intergovernmental	-	-	-	6,112	-	1,950	253	35,177	43,492
Charges for services	-	-	-	-	12	-	-	-	12
Fines and forfeits	-	-	-	-	360	-	-	-	360
Other	-	500	-	-	-	-	-	-	500
Total receipts	-	500	-	6,112	502	1,950	3,982	35,177	48,223
Disbursements:									
Public safety	-	15	-	-	374	-	-	-	389
Highways and streets	-	-	-	970	-	-	-	-	970
Debt service:									
Principal	-	-	-	-	-	-	-	15,463	15,463
Interest	-	-	-	-	-	-	-	10,635	10,635
Capital outlay:									
General government	-	-	-	-	-	180	-	-	180
Highways and streets	-	-	-	-	-	-	5,500	3,609	9,109
Total disbursements	-	15	-	970	374	180	5,500	29,707	36,746
Excess (deficiency) of revenue over disbursements	-	485	-	5,142	128	1,770	(1,518)	5,470	11,477
Other financing sources (uses)									
Other receipts	-	-	-	-	-	-	274	-	274
Other disbursements	-	-	-	-	-	-	(274)	-	(274)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	485	-	5,142	128	1,770	(1,518)	5,470	11,477
Cash and investment fund balance - beginning	3,508	615	2,511	23,303	2,223	11,721	27,460	48,116	119,457
Cash and investment fund balance - ending	\$ 3,508	\$ 1,100	\$ 2,511	\$ 28,445	\$ 2,351	\$ 13,491	\$ 25,942	\$ 53,586	\$ 130,934
Cash and Investment Assets - December 31									
Cash and investments	\$ 3,508	\$ 1,100	\$ 2,511	\$ 28,445	\$ 2,351	\$ 13,491	\$ 25,942	\$ 53,586	\$ 130,934
Cash and Investment Fund Balance - December 31									
Unrestricted	\$ 3,508	\$ 1,100	\$ 2,511	\$ 28,445	\$ 2,351	\$ 13,491	\$ 25,942	\$ 53,586	\$ 130,934

TOWN OF SILVER LAKE
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 As of December 31, 2006

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

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 70,337
Buildings	655,017
Improvements other than buildings	48,347
Machinery and equipment	<u>477,273</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 1,250,974</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 15,459
Buildings	124,869
Improvements other than buildings	2,816,035
Machinery and equipment	<u>79,960</u>
Total Water Utility capital assets	<u>3,036,323</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	70,872
Buildings	441,739
Improvements other than buildings	2,833,997
Machinery and equipment	<u>462,892</u>
Total Wastewater Utility capital assets	<u>3,809,500</u>
Total business-type activities capital assets	<u>\$ 6,845,823</u>

TOWN OF SILVER LAKE
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 As of December 31, 2006

Description of Asset	Ending Balance	Due Within One Year
Governmental Activities:		
Capital leases:		
Fire Station	\$ 183,781	\$ 16,316
Business-type Activities:		
Water Utility		
Revenue bonds:		
1999 Waterworks improvements	\$ 225,000	\$ 15,000
Loans:		
1999 Waterworks improvements	819,000	11,000
Total business-type activities long-term debt	\$ 1,044,000	\$ 26,000

TOWN OF SILVER LAKE
AUDIT RESULT AND COMMENT

PUBLIC WORKS PROJECT

On June 13, 2006, the Town paid a contractor \$63,958 for a street paving project. The Town Council minutes show a quote was awarded to the contractor for the project. There was no evidence presented for audit to indicate that the Town Council published notice in accordance with Indiana Code 5-3-1 calling for sealed bids.

The version of Indiana Code 36-1-12-4(a) in effect at the time if this transaction stated, in part: "This section applies whenever the cost of a public work project will be: (1) at least seventy-five thousand dollars (\$75,000) in: (A) a consolidated city or second class city; (B) a county containing a consolidated city or second class city; or (C) a regional water or sewage district established under IC 13-26; (2) at least fifty thousand dollars (\$50,000) in: (A) a third class city or town with a population of more than five thousand (5,000), or (B) a county containing a third class city or town with a population of more than five thousand (5,000); or (3) at least twenty-five thousand dollars (\$25,000) in a political subdivision or an agency not described in subdivision (1) or (2)."

Indiana Code 36-1-12-4(b) states in part: "The board must comply with the following procedure: (1) The board shall prepare general plans and specifications describing the kind of public work required, but shall avoid specifications which might unduly limit competition. . . . (2) The board shall file the plans and specifications in a place reasonably accessible to the public, which shall be specified in the notice required by subdivision (3). (3) Upon the filing of the plans and specifications, the board shall publish notice in accordance with IC 5-3-1 calling for sealed proposals for the public work needed."

TOWN OF SILVER LAKE
EXIT CONFERENCE

The contents of this report were discussed on March 8, 2007, with Angela M. Glass, Clerk-Treasurer; and Ronald L. Jones, President of the Town Council. The officials concurred with our audit finding.