

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

EXAMINATION REPORT
OF
TOWN OF NEW WHITELAND
JOHNSON COUNTY, INDIANA
January 1, 2000 to December 31, 2005



FILED
03/28/2007

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Accountant's Report	3
Financial Information:	
Schedules of Receipts, Disbursements, and Cash and Investment Balances	4-6
Notes to Financial Information.....	7-8
Examination Results and Comments:	
Bank Account Reconciliations	9
Condition of Records	9
Overpayment Collections.....	9
Errors on Claims	10
Capital Asset Records	10
Penalties, Interest and Other Charges	11
Internal Controls - Utility Billings	11
Internal Controls - Parks Department	11
Exit Conference	12
Official Response	13

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	William D. Johnson Maribeth Alspach	01-01-00 to 12-31-03 01-01-04 to 12-31-07
President of the Town Council	John Perrin	01-01-00 to 12-31-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF NEW WHITELAND, JOHNSON COUNTY, INDIANA

