

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

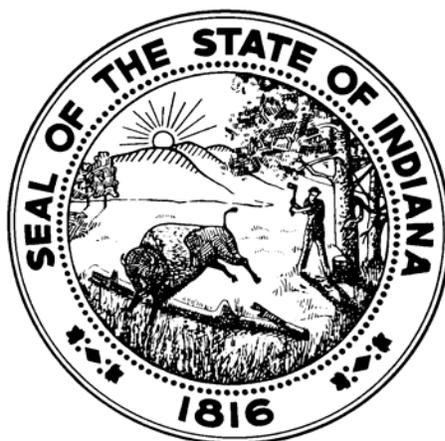
AUDIT REPORT

OF

TOWN OF SOUTH WHITLEY

WHITLEY COUNTY, INDIANA

January 1, 2005 to December 31, 2006



FILED
11/30/2007

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Mitchel J. Winger	01-01-04 to 12-31-07
President of the Town Council	Tonya Porter John Dunn	01-01-05 to 12-31-05 01-01-06 to 12-31-07
Utilities Manager	Dennis Eberhart	01-01-05 to 12-31-07
Superintendent of Wastewater Utility	Kent Slater	01-01-05 to 12-31-07
Superintendent of Electric Utility	David Mains Vacant David Mains	01-01-05 to 08-03-06 08-04-06 to 12-20-06 12-21-06 to 12-31-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

TO: THE OFFICIALS OF THE TOWN OF SOUTH WHITLEY, WHITLEY 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 South Whitley (Town), as of and for the years ended December 31, 2005 and 2006, which collectively comprise the Town's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note I, the Town prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of December 31, 2005 and 2006, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated November 1, 2007, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

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

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

The Schedule of Funding Progress, as listed in the Table of Contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Town has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The Combining Schedules, as listed in the Table of Contents, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of 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

November 1, 2007



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

TO: THE OFFICIALS OF THE TOWN OF SOUTH WHITLEY, WHITLEY COUNTY, INDIANA

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of South Whitley (Town), as of and for the years ended December 31, 2005 and 2006, which collectively comprise the Town's basic financial statements and have issued our report thereon dated November 1, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

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

Compliance and Other Matters

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

This report is intended solely for the information and use of the Town's management, Town Council and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

November 1, 2007

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

Functions/Programs	Program Receipts				Net (Disbursements) Receipts and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
Primary government:							
Governmental activities:							
General government	\$ 356,017	\$ 5,042	\$ -	\$ 241,263	\$ (109,712)	\$ -	\$ (109,712)
Public safety	235,825	629	-	-	(235,196)	-	(235,196)
Highways and streets	166,075	360	54,102	9,256	(102,357)	-	(102,357)
Sanitation	72,279	76,617	-	-	4,338	-	4,338
Economic development	-	-	-	28,716	28,716	-	28,716
Culture and recreation	5,347	-	-	-	(5,347)	-	(5,347)
Total governmental activities	<u>835,543</u>	<u>82,648</u>	<u>54,102</u>	<u>279,235</u>	<u>(419,558)</u>	<u>-</u>	<u>(419,558)</u>
Business-type activities:							
Water	684,596	296,277	-	-	-	(388,319)	(388,319)
Wastewater	309,194	360,299	-	-	-	51,105	51,105
Electric	1,199,526	1,213,273	4,885	-	-	18,632	18,632
Total business-type activities	<u>2,193,316</u>	<u>1,869,849</u>	<u>4,885</u>	<u>-</u>	<u>-</u>	<u>(318,582)</u>	<u>(318,582)</u>
Total primary government	<u>\$ 3,028,859</u>	<u>\$ 1,952,497</u>	<u>\$ 58,987</u>	<u>\$ 279,235</u>	<u>(419,558)</u>	<u>(318,582)</u>	<u>(738,140)</u>
General receipts:							
Property taxes					448,510	-	448,510
Other local sources					122,655	-	122,655
Grants and contributions not restricted to specific programs					18,979	-	18,979
Unrestricted investment earnings					4,201	34,868	39,069
Total general receipts					<u>594,345</u>	<u>34,868</u>	<u>629,213</u>
Change in net assets					174,787	(283,714)	(108,927)
Net assets - beginning					<u>(37,593)</u>	<u>1,985,655</u>	<u>1,948,062</u>
Net assets - ending					<u>\$ 137,194</u>	<u>\$ 1,701,941</u>	<u>\$ 1,839,135</u>
<u>Assets</u>							
Cash and investments					\$ 43,350	\$ 1,043,499	\$ 1,086,849
Restricted assets:							
Cash and investments					<u>93,844</u>	<u>658,442</u>	<u>752,286</u>
Total assets					<u>\$ 137,194</u>	<u>\$ 1,701,941</u>	<u>\$ 1,839,135</u>
<u>Net Assets</u>							
Restricted for:							
Highways and streets					\$ 24,818	\$ -	\$ 24,818
Culture and recreation					1,319	-	1,319
Debt service					-	139,100	139,100
Other purposes					67,707	519,342	587,049
Unrestricted					<u>43,350</u>	<u>1,043,499</u>	<u>1,086,849</u>
Total net assets					<u>\$ 137,194</u>	<u>\$ 1,701,941</u>	<u>\$ 1,839,135</u>

