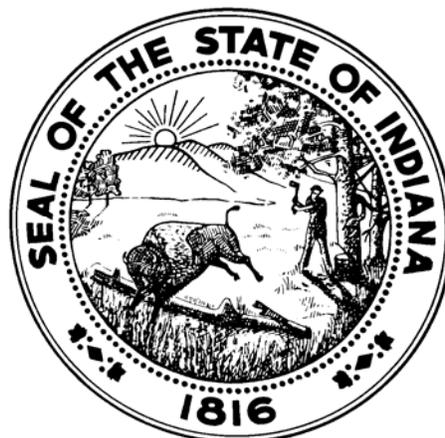


**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2765**

EXAMINATION REPORT  
OF  
TOWN OF NEW PALESTINE  
HANCOCK COUNTY, INDIANA  
January 1, 2005 to December 31, 2005



**FILED**  
10/20/2006



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Becky Hilligoss	01-01-04 to 12-31-07
President of the Town Council	Larry Jonas	01-01-05 to 12-31-06



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF NEW PALESTINE, HANCOCK COUNTY, INDIANA

We have examined the schedule of receipts, disbursements, and cash and investment balances of the Town of New Palestine (Town), for the period of January 1, 2005 to December 31, 2005. The Town's management is responsible for the schedule. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the schedule of receipts, disbursements, and cash and investment balances and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the schedule referred to above presents fairly, in all material respects, the cash transactions of the Town for the year ended December 31, 2005, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

September 29, 2006

TOWN OF NEW PALESTINE  
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES  
As Of And For The Year Ended December 31, 2005

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General	\$ 165,408	\$ 352,920	\$ 423,244	\$ 95,084
Motor Vehicle Highway	101,778	292,654	290,051	104,381
Local Road and Street	30,534	15,473	13,320	32,687
Law Enforcement Continuing Education	1,093	1,560	2,653	-
Rainy Day	26,872	59,752	50,557	36,067
Police Donation	-	500	-	500
Levy Excess	-	6,827	-	6,827
Town Hall - Interest Payment	-	9,136	9,136	-
Cumulative Capital Improvement	16,640	3,908	11,000	9,548
Cumulative Capital Development	41,474	35,976	45,839	31,611
Town Hall Bond Project	-	557,407	557,407	-
Proprietary Funds:				
Wastewater Utility - Operating	20,863	422,007	412,276	30,594
Wastewater Utility - Bond and Interest	10,358	117,603	117,902	10,059
Wastewater Utility - Improvement	523,585	169,834	224,999	468,420
Wastewater Utility - Debt Reserve	115,471	5,232	-	120,703
Fiduciary Fund:				
Payroll	-	341,170	341,170	-
Totals	<u>\$ 1,054,076</u>	<u>\$ 2,391,959</u>	<u>\$ 2,499,554</u>	<u>\$ 946,481</u>

The accompanying notes are an integral part of the schedule.

TOWN OF NEW PALESTINE  
NOTES TO SCHEDULE

Note 1. Introduction

The Town was established under the laws of the State of Indiana. The Town provides the following services: public safety, highways and streets, culture and recreation, public improvements, planning and zoning, general administrative, and wastewater services.

Note 2. Fund Accounting

The Town uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Town in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the Town on or prior to December 31 of the year collected.

Note 5. Deposits and Investments

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

State statute (IC 5-13-9) authorizes the Town to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

TOWN OF NEW PALESTINE  
NOTES TO SCHEDULE  
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

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

Note 7. Long-Term Debt

The Town has entered into various debts such as a general obligation bond for the purchase of a town hall building and capital leases for a street sweeper, police car and truck. The outstanding principal at December 31, 2005, was \$519,000 and \$104,040, respectively.

The Wastewater Utility has entered into debt in the form of two Revenue Bonds for refunding prior bonds and improvements. The outstanding principal at December 31, 2005, was \$1,154,000.

TOWN OF NEW PALESTINE  
EXAMINATION RESULTS AND COMMENTS

RECORD OF CUSTOMER SERVICES

The Wastewater Utility has a computerized system for customer accounts with most customers receiving a flat rate bill based on single family occupancy of residence. The Utility files reviewed did not always have the type of service documented with the customer's account. Sufficient documentation for the services received was not with the files for several non-flat rate customers. We could not determine if all customers were being properly billed in compliance with the utility rate ordinance based on the records presented.

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CAPITAL ASSET RECORDS

As stated in the two prior audit reports, information presented for review did not contain sufficient detailed records. The proper form was maintained for the Town and Utility capital assets, but the assets recorded did not agree with the information reported on the City and Town Annual Report (CTAR). It was not apparent from the records what data had been used to total assets at year end. For the Town, the detailed records were less than the amounts reported on the CTAR. The Wastewater Utility amount reported on the CTAR was less than the Capital Asset Record. Also, the Wastewater Utility Capital Asset Ledger was not properly completed because some information recorded was contradictory to other information on the Ledger.

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)

APPROVAL OF WRITE-OFFS AND ADJUSTMENTS

There were numerous adjustments and some write-offs of uncollectible accounts for the Wastewater Utility. The adjustments were not approved by the Town Council or a designated person. Also, the write-off amounts were not formally approved by the Town Council.

After all efforts have been exhausted to effect collection of delinquent accounts, and after service has been discontinued and meter deposits applied, a list of uncollectible accounts should be submitted to the board for approval before being written off and transferred to an uncollectible accounts file. After approval has been made a matter of record, the total of these accounts, including the sales tax thereon, will be credited to the control account. (Accounting and Uniform Compliance Guidelines for Cities and Towns, Chapter 4)

TOWN OF NEW PALESTINE  
EXIT CONFERENCE

The contents of this report were discussed on September 29, 2006, with Becky Hilligoss, Clerk-Treasurer; and Barbara Mattingly, Council Member.