

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

AUDIT REPORT

OF

TOWN OF NORTH WEBSTER

KOSCIUSKO COUNTY, INDIANA

January 1, 2005 to December 31, 2006



**FILED**  
04/02/2007



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials.....	2
Independent Auditor's Report.....	3-4
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Activities and Net Assets – Cash and Investment Basis .....	5,9
Fund Financial Statements:	
Governmental Funds:	
Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Governmental Funds.....	6,10
Proprietary Fund:	
Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Proprietary Fund.....	7,11
Fiduciary Fund:	
Statement of Additions, Deductions, and Changes in Cash and Investment Balances – Fiduciary Fund .....	8,12
Notes to Financial Statements .....	13-20
Required Supplementary Information:	
Schedule of Funding Progress .....	21
Schedule of Long-Term Debt.....	22
Supplementary Information:	
Combining Schedule of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Other Governmental Funds.....	23-26
Audit Result and Comment:	
Capital Asset Records .....	27
Exit Conference.....	28

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Alice E. Luce	01-01-04 to 12-31-07
President of the Town Council	Jon W. Sroufe	01-01-05 to 12-31-07
Superintendent of Wastewater Utility	Severn Trent, Inc.	01-01-05 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 NORTH WEBSTER, 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 North Webster (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.

Except as discussed in the following paragraph, 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.

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 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.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

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 the 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 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

February 22, 2007

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

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipt and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Total
Primary government:						
Governmental activities:						
General government	\$ 151,439	\$ 8,614	\$ -	\$ (142,825)	\$ -	\$ (142,825)
Public safety	233,794	401	7,864	(225,529)	-	(225,529)
Highways and streets	138,352	-	-	(138,352)	-	(138,352)
Sanitation	37,652	32,988	-	(4,664)	-	(4,664)
Culture and recreation	38,592	-	260	(38,332)	-	(38,332)
Total governmental activities	<u>599,829</u>	<u>42,003</u>	<u>8,124</u>	<u>(549,702)</u>	<u>-</u>	<u>(549,702)</u>
Business-type activities:						
Wastewater	<u>745,530</u>	<u>691,709</u>	<u>-</u>	<u>-</u>	<u>(53,821)</u>	<u>(53,821)</u>
Total primary government	<u>\$ 1,345,359</u>	<u>\$ 733,712</u>	<u>\$ 8,124</u>	<u>(549,702)</u>	<u>(53,821)</u>	<u>(603,523)</u>
General receipts:						
Property taxes				328,647	-	328,647
Other local sources				228,050	-	228,050
Unrestricted investment earnings				9,014	4,740	13,754
Total general receipts				<u>565,711</u>	<u>4,740</u>	<u>570,451</u>
Change in net assets				16,009	(49,081)	(33,072)
Net assets - beginning				<u>1,001,358</u>	<u>680,604</u>	<u>1,681,962</u>
Net assets - ending				<u>\$ 1,017,367</u>	<u>\$ 631,523</u>	<u>\$ 1,648,890</u>
<u>Assets</u>						
Cash and investments				\$ 1,017,367	\$ 159,933	\$ 1,177,300
Restricted assets:						
Cash and investments				<u>-</u>	<u>471,590</u>	<u>471,590</u>
Total assets				<u>\$ 1,017,367</u>	<u>\$ 631,523</u>	<u>\$ 1,648,890</u>
<u>Net Assets</u>						
Restricted for:						
Debt service				\$ -	\$ 240,525	\$ 240,525
Other purposes				-	231,065	231,065
Unrestricted				<u>1,017,367</u>	<u>159,933</u>	<u>1,177,300</u>
Total net assets				<u>\$ 1,017,367</u>	<u>\$ 631,523</u>	<u>\$ 1,648,890</u>