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

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

	General	Water Upgrade Grant	Other Governmental Funds	Totals
Receipts:				
Taxes	\$ 425,076	\$ -	\$ 23,434	\$ 448,510
Licenses and permits	24	-	190	214
Intergovernmental	128,984	234,521	110,053	473,558
Charges for services	4,645	-	77,294	81,939
Fines and forfeits	373	-	-	373
Other	3,275	-	2,461	5,736
	<u>562,377</u>	<u>234,521</u>	<u>213,432</u>	<u>1,010,330</u>
Total receipts				
Disbursements:				
General government	103,076	-	-	103,076
Public safety	233,932	-	1,893	235,825
Highways and streets	51,381	-	74,762	126,143
Sanitation	-	-	72,279	72,279
Culture and recreation	5,347	-	-	5,347
Capital outlay:				
General government	-	234,521	18,420	252,941
Highways and streets	-	-	39,932	39,932
	<u>393,736</u>	<u>234,521</u>	<u>207,286</u>	<u>835,543</u>
Total disbursements				
Excess of receipts over disbursements	<u>168,641</u>	<u>-</u>	<u>6,146</u>	<u>174,787</u>
Other financing sources (uses):				
Transfers in	1,627	-	1,535	3,162
Transfers out	<u>(1,429)</u>	<u>-</u>	<u>(1,733)</u>	<u>(3,162)</u>
Total other financing sources (uses)	<u>198</u>	<u>-</u>	<u>(198)</u>	<u>-</u>
Excess of receipts and other financing sources over disbursements and other financing uses	168,839	-	5,948	174,787
Cash and investment fund balance - beginning	<u>(152,995)</u>	<u>-</u>	<u>115,402</u>	<u>(37,593)</u>
Cash and investment fund balance - ending	<u>\$ 15,844</u>	<u>\$ -</u>	<u>\$ 121,350</u>	<u>\$ 137,194</u>
<u>Cash and Investment Assets - December 31</u>				
Cash and investments	\$ 15,844	\$ -	\$ 27,506	\$ 43,350
Restricted assets:				
Cash and investments	<u>-</u>	<u>-</u>	<u>93,844</u>	<u>93,844</u>
Total cash and investment assets - December 31	<u>\$ 15,844</u>	<u>\$ -</u>	<u>\$ 121,350</u>	<u>\$ 137,194</u>
<u>Cash and Investment Fund Balance - December 31</u>				
Restricted for:				
Highways and streets	\$ -	\$ -	\$ 24,818	\$ 24,818
Culture and recreation	-	-	1,319	1,319
Other purposes	-	-	67,707	67,707
Unrestricted	<u>15,844</u>	<u>-</u>	<u>27,506</u>	<u>43,350</u>
Total cash and investment fund balance - December 31	<u>\$ 15,844</u>	<u>\$ -</u>	<u>\$ 121,350</u>	<u>\$ 137,194</u>

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

TOWN OF SOUTH WHITLEY
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

	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Electric Utility</u>	<u>Totals</u>
Operating receipts:				
Measured revenue:				
Residential, commercial and industrial	\$ 253,678	\$ 354,312	\$ 1,182,802	\$ 1,790,792
Public street and highway lighting	-	-	7,611	7,611
Fire protection receipts	36,432	-	-	36,432
Other	6,167	5,987	22,860	35,014
	<u>296,277</u>	<u>360,299</u>	<u>1,213,273</u>	<u>1,869,849</u>
Total operating receipts				
Operating disbursements:				
Salaries and wages	30,138	72,226	152,712	255,076
Employee pensions and benefits	25,036	24,668	40,398	90,102
Purchased power	3,980	31,999	884,676	920,655
Sludge removal	-	13,885	-	13,885
Chemicals	2,326	2,062	-	4,388
Material and supplies	41,199	42,567	30,210	113,976
Contractual services	1,507	3,274	4,403	9,184
Transportation disbursements	2,061	1,874	5,418	9,353
Insurance disbursements	7,642	7,642	11,320	26,604
Regulatory commission disbursements	-	4,400	-	4,400
Miscellaneous disbursements	13,041	18,593	42,156	73,790
	<u>126,930</u>	<u>223,190</u>	<u>1,171,293</u>	<u>1,521,413</u>
Total operating disbursements				
Excess of operating receipts over operating disbursements	<u>169,347</u>	<u>137,109</u>	<u>41,980</u>	<u>348,436</u>
Nonoperating receipts (disbursements):				
Interest and investment receipts	5,767	4,545	24,556	34,868
Miscellaneous receipts	-	-	4,885	4,885
Debt service of principal	(70,000)	(40,000)	-	(110,000)
Interest and investment disbursement	(25,964)	(45,513)	-	(71,477)
Miscellaneous disbursements	(461,702)	(491)	(28,233)	(490,426)
	<u>(551,899)</u>	<u>(81,459)</u>	<u>1,208</u>	<u>(632,150)</u>
Total nonoperating receipts (disbursements)				
Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements)	<u>(382,552)</u>	<u>55,650</u>	<u>43,188</u>	<u>(283,714)</u>
Transfers in	9,335	-	-	9,335
Transfers out	-	-	(9,335)	(9,335)
Excess (deficiency) of receipts and transfers in over disbursements and transfers out	<u>(373,217)</u>	<u>55,650</u>	<u>33,853</u>	<u>(283,714)</u>
Cash and investment fund balance - beginning	<u>880,550</u>	<u>222,900</u>	<u>882,205</u>	<u>1,985,655</u>
Cash and investment fund balance - ending	<u>\$ 507,333</u>	<u>\$ 278,550</u>	<u>\$ 916,058</u>	<u>\$ 1,701,941</u>
<u>Cash and Investment Assets - December 31</u>				
Cash and investments	\$ 143,774	\$ 192,880	\$ 706,845	\$ 1,043,499
Restricted assets:				
Cash and investments	363,559	85,670	209,213	658,442
Total cash and investment assets - December 31	<u>\$ 507,333</u>	<u>\$ 278,550</u>	<u>\$ 916,058</u>	<u>\$ 1,701,941</u>
<u>Cash and Investment Fund Balance - December 31</u>				
Restricted for:				
Debt service	\$ 53,430	\$ 85,670	\$ -	\$ 139,100
Other purposes	310,129	-	209,213	519,342
Unrestricted	143,774	192,880	706,845	1,043,499
Total cash and investment fund balance - December 31	<u>\$ 507,333</u>	<u>\$ 278,550</u>	<u>\$ 916,058</u>	<u>\$ 1,701,941</u>

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

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

	Agency Funds
Additions:	
Agency fund additions	\$ 180,864
Deductions:	
Agency fund deductions	180,640
Excess of total additions over total deductions	224
Cash and investment fund balance - beginning	10,002
Cash and investment fund balance - ending	\$ 10,226

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

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

Functions/Programs	Disbursements	Program Receipts		Net (Disbursements) Receipts and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
Primary government:							
Governmental activities:							
General government	\$ 393,900	\$ 4,621	\$ 11,214	\$ 270,235	\$ (107,830)	\$ -	\$ (107,830)
Public safety	265,848	1,244	-	-	(264,604)	-	(264,604)
Highways and streets	99,871	398	57,996	21,319	(20,158)	-	(20,158)
Sanitation	73,448	79,269	-	183,386	189,207	-	189,207
Economic development	-	-	-	50,943	50,943	-	50,943
Culture and recreation	186,334	105	-	-	(186,229)	-	(186,229)
Total governmental activities	1,019,401	85,637	69,210	525,883	(338,671)	-	(338,671)
Business-type activities:							
Water	483,132	292,880	2,510	-	-	(187,742)	(187,742)
Wastewater	298,453	344,841	-	-	-	46,388	46,388
Electric	1,264,706	1,236,747	5,320	-	-	(22,639)	(22,639)
Total business-type activities	2,046,291	1,874,468	7,830	-	-	(163,993)	(163,993)
Total primary government	\$ 3,065,692	\$ 1,960,105	\$ 77,040	\$ 525,883	(338,671)	(163,993)	(502,664)
General receipts:							
Property taxes					251,160	-	251,160
Other local sources					151,688	-	151,688
Loans					26,000	-	26,000
Grants and contributions not restricted to specific programs					7,958	-	7,958
Unrestricted investment earnings					7,844	40,880	48,724
Total general receipts					444,650	40,880	485,530
Change in net assets					105,979	(123,113)	(17,134)
Net assets - beginning					137,194	1,701,941	1,839,135
Net assets - ending					\$ 243,173	\$ 1,578,828	\$ 1,822,001
Assets							
Cash and investments					\$ 71,414	\$ 1,123,457	\$ 1,194,871
Restricted assets:							
Cash and investments					171,759	455,371	627,130
Total assets					\$ 243,173	\$ 1,578,828	\$ 1,822,001
Net Assets							
Restricted for:							
Highways and streets					\$ 49,557	\$ -	\$ 49,557
Culture and recreation					1,424	-	1,424
Debt service					-	154,783	154,783
Other purposes					120,778	300,588	421,366
Unrestricted					71,414	1,123,457	1,194,871
Total net assets					\$ 243,173	\$ 1,578,828	\$ 1,822,001