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

TOWN OF NORTH WEBSTER  
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	CEDIT	Other Governmental Funds	Totals
<b>Receipts:</b>					
Taxes	\$ 269,558	\$ 44,712	\$ -	\$ 14,378	\$ 328,648
Licenses and permits	225	-	-	90	315
Intergovernmental	103,311	28,196	56,668	21,101	209,276
Charges for services	8,389	-	-	33,750	42,139
Fines and forfeits	275	-	-	2,011	2,286
Other	21,576	945	-	10,653	33,174
<b>Total receipts</b>	<b>403,334</b>	<b>73,853</b>	<b>56,668</b>	<b>81,983</b>	<b>615,838</b>
<b>Disbursements:</b>					
General government	126,470	-	-	-	126,470
Public safety	169,146	-	-	4,105	173,251
Highways and streets	68,169	60,543	-	4,120	132,832
Sanitation	-	-	-	37,652	37,652
Culture and recreation	4,832	-	-	10,332	15,164
Capital outlay:					
General government	19,182	-	-	5,787	24,969
Highways and streets	-	18,656	19,875	27,532	66,063
Culture and recreation	23,428	-	-	-	23,428
<b>Total disbursements</b>	<b>411,227</b>	<b>79,199</b>	<b>19,875</b>	<b>89,528</b>	<b>599,829</b>
Excess (deficiency) of receipts over disbursements	(7,893)	(5,346)	36,793	(7,545)	16,009
<b>Other financing sources (uses)</b>					
Transfers in	-	-	-	1,973	1,973
Transfers out	-	-	-	(1,973)	(1,973)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(7,893)	(5,346)	36,793	(7,545)	16,009
Cash and investment fund balance - beginning	445,130	138,589	240,578	177,061	1,001,358
Cash and investment fund balance - ending	<u>\$ 437,237</u>	<u>\$ 133,243</u>	<u>\$ 277,371</u>	<u>\$ 169,516</u>	<u>\$ 1,017,367</u>
<b><u>Cash and Investment Assets - December 31</u></b>					
Cash and investments	<u>\$ 437,237</u>	<u>\$ 133,243</u>	<u>\$ 277,371</u>	<u>\$ 169,516</u>	<u>\$ 1,017,367</u>
<b><u>Cash and Investment Fund Balance - December 31</u></b>					
Unrestricted	<u>\$ 437,237</u>	<u>\$ 133,243</u>	<u>\$ 277,371</u>	<u>\$ 169,516</u>	<u>\$ 1,017,367</u>

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

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

	<u>Wastewater Utility</u>
Operating receipts:	
Metered receipts	\$ 664,331
Penalties	8,179
Tap fees	<u>15,100</u>
Total operating receipts	<u>687,610</u>
Operating disbursements:	
Salaries and wages	29,555
Employee pensions and benefits	5,386
Purchased power	2,582
Material and supplies	1,763
Contractual services	487,326
Insurance disbursements	10,193
Miscellaneous disbursements	<u>14,381</u>
Total operating disbursements	<u>551,186</u>
Excess of operating receipts over operating disbursements	<u>136,424</u>
Nonoperating receipts (disbursements):	
Interest and investment receipts	8,839
Debt service of principal	(90,000)
Interest and investment disbursement	(86,433)
Miscellaneous disbursements	<u>(17,911)</u>
Total nonoperating receipts (disbursements)	<u>(185,505)</u>
Deficiency of receipts over disbursements and nonoperating receipts (disbursements)	(49,081)
Cash and investment fund balance - beginning	<u>680,604</u>
Cash and investment fund balance - ending	<u>\$ 631,523</u>
<u>Cash and Investment Assets - December 31</u>	
Cash and investments	\$ 159,933
Restricted assets:	
Cash and investments	<u>471,590</u>
Total cash and investment assets - December 31	<u>\$ 631,523</u>
<u>Cash and Investment Fund Balance - December 31</u>	
Restricted for:	
Debt service	\$ 240,525
Other purposes	231,065
Unrestricted	<u>159,933</u>
Total cash and investment fund balance - December 31	<u>\$ 631,523</u>

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

TOWN OF NORTH WEBSTER  
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	\$ 260,985
Deductions:	
Agency fund deductions	262,708
Deficiency of total additions over total deductions	(1,723)
Cash and investment fund balance - beginning	5,004
Cash and investment fund balance - ending	\$ 3,281

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

TOWN OF NORTH WEBSTER  
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	\$ 135,057	\$ 9,084	\$ -	\$ (125,973)	\$ -	\$ (125,973)
Public safety	257,417	1,279	5,736	(250,402)	-	(250,402)
Highways and streets	219,138	-	-	(219,138)	-	(219,138)
Sanitation	34,309	33,626	-	(683)	-	(683)
Culture and recreation	19,317	-	100	(19,217)	-	(19,217)
Total governmental activities	665,238	43,989	5,836	(615,413)	-	(615,413)
Business-type activities:						
Wastewater	702,006	708,072	-	-	6,066	6,066
Total primary government	\$ 1,367,244	\$ 752,061	\$ 5,836	(615,413)	6,066	(609,347)
General receipts:						
Property taxes				334,713	-	334,713
Other local sources				271,971	-	271,971
Unrestricted investment earnings				12,727	7,256	19,983
Total general receipts				619,411	7,256	626,667
Change in net assets				3,998	13,322	17,320
Net assets - beginning				1,017,367	631,523	1,648,890
Net assets - ending				\$ 1,021,365	\$ 644,845	\$ 1,666,210
<u>Assets</u>						
Cash and investments				\$ 1,021,365	\$ 208,862	\$ 1,230,227
Restricted assets:						
Cash and investments				-	435,983	435,983
Total assets				\$ 1,021,365	\$ 644,845	\$ 1,666,210
<u>Net Assets</u>						
Restricted for:						
Debt service				\$ -	\$ 246,630	\$ 246,630
Other purposes				-	189,353	189,353
Unrestricted				1,021,365	208,862	1,230,227
Total net assets				\$ 1,021,365	\$ 644,845	\$ 1,666,210

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

TOWN OF NORTH WEBSTER  
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	CEDIT	Other Governmental Funds	Totals
<b>Receipts:</b>					
Taxes	\$ 303,144	\$ 15,151	\$ -	\$ 16,418	\$ 334,713
Licenses and permits	425	-	-	440	865
Intergovernmental	130,647	40,152	68,743	27,238	266,780
Charges for services	8,659	-	-	34,027	42,686
Fines and forfeits	-	-	-	489	489
Other	14,338	420	-	8,945	23,703
<b>Total receipts</b>	<b>457,213</b>	<b>55,723</b>	<b>68,743</b>	<b>87,557</b>	<b>669,236</b>
<b>Disbursements:</b>					
General government	120,652	-	-	-	120,652
Public safety	173,029	-	-	5,444	178,473
Highways and streets	64,204	59,444	94,978	-	218,626
Sanitation	-	-	-	34,309	34,309
Culture and recreation	4,003	-	-	11,505	15,508
Capital outlay:					
General government	13,460	-	-	945	14,405
Public safety	19,500	-	-	-	19,500
Highways and streets	-	21,103	-	38,853	59,956
Culture and recreation	3,809	-	-	-	3,809
<b>Total disbursements</b>	<b>398,657</b>	<b>80,547</b>	<b>94,978</b>	<b>91,056</b>	<b>665,238</b>
Excess (deficiency) of receipts over disbursements	58,556	(24,824)	(26,235)	(3,499)	3,998
<b>Other financing sources (uses)</b>					
Transfers in	461	-	-	13,559	14,020
Transfers out	(13,559)	(325)	-	(136)	(14,020)
<b>Total other financing sources (uses)</b>	<b>(13,098)</b>	<b>(325)</b>	<b>-</b>	<b>13,423</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	45,458	(25,149)	(26,235)	9,924	3,998
Cash and investment fund balance - beginning	437,237	133,243	277,371	169,516	1,017,367
Cash and investment fund balance - ending	<u>\$ 482,695</u>	<u>\$ 108,094</u>	<u>\$ 251,136</u>	<u>\$ 179,440</u>	<u>\$ 1,021,365</u>
<u>Cash and Investment Assets - December 31</u>					
Cash and investments	<u>\$ 482,695</u>	<u>\$ 108,094</u>	<u>\$ 251,136</u>	<u>\$ 179,440</u>	<u>\$ 1,021,365</u>
<u>Cash and Investment Fund Balance - December 31</u>					
Restricted for:					
Unrestricted	<u>\$ 482,695</u>	<u>\$ 108,094</u>	<u>\$ 251,136</u>	<u>\$ 179,440</u>	<u>\$ 1,021,365</u>

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

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

	Wastewater Utility
Operating receipts:	
Metered receipts	\$ 681,867
Penalties	6,461
Tap fees	11,000
Other	2,639
Total operating receipts	701,967
Operating disbursements:	
Salaries and wages	34,199
Employee pensions and benefits	8,977
Purchased power	2,441
Material and supplies	2,722
Contractual services	452,779
Insurance disbursements	6,401
Miscellaneous disbursements	16,389
Total operating disbursements	523,908
Excess of operating receipts over operating disbursements	178,059
Nonoperating receipts (disbursements):	
Interest and investment receipts	13,361
Debt service of principal	(90,000)
Interest and investment disbursement	(82,833)
Miscellaneous disbursements	(5,265)
Total nonoperating receipts (disbursements)	(164,737)
Excess of receipts over disbursements and nonoperating receipts (disbursements)	13,322
Cash and investment fund balance - beginning	631,523
Cash and investment fund balance - ending	\$ 644,845
<u>Cash and Investment Assets - December 31</u>	
Cash and investments	\$ 208,862
Restricted assets:	
Cash and investments	435,983
Total cash and investment assets - December 31	\$ 644,845
<u>Cash and Investment Fund Balance - December 31</u>	
Restricted for:	
Debt service	\$ 246,630
Other purposes	189,353
Unrestricted	208,862
Total cash and investment fund balance - December 31	\$ 644,845

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

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

	Agency Funds
Additions:	
Agency fund additions	\$ 275,523
Deductions:	
Agency fund deductions	275,412
Excess of total additions over total deductions	111
Cash and investment fund balance - beginning	3,281
Cash and investment fund balance - ending	\$ 3,392

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

TOWN OF NORTH WEBSTER  
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), highways and streets, culture and recreation, public improvements, general administrative services, and wastewater.

The Town's financial reporting entity is the primary government. There are no significant component units which require inclusion.

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 (special revenue) accounts for the activities of maintaining and construction of streets and highways.

The CEDIT fund (capital projects) accounts for the Town's use of economic development income tax revenues.

The Town reports the following major proprietary fund:

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

TOWN OF NORTH WEBSTER  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Additionally, the Town reports the following fund type:

The agency fund accounts for assets held by the Town as an agent for the payroll fund and serves as a control of this account for certain cash transactions during the time they are a liability of the Town.

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.

TOWN OF NORTH WEBSTER  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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.

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include charges to customers or applicants for goods, services, or privileges provided and 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 and Nonoperating Receipts and Disbursements

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

TOWN OF NORTH WEBSTER  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

F. Internal and Interfund Balances and Activities

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

Fund Financial Statements

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

Government-Wide Financial Statements

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

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis 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.

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.

TOWN OF NORTH WEBSTER  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

III. Detailed Notes on All Funds

A. Deposits

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

B. Interfund Transfers

Interfund transfers for the years ended December 31, 2005 and 2006, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>2005</u>	<u>2006</u>
Other governmental General Fund	Other governmental Other governmental	\$ 1,973 -	\$ - 13,559
Other governmental Motor Vehicle Highway	General Fund General Fund	- -	136 <u>325</u>
Totals		<u>\$ 1,973</u>	<u>\$ 14,020</u>

The Town typically uses transfers to fund ongoing operating subsidies.

C. Segment Information

The Town issued revenue bonds to finance additions and improvements to the wastewater treatment plant. Investors in the revenue bonds rely solely on the revenue generated by the services provided to their customers for repayment. Summary financial information for the wastewater utility is presented below.

<u>Condensed Statement of Cash and Investment Net Assets</u>			
	<u>2005</u>	<u>2006</u>	
Cash and investment assets:			
Cash and investments	\$ 159,933	\$ 208,862	
Restricted assets	<u>471,590</u>	<u>435,983</u>	
Total cash and investment assets	<u>\$ 631,523</u>	<u>\$ 644,845</u>	
Cash and investment net assets:			
Restricted for:			
Debt service	\$ 240,525	\$ 246,630	
Other purposes	231,065	189,353	
Unrestricted	<u>159,933</u>	<u>208,862</u>	
Total cash and investment net assets	<u>\$ 631,523</u>	<u>\$ 644,845</u>	

TOWN OF NORTH WEBSTER  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Condensed Statement of Receipts, Disbursements and Changes in Cash and Investment Net Assets		
	2005	2006
Receipts (pledged against bond)	\$ 687,610	\$ 701,967
Operating disbursements	(659,097)	(619,173)
Excess of receipts over disbursements	28,513	82,794
Nonoperating receipts (disbursements):		
Interest received	8,839	13,361
Interest disbursed	(86,433)	(82,833)
Total nonoperating receipts (disbursements)	(77,594)	(69,472)
Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements)	(49,081)	13,322
Beginning cash and investment net assets	680,604	631,523
Ending cash and investment net assets	\$ 631,523	\$ 644,845

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 1996, the Town joined with other governmental entities in the Indiana Public Employers' Plan, Inc. (IPEP), a public entity risk pool currently operating as a common risk management and insurance program for approximately 327 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 workmen's compensation coverage. The Town pays an annual premium to the risk pool for its workmen's compensation 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.