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

TOWN OF SOUTH WHITLEY
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	Water Upgrade Grant	Library Grant	Other Governmental Funds	Totals
Receipts:					
Taxes	\$ 236,010	\$ -	\$ -	\$ 15,150	\$ 251,160
Licenses and permits	132	-	-	370	502
Intergovernmental	156,750	261,790	183,386	149,915	751,841
Charges for services	4,621	-	-	79,459	84,080
Fines and forfeits	508	-	-	-	508
Other	7,703	-	-	3,586	11,289
Total receipts	405,724	261,790	183,386	248,480	1,099,380
Disbursements:					
General government	112,890	-	-	-	112,890
Public safety	265,111	-	-	738	265,849
Highways and streets	33,762	-	-	62,159	95,921
Sanitation	-	-	-	73,448	73,448
Culture and recreation	2,948	-	-	-	2,948
Capital outlay:					
General government	-	261,790	-	19,219	281,009
Highways and streets	-	-	-	3,950	3,950
Culture and recreation	-	-	183,386	-	183,386
Total disbursements	414,711	261,790	183,386	159,514	1,019,401
Excess (deficiency) of receipts over disbursements	(8,987)	-	-	88,966	79,979
Other financing sources (uses):					
Transfers in	17,595	-	-	18,152	35,747
Transfers out	(16,060)	-	-	(19,687)	(35,747)
Loan proceeds	26,000	-	-	-	26,000
Total other financing sources (uses)	27,535	-	-	(1,535)	26,000
Excess of receipts and other financing sources over disbursements and other financing uses	18,548	-	-	87,431	105,979
Cash and investment fund balance - beginning	15,844	-	-	121,350	137,194
Cash and investment fund balance - ending	<u>\$ 34,392</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 208,781</u>	<u>\$ 243,173</u>
<u>Cash and Investment Assets - December 31</u>					
Cash and investments	\$ 34,392	\$ -	\$ -	\$ 37,022	\$ 71,414
Restricted assets:					
Cash and investments	-	-	-	171,759	171,759
Total cash and investment assets - December 31	<u>\$ 34,392</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 208,781</u>	<u>\$ 243,173</u>
<u>Cash and Investment Fund Balance - December 31</u>					
Restricted for:					
Highways and streets	\$ -	\$ -	\$ -	\$ 49,557	\$ 49,557
Culture and recreation	-	-	-	1,424	1,424
Other purposes	-	-	-	120,778	120,778
Unrestricted	34,392	-	-	37,022	71,414
Total cash and investment fund balance - December 31	<u>\$ 34,392</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 208,781</u>	<u>\$ 243,173</u>

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

TOWN OF SOUTH WHITLEY
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

	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Electric Utility</u>	<u>Totals</u>
Operating receipts:				
Measured revenue:				
Residential, commercial and industrial	\$ 251,868	\$ 342,733	\$ 1,197,858	\$ 1,792,459
Public street and highway lighting	-	-	7,613	7,613
Fire protection receipts	36,432	-	-	36,432
Other	<u>4,580</u>	<u>2,108</u>	<u>31,276</u>	<u>37,964</u>
Total operating receipts	<u>292,880</u>	<u>344,841</u>	<u>1,236,747</u>	<u>1,874,468</u>
Operating disbursements:				
Salaries and wages	34,291	74,164	134,983	243,438
Employee pensions and benefits	27,822	27,615	41,449	96,886
Purchased power	1,292	29,225	961,918	992,435
Sludge removal	-	27,520	-	27,520
Chemicals	7,049	1,910	-	8,959
Material and supplies	31,286	15,994	24,668	71,948
Contractual services	4,656	5,788	6,437	16,881
Transportation disbursements	3,086	2,135	4,201	9,422
Insurance disbursements	7,957	8,528	12,468	28,953
Regulatory commission disbursements	-	4,400	-	4,400
Miscellaneous disbursements	<u>13,567</u>	<u>17,662</u>	<u>44,410</u>	<u>75,639</u>
Total operating disbursements	<u>131,006</u>	<u>214,941</u>	<u>1,230,534</u>	<u>1,576,481</u>
Excess of operating receipts over operating disbursements	<u>161,874</u>	<u>129,900</u>	<u>6,213</u>	<u>297,987</u>
Nonoperating receipts (disbursements):				
Interest and investment receipts	3,106	6,721	31,053	40,880
Miscellaneous receipts	2,510	-	5,320	7,830
Debt service of principal	(70,000)	(40,000)	-	(110,000)
Interest and investment disbursement	(25,096)	(43,512)	-	(68,608)
Miscellaneous disbursements	<u>(257,030)</u>	<u>-</u>	<u>(34,172)</u>	<u>(291,202)</u>
Total nonoperating receipts (disbursements)	<u>(346,510)</u>	<u>(76,791)</u>	<u>2,201</u>	<u>(421,100)</u>
Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements)	<u>(184,636)</u>	<u>53,109</u>	<u>8,414</u>	<u>(123,113)</u>
Transfers in	13,920	7,695	-	21,615
Transfers out	<u>(7,695)</u>	<u>(13,920)</u>	<u>-</u>	<u>(21,615)</u>
Excess (deficiency) of receipts and transfers in over disbursements and transfers out	<u>(178,411)</u>	<u>46,884</u>	<u>8,414</u>	<u>(123,113)</u>
Cash and investment fund balance - beginning	<u>507,333</u>	<u>278,550</u>	<u>916,058</u>	<u>1,701,941</u>
Cash and investment fund balance - ending	<u>\$ 328,922</u>	<u>\$ 325,434</u>	<u>\$ 924,472</u>	<u>\$ 1,578,828</u>
<u>Cash and Investment Assets - December 31</u>				
Cash and investments	\$ 174,377	\$ 245,981	\$ 703,099	\$ 1,123,457
Restricted assets:				
Cash and investments	<u>154,545</u>	<u>79,453</u>	<u>221,373</u>	<u>455,371</u>
Total cash and investment assets - December 31	<u>\$ 328,922</u>	<u>\$ 325,434</u>	<u>\$ 924,472</u>	<u>\$ 1,578,828</u>
<u>Cash and Investment Fund Balance - December 31</u>				
Restricted for:				
Debt service	\$ 75,330	\$ 79,453	\$ -	\$ 154,783
Other purposes	79,215	-	221,373	300,588
Unrestricted	<u>174,377</u>	<u>245,981</u>	<u>703,099</u>	<u>1,123,457</u>
Total cash and investment fund balance - December 31	<u>\$ 328,922</u>	<u>\$ 325,434</u>	<u>\$ 924,472</u>	<u>\$ 1,578,828</u>