TOWN OF NORTH WEBSTER  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

B. Rate Structure – Enterprise Fund

Wastewater Utility

The current rate structure was approved by the Town Council on September 23, 2004.

C. Pension Plan

Agent Multiple-Employer Defined Benefit Pension Plans

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.

TOWN OF NORTH WEBSTER  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Actuarial Information for the Above Plan

Annual required contribution	\$	10,946
Interest on net pension obligation		(1,259)
Adjustment to annual required contribution		<u>1,434</u>
Annual pension cost		11,121
Contributions made		<u>9,084</u>
Increase in net pension obligation		2,037
Net pension obligation, beginning of year		<u>(17,361)</u>
Net pension obligation, end of year	\$	<u><u>(15,324)</u></u>

Actuarial Assumptions

Contribution rates:

Town		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

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

	<u>Year Ending</u>		<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
PERF	06-30-03	\$	17,583	43%	\$ (15,823)
	06-30-04		6,494	124%	(17,361)
	06-30-05		11,121	140%	(15,324)

TOWN OF NORTH WEBSTER  
 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)
07-01-03	\$ 196,249	\$ 157,246	\$ 39,003	125%	\$ 200,910	19%
07-01-04	197,513	197,802	(289)	100%	231,035	(0%)
07-01-05	204,655	236,319	(31,664)	87%	253,713	(12%)

TOWN OF NORTH WEBSTER  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 For The Year Ended December 31, 2006

Description of Asset	Ending Balance	Due Within One Year
Business-type Activities:		
Revenue bonds:		
Wastewater Refunding Revenue Bonds of 2003	\$ 1,795,000	\$ 100,000

TOWN OF NORTH WEBSTER  
 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

	Local Road and Street	Park and Recreation	Tennis Court Maintenance	Decorative Street Light	Police Grant	Operation Pull Over	Law Enforcement Continuing Education	State Police Grant
Receipts:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	90	-
Intergovernmental	11,532	-	-	-	2,622	1,250	-	327
Charges for services	-	-	-	-	-	-	762	-
Fines and forfeits	-	-	-	-	-	-	311	-
Other	-	9,185	-	-	-	-	-	-
<b>Total receipts</b>	<b>11,532</b>	<b>9,185</b>	<b>-</b>	<b>-</b>	<b>2,622</b>	<b>1,250</b>	<b>1,163</b>	<b>327</b>
Disbursements:								
Public safety	-	-	-	-	2,622	672	484	327
Highways and streets	1,279	-	-	2,841	-	-	-	-
Sanitation	-	-	-	-	-	-	-	-
Culture and recreation	-	10,332	-	-	-	-	-	-
Capital outlay:								
General government	-	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-	-
<b>Total disbursements</b>	<b>1,279</b>	<b>10,332</b>	<b>-</b>	<b>2,841</b>	<b>2,622</b>	<b>672</b>	<b>484</b>	<b>327</b>
Excess (deficiency) of receipts over disbursements	10,253	(1,147)	-	(2,841)	-	578	679	-
Other financing sources (uses)								
Transfers in	-	-	-	1,973	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,973</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	10,253	(1,147)	-	(868)	-	578	679	-
Cash and investment fund balance - beginning	22,639	10,019	1,237	868	60	688	4,391	2,727
Cash and investment fund balance - ending	<u>\$ 32,892</u>	<u>\$ 8,872</u>	<u>\$ 1,237</u>	<u>\$ -</u>	<u>\$ 60</u>	<u>\$ 1,266</u>	<u>\$ 5,070</u>	<u>\$ 2,727</u>
<b>Cash and Investment Assets - December 31</b>								
Cash and investments	<u>\$ 32,892</u>	<u>\$ 8,872</u>	<u>\$ 1,237</u>	<u>\$ -</u>	<u>\$ 60</u>	<u>\$ 1,266</u>	<u>\$ 5,070</u>	<u>\$ 2,727</u>
<b>Cash and Investment Fund Balance - December 31</b>								
Unrestricted	<u>\$ 32,892</u>	<u>\$ 8,872</u>	<u>\$ 1,237</u>	<u>\$ -</u>	<u>\$ 60</u>	<u>\$ 1,266</u>	<u>\$ 5,070</u>	<u>\$ 2,727</u>

TOWN OF NORTH WEBSTER  
 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)

	Rainy Day	Garbage Collection	Park/Beach Donation	Police Donation	Police Forfeiture	Cumulative Capital Improvement	Cumulative Capital Development	Totals
<b>Receipts:</b>								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,378	\$ 14,378
Licenses and permits	-	-	-	-	-	-	-	90
Intergovernmental	-	-	-	-	-	3,298	2,072	21,101
Charges for services	-	32,988	-	-	-	-	-	33,750
Fines and forfeits	-	-	-	-	1,700	-	-	2,011
Other	-	463	-	1,005	-	-	-	10,653
<b>Total receipts</b>	<b>-</b>	<b>33,451</b>	<b>-</b>	<b>1,005</b>	<b>1,700</b>	<b>3,298</b>	<b>16,450</b>	<b>81,983</b>
<b>Disbursements:</b>								
Public safety	-	-	-	-	-	-	-	4,105
Highways and streets	-	-	-	-	-	-	-	4,120
Sanitation	-	37,652	-	-	-	-	-	37,652
Culture and recreation	-	-	-	-	-	-	-	10,332
<b>Capital outlay:</b>								
General government	-	-	-	-	-	5,787	-	5,787
Highways and streets	-	-	-	-	-	-	27,532	27,532
<b>Total disbursements</b>	<b>-</b>	<b>37,652</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,787</b>	<b>27,532</b>	<b>89,528</b>
Excess (deficiency) of receipts over disbursements	-	(4,201)	-	1,005	1,700	(2,489)	(11,082)	(7,545)
<b>Other financing sources (uses)</b>								
Transfers in	-	-	-	-	-	-	-	1,973
Transfers out	(1,973)	-	-	-	-	-	-	(1,973)
<b>Total other financing sources (uses)</b>	<b>(1,973)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,973)	(4,201)	-	1,005	1,700	(2,489)	(11,082)	(7,545)
Cash and investment fund balance - beginning	6,855	20,702	414	6,423	-	62,989	37,049	177,061
Cash and investment fund balance - ending	\$ 4,882	\$ 16,501	\$ 414	\$ 7,428	\$ 1,700	\$ 60,500	\$ 25,967	\$ 169,516
<b>Cash and Investment Assets - December 31</b>								
Cash and investments	\$ 4,882	\$ 16,501	\$ 414	\$ 7,428	\$ 1,700	\$ 60,500	\$ 25,967	\$ 169,516
<b>Cash and Investment Fund Balance - December 31</b>								
Unrestricted	\$ 4,882	\$ 16,501	\$ 414	\$ 7,428	\$ 1,700	\$ 60,500	\$ 25,967	\$ 169,516

TOWN OF NORTH WEBSTER  
 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

	Local Road and Street	Park and Recreation	Tennis Court Maintenance	Police Grant	Operation Pull Over	Enforcement Continuing Education	State Police Grant
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	440	-
Intergovernmental	11,307	-	-	2,535	1,700	-	-
Charges for services	-	-	-	-	-	401	-
Fines and forfeits	-	-	-	-	-	489	-
Other	-	8,400	-	-	-	-	-
<b>Total receipts</b>	<b>11,307</b>	<b>8,400</b>	<b>-</b>	<b>2,535</b>	<b>1,700</b>	<b>1,330</b>	<b>-</b>
Disbursements:							
Public safety	-	-	-	2,595	1,957	892	-
Sanitation	-	-	-	-	-	-	-
Culture and recreation	-	10,268	1,237	-	-	-	-
Capital outlay:							
General government	-	-	-	-	-	-	-
Highways and streets	16,668	-	-	-	-	-	-
<b>Total disbursements</b>	<b>16,668</b>	<b>10,268</b>	<b>1,237</b>	<b>2,595</b>	<b>1,957</b>	<b>892</b>	<b>-</b>
Excess (deficiency) of receipts over disbursements	(5,361)	(1,868)	(1,237)	(60)	(257)	438	-
Other financing sources (uses)							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(5,361)	(1,868)	(1,237)	(60)	(257)	438	-
Cash and investment fund balance - beginning	32,892	8,872	1,237	60	1,266	5,070	2,727
Cash and investment fund balance - ending	<u>\$ 27,531</u>	<u>\$ 7,004</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,009</u>	<u>\$ 5,508</u>	<u>\$ 2,727</u>
<u>Cash and Investment Assets - December 31</u>							
Cash and investments	<u>\$ 27,531</u>	<u>\$ 7,004</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,009</u>	<u>\$ 5,508</u>	<u>\$ 2,727</u>
<u>Cash and Investment Fund Balance - December 31</u>							
Unrestricted	<u>\$ 27,531</u>	<u>\$ 7,004</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,009</u>	<u>\$ 5,508</u>	<u>\$ 2,727</u>