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

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

	Agency Funds
Additions:	
Agency fund additions	\$ 179,305
Deductions:	
Agency fund deductions	179,955
Deficiency of total additions under total deductions	(650)
Cash and investment fund balance - beginning	10,226
Cash and investment fund balance - ending	\$ 9,576

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

TOWN OF SOUTH WHITLEY
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The Town was established under the laws of the State of Indiana. The Town operates under a Town Council form of government and provides the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, electric, water, wastewater, and urban redevelopment and housing.

The Town's financial reporting entity is composed of the primary government, the Town of South Whitley.

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 water upgrade grant fund is used to account for grant funds received for improvements to the Town's water system.

The library grant fund is used to account for grant funds received and passed-through to the South Whitley-Cleveland Township Public Library.

The Town reports the following major proprietary funds:

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

TOWN OF SOUTH WHITLEY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

Additionally, the Town reports the following fund type:

Agency funds account for assets held by the Town as an agent for individuals, private organizations, other governments and/or other funds and serve as control of accounts for certain cash transactions during the time they are a liability to 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. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the Town and the Utilities. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

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.

TOWN OF SOUTH WHITLEY
NOTES TO FINANCIAL STATEMENTS
(Continued)

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

2. Capital Assets

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

3. Long-Term Debt

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

4. Equity Classification

Government-Wide Statements

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

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

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

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

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.

TOWN OF SOUTH WHITLEY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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

A. Budgetary Information

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

Prior to the first required publication, the fiscal officer of the Town submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the

TOWN OF SOUTH WHITLEY
NOTES TO FINANCIAL STATEMENTS
(Continued)

advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the Town receives approval of the Indiana Department of Local Government Finance.

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

B. Cash and Investment Balance Deficits

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

Fund	2005	2006
Abandoned Vehicle	\$ 110	\$ 110
Police Training and Equipment	649	225
Wastewater Capital	491	491
Wastewater Bond and Interest	-	6,060

Cash and investment deficits arose primarily from disbursements exceeding receipts due to the underestimate of current requirements; these deficits are to be repaid from future receipts.

III. Detailed Notes on All Funds

A. Deposits and Investments

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:

Transfer From	Transfer To	2005	2006
General Fund	Other governmental	\$ 1,429	\$ 16,060
Other governmental	General Fund	1,627	17,595
	Other governmental	106	2,092
Totals		<u>\$ 3,162</u>	<u>\$ 35,747</u>

TOWN OF SOUTH WHITLEY
NOTES TO FINANCIAL STATEMENTS
(Continued)

The Town typically uses transfers for cash flow purposes as provided by various statutory provisions.

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 2001, the Town joined the Indiana Public Employer's Plan, Inc., a public entity risk pool currently operating as a common risk management and insurance program for approximately 350 member governmental entities. This risk pool was formed in 1989. 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 job related illnesses or injuries to employees coverage. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$1,000,000 per insured event. The risk pool obtains independent coverage for insured events in excess of the \$1,000,000 limit.

B. Rate Structure – Enterprise Funds

Water Utility

On March 25, 1997, the Town Council adopted Ordinance No. 97-3-1 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Town Council on April 13, 2004.

Wastewater Utility

The current rate structure was approved by the Town Council on April 13, 2004.

Electric Utility

On May 10, 2005, the Town Council adopted Ordinance No. 05-04-03 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Indiana Utility Regulatory Commission on December 16, 1997.

C. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Town contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to

TOWN OF SOUTH WHITLEY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 18,006
Interest on net pension obligation	(2,879)
Adjustment to annual required contribution	3,281
Annual pension cost	18,408
Contributions made	20,361
Decrease in net pension obligation	(1,953)
Net pension obligation, beginning of year	(39,712)
Net pension obligation, end of year	\$ (41,665)
Contribution rates:	
Town	4.75%
Plan members	3%
Actuarial valuation date	07-01-06
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

TOWN OF SOUTH WHITLEY
NOTES TO FINANCIAL STATEMENTS
(Continued)

<u>Actuarial Assumptions</u>	<u>PERF</u>
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	06-30-04	\$ 14,955	136%	\$ (35,947)
	06-30-05	16,636	123%	(39,712)
	06-30-06	18,408	122%	(41,665)

TOWN OF SOUTH WHITLEY
 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 AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-04	\$ 523,826	\$ 495,421	\$ 28,405	106%	\$ 408,195	7%
07-01-05	540,248	522,430	17,818	103%	427,474	4%
07-01-06	520,058	477,949	42,109	109%	386,382	11%

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

	Motor Vehicle Highway	Local Road and Street	Law Enforcement Continuing Education	Park and Recreation	Sanitation	Riverboat	Abandoned Vehicle	Police Training and Equipment
Receipts:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	190	-	-	-	-	-
Intergovernmental	54,102	9,256	-	-	-	11,237	-	-
Charges for services	360	-	317	-	76,617	-	-	-
Other	-	-	-	-	500	351	-	122
Total receipts	54,462	9,256	507	-	77,117	11,588	-	122
Disbursements:								
Public safety	-	-	428	-	-	-	-	1,465
Highways and streets	51,821	13,031	-	-	-	9,910	-	-
Sanitation	-	-	-	-	72,279	-	-	-
Capital outlay:								
General government	-	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-	-
Total disbursements	51,821	13,031	428	-	72,279	9,910	-	1,465
Excess (deficiency) of receipts over disbursements	2,641	(3,775)	79	-	4,838	1,678	-	(1,343)
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	2,641	(3,775)	79	-	4,838	1,678	-	(1,343)
Cash and investment fund balance - beginning	16,208	9,744	456	1,319	8,101	11,580	(110)	694
Cash and investment fund balance - ending	\$ 18,849	\$ 5,969	\$ 535	\$ 1,319	\$ 12,939	\$ 13,258	\$ (110)	\$ (649)
<u>Cash and Investment Assets - December 31</u>								
Cash and investments	\$ -	\$ -	\$ 535	\$ -	\$ 12,939	\$ 13,258	\$ (110)	\$ (649)
Restricted assets:								
Cash and investments	18,849	5,969	-	1,319	-	-	-	-
Total cash and investment assets - December 31	\$ 18,849	\$ 5,969	\$ 535	\$ 1,319	\$ 12,939	\$ 13,258	\$ (110)	\$ (649)
<u>Cash and Investment Fund Balance - December 31</u>								
Restricted for:								
Highways and streets	\$ 18,849	\$ 5,969	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Culture and recreation	-	-	-	1,319	-	-	-	-
Other purposes	-	-	-	-	-	-	-	-
Unrestricted	-	-	535	-	12,939	13,258	(110)	(649)
Total cash and investment fund balance - December 31	\$ 18,849	\$ 5,969	\$ 535	\$ 1,319	\$ 12,939	\$ 13,258	\$ (110)	\$ (649)

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

	Levy Excess	Program Income	Cumulative Capital Improvement	Cumulative Capital Development	Build Indiana	Economic Development Income Tax	Totals
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ 23,434	\$ -	\$ -	\$ 23,434
Licenses and permits	-	-	-	-	-	-	190
Intergovernmental	-	-	5,509	1,233	-	28,716	110,053
Charges for services	-	-	-	-	-	-	77,294
Other	-	-	-	351	-	1,137	2,461
Total receipts	-	-	5,509	25,018	-	29,853	213,432
Disbursements:							
Public safety	-	-	-	-	-	-	1,893
Highways and streets	-	-	-	-	-	-	74,762
Sanitation	-	-	-	-	-	-	72,279
Capital outlay:							
General government	-	-	297	17	2,638	15,468	18,420
Highways and streets	-	-	7,012	11,920	-	21,000	39,932
Total disbursements	-	-	7,309	11,937	2,638	36,468	207,286
Excess (deficiency) of receipts over disbursements	-	-	(1,800)	13,081	(2,638)	(6,615)	6,146
Other financing sources (uses):							
Transfers in	1,535	-	-	-	-	-	1,535
Transfers out	(1,627)	-	-	(106)	-	-	(1,733)
Total other financing sources (uses)	(92)	-	-	(106)	-	-	(198)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(92)	-	(1,800)	12,975	(2,638)	(6,615)	5,948
Cash and investment fund balance - beginning	1,627	(2)	8,988	9,032	2,638	45,127	115,402
Cash and investment fund balance - ending	\$ 1,535	\$ (2)	\$ 7,188	\$ 22,007	\$ -	\$ 38,512	\$ 121,350
Cash and Investment Assets - December 31							
Cash and investments	\$ 1,535	\$ (2)	\$ -	\$ -	\$ -	\$ -	\$ 27,506
Restricted assets:							
Cash and investments	-	-	7,188	22,007	-	38,512	93,844
Total cash and investment assets - December 31	\$ 1,535	\$ (2)	\$ 7,188	\$ 22,007	\$ -	\$ 38,512	\$ 121,350
Cash and Investment Fund Balance - December 31							
Restricted for:							
Highways and streets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,818
Culture and recreation	-	-	-	-	-	-	1,319
Other purposes	-	-	7,188	22,007	-	38,512	67,707
Unrestricted	1,535	(2)	-	-	-	-	27,506
Total cash and investment fund balance - December 31	\$ 1,535	\$ (2)	\$ 7,188	\$ 22,007	\$ -	\$ 38,512	\$ 121,350

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

	<u>Sales Tax</u>	<u>Payroll Withholdings</u>	<u>Totals</u>
Additions:			
Agency fund additions	\$ 56,750	\$ 124,114	\$ 180,864
Deductions:			
Agency fund deductions	<u>56,575</u>	<u>124,065</u>	<u>180,640</u>
Excess of total additions over total deductions	175	49	224
Cash and investment fund balance - beginning	<u>4,253</u>	<u>5,749</u>	<u>10,002</u>
Cash and investment fund balance - ending	<u>\$ 4,428</u>	<u>\$ 5,798</u>	<u>\$ 10,226</u>

TOWN OF SOUTH WHITLEY
 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

	Motor Vehicle Highway	Local Road and Street	Law Enforcement Continuing Education	Park and Recreation	Sanitation	Riverboat	Abandoned Vehicle
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	370	-	-	-	-
Intergovernmental	70,222	9,093	-	-	-	11,214	-
Charges for services	360	-	362	-	78,737	-	-
Other	38	-	88	105	855	370	-
Total receipts	70,620	9,093	820	105	79,592	11,584	-
Disbursements:							
Public safety	-	-	738	-	-	-	-
Highways and streets	53,730	1,244	-	-	-	7,185	-
Sanitation	-	-	-	-	73,448	-	-
Capital outlay:							
General government	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Total disbursements	53,730	1,244	738	-	73,448	7,185	-
Excess (deficiency) of receipts over disbursements	16,890	7,849	82	105	6,144	4,399	-
Other financing sources (uses)							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	16,890	7,849	82	105	6,144	4,399	-
Cash and investment fund balance - beginning	18,849	5,969	535	1,319	12,939	13,258	(110)
Cash and investment fund balance - ending	\$ 35,739	\$ 13,818	\$ 617	\$ 1,424	\$ 19,083	\$ 17,657	\$ (110)
Cash and Investment Assets - December 31							
Cash and investments	\$ -	\$ -	\$ 617	\$ -	\$ 19,083	\$ 17,657	\$ (110)
Restricted assets:							
Cash and investments	35,739	13,818	-	1,424	-	-	-
Total cash and investment assets - December 31	\$ 35,739	\$ 13,818	\$ 617	\$ 1,424	\$ 19,083	\$ 17,657	\$ (110)
Cash and Investment Fund Balance - December 31							
Restricted for:							
Highways and streets	\$ 35,739	\$ 13,818	\$ -	\$ -	\$ -	\$ -	\$ -
Culture and recreation	-	-	-	1,424	-	-	-
Other purposes	-	-	-	-	-	-	-
Unrestricted	-	-	617	-	19,083	17,657	(110)
Total cash and investment fund balance - December 31	\$ 35,739	\$ 13,818	\$ 617	\$ 1,424	\$ 19,083	\$ 17,657	\$ (110)

TOWN OF SOUTH WHITLEY
 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)

	Police Training and Equipment	Levy Excess	Program Income	Cumulative Capital Improvement	Cumulative Capital Development	Economic Development Income Tax	Totals
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 15,150	\$ -	\$ 15,150
Licenses and permits	-	-	-	-	-	-	370
Intergovernmental	-	-	-	6,366	2,079	50,941	149,915
Charges for services	-	-	-	-	-	-	79,459
Other	424	-	2	-	370	1,334	3,586
Total receipts	424	-	2	6,366	17,599	52,275	248,480
Disbursements:							
Public safety	-	-	-	-	-	-	738
Highways and streets	-	-	-	-	-	-	62,159
Sanitation	-	-	-	-	-	-	73,448
Capital outlay:							
General government	-	-	-	4,325	6,530	8,364	19,219
Highways and streets	-	-	-	-	-	3,950	3,950
Total disbursements	-	-	-	4,325	6,530	12,314	159,514
Excess (deficiency) of receipts over disbursements	424	-	2	2,041	11,069	39,961	88,966
Other financing sources (uses)							
Transfers in	-	17,106	-	-	1,046	-	18,152
Transfers out	-	(18,641)	-	-	(1,046)	-	(19,687)
Total other financing sources (uses)	-	(1,535)	-	-	-	-	(1,535)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	424	(1,535)	2	2,041	11,069	39,961	87,431
Cash and investment fund balance - beginning	(649)	1,535	(2)	7,188	22,007	38,512	121,350
Cash and investment fund balance - ending	<u>\$ (225)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,229</u>	<u>\$ 33,076</u>	<u>\$ 78,473</u>	<u>\$ 208,781</u>
Cash and Investment Assets - December 31							
Cash and investments	\$ (225)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 37,022
Restricted assets:							
Cash and investments	-	-	-	9,229	33,076	78,473	171,759
Total cash and investment assets - December 31	<u>\$ (225)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,229</u>	<u>\$ 33,076</u>	<u>\$ 78,473</u>	<u>\$ 208,781</u>
Cash and Investment Fund Balance - December 31							
Restricted for:							
Highways and streets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 49,557
Culture and recreation	-	-	-	-	-	-	1,424
Other purposes	-	-	-	9,229	33,076	78,473	120,778
Unrestricted	(225)	-	-	-	-	-	37,022
Total cash and investment fund balance - December 31	<u>\$ (225)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,229</u>	<u>\$ 33,076</u>	<u>\$ 78,473</u>	<u>\$ 208,781</u>

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

	<u>Sales Tax</u>	<u>Payroll Withholdings</u>	<u>Totals</u>
Additions:			
Agency fund additions	\$ 57,181	\$ 122,124	\$ 179,305
Deductions:			
Agency fund deductions	<u>57,540</u>	<u>122,415</u>	<u>179,955</u>
Deficiency of total additions under total deductions	(359)	(291)	(650)
Cash and investment fund balance - beginning	<u>4,428</u>	<u>5,798</u>	<u>10,226</u>
Cash and investment fund balance - ending	<u>\$ 4,069</u>	<u>\$ 5,507</u>	<u>\$ 9,576</u>

TOWN OF SOUTH WHITLEY
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

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.

General infrastructure assets completed in the current and prior years have been reported. Retroactive reporting of general infrastructure assets is not required.

	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 30,000
Infrastructure	532,396
Buildings	91,161
Improvements other than buildings	71,675
Machinery and equipment	261,703
Transportation equipment	<u>116,533</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 1,103,468</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 1,238
Buildings	110,317
Improvements other than buildings	1,818,031
Machinery and equipment	104,957
Transportation equipment	<u>15,052</u>
 Total Water Utility capital assets	 <u>2,049,595</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	14,578
Buildings	69,339
Improvements other than buildings	2,093,638
Machinery and equipment	94,388
Transportation equipment	<u>24,127</u>
 Total Wastewater Utility capital assets	 <u>2,296,070</u>
Electric Utility:	
Capital assets, not being depreciated:	
Buildings	68,224
Improvements other than buildings	1,508,112
Machinery and equipment	145,715
Transportation equipment	<u>213,955</u>
 Total Electric Utility capital assets	 <u>1,936,006</u>
 Total business-type activities capital assets	 <u>\$ 6,281,671</u>

TOWN OF SOUTH WHITLEY
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT

December 31, 2006

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Loan payable	<u>\$ 23,208</u>	<u>\$ 5,529</u>
Business-type Activities:		
Water Utility		
Revenue bonds:		
2004 Water improvements	<u>\$ 670,000</u>	<u>\$ 93,478</u>
Wastewater Utility		
Revenue bonds:		
1999 Wastewater improvements	<u>760,000</u>	<u>20,756</u>
Total business-type activities long-term debt	<u>\$ 1,430,000</u>	<u>\$ 114,234</u>

TOWN OF SOUTH WHITLEY
AUDIT RESULTS AND COMMENTS

TIMELY RECORDKEEPING

Interest earned on the Town's preferred liquidity savings account from December 2005 to September 2006 in the amount of \$30,552 was not posted until November 2006. A similar comment appeared in prior Report B25890.

All documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1 et seq., commonly referred to as the Public Records Law. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OVERDRAWN CASH BALANCES

The cash balances of the Abandoned Vehicle Fund, Police Training and Equipment Fund, Wastewater Capital Fund and Wastewater Bond and Interest Fund were overdrawn during the audit period.

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

COMPOSITION OF RECEIPTS DEPOSITED

The composition (cash, check, money order) of deposits could not be verified to the original receipts making up the deposits in 24% of the receipts tested. Receipts tested were deposited in total, but the composition did not always agree. In addition, numerous meter deposit receipts were not marked as to the money type collected.

Public funds deposited should be deposited in the same form in which they were received. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CONDITION OF RECORDS

A number of posting errors were noted during the audit. The Electric Utility transferred \$9,335 in error to the Water Utility during 2005. The Water and Wastewater Utilities had transfer errors during 2006 netting \$6,225 to the Water Utility.

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

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

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

TO: THE OFFICIALS OF THE TOWN OF SOUTH WHITLEY, WHITLEY COUNTY, INDIANA

Compliance

We have audited the compliance of the Town of South Whitley (Town) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the years ended December 31, 2005 and 2006. The Town's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

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

In our opinion, the Town complied in all material respects with the requirements referred to above that are applicable to its major federal program for the years ended December 31, 2005 and 2006.

Internal Control Over Compliance

The management of the Town is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

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

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

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

This report is intended solely for the information and use of the Town's management, Town Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

November 1, 2007

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

Federal Grantor Agency/Pass-Through Entity Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 12-31-05	Total Federal Awards Expended 12-31-06
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
Indiana Office of Community and Rural Affairs				
Community Development Block Grants/State's Program	14.228			
		CF-03-125	\$ 274,878	\$ 221,433
		CF-05-207	-	440,011
Total federal awards expended			<u>\$ 274,878</u>	<u>\$ 661,444</u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

TOWN OF SOUTH WHITLEY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

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

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

II. Subrecipients

Of the federal expenditures presented in the schedule, the Town provided federal awards to subrecipients as follows for the year ended December 31, 2006:

Program Title	Federal CFDA Number	2006
Community Development Block Grants/State's Program	14.228	\$ <u>440,011</u>

TOWN OF SOUTH WHITLEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

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

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

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
14.228	Community Development Block Grants/States Program

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

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

TOWN OF SOUTH WHITLEY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

TOWN OF SOUTH WHITLEY
EXIT CONFERENCE

The contents of this report were discussed on November 1, 2007, with Mitchel J. Winger, Clerk-Treasurer; and John Dunn, President of the Town Council. The officials concurred with our audit findings.