TOWN OF NORTH WEBSTER  
 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)

	Rainy Day	Riverboat Fund	Garbage Collection	Park/Beach Donation	Police Donation	Police Forfeiture	Cumulative Capital Improvement	Cumulative Capital Development	Totals
Receipts:									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,418	\$ 16,418
Licenses and permits	-	-	-	-	-	-	-	-	440
Intergovernmental	-	6,714	-	-	-	-	3,812	1,170	27,238
Charges for services	-	-	33,626	-	-	-	-	-	34,027
Fines and forfeits	-	-	-	-	-	-	-	-	489
Other	-	-	374	-	171	-	-	-	8,945
Total receipts	-	6,714	34,000	-	171	-	3,812	17,588	87,557
Disbursements:									
Public safety	-	-	-	-	-	-	-	-	5,444
Sanitation	-	-	34,309	-	-	-	-	-	34,309
Culture and recreation	-	-	-	-	-	-	-	-	11,505
Capital outlay:									
General government	-	-	-	-	-	-	945	-	945
Highways and streets	-	-	-	-	-	-	-	22,185	38,853
Total disbursements	-	-	34,309	-	-	-	945	22,185	91,056
Excess (deficiency) of receipts over disbursements	-	6,714	(309)	-	171	-	2,867	(4,597)	(3,499)
Other financing sources (uses)									
Transfers in	13,559	-	-	-	-	-	-	-	13,559
Transfers out	-	-	-	-	-	-	-	(136)	(136)
Total other financing sources (uses)	13,559	-	-	-	-	-	-	(136)	13,423
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	13,559	6,714	(309)	-	171	-	2,867	(4,733)	9,924
Cash and investment fund balance - beginning	4,882	-	16,501	414	7,428	1,700	60,500	25,967	169,516
Cash and investment fund balance - ending	<u>\$ 18,441</u>	<u>\$ 6,714</u>	<u>\$ 16,192</u>	<u>\$ 414</u>	<u>\$ 7,599</u>	<u>\$ 1,700</u>	<u>\$ 63,367</u>	<u>\$ 21,234</u>	<u>\$ 179,440</u>
<u>Cash and Investment Assets - December 31</u>									
Cash and investments	<u>\$ 18,441</u>	<u>\$ 6,714</u>	<u>\$ 16,192</u>	<u>\$ 414</u>	<u>\$ 7,599</u>	<u>\$ 1,700</u>	<u>\$ 63,367</u>	<u>\$ 21,234</u>	<u>\$ 179,440</u>
<u>Cash and Investment Fund Balance - December 31</u>									
Unrestricted	<u>\$ 18,441</u>	<u>\$ 6,714</u>	<u>\$ 16,192</u>	<u>\$ 414</u>	<u>\$ 7,599</u>	<u>\$ 1,700</u>	<u>\$ 63,367</u>	<u>\$ 21,234</u>	<u>\$ 179,440</u>

TOWN OF NORTH WEBSTER  
AUDIT RESULT AND COMMENT

CAPITAL ASSET RECORDS

As reported in the prior two audit reports, the Town does not maintain detailed records of capital assets.

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)

TOWN OF NORTH WEBSTER  
EXIT CONFERENCE

The contents of this report were discussed on February 22, 2007, with Alice E. Luce, Clerk-Treasurer; and Jon W. Sroufe, President of the Town Council. The officials concurred with our audit finding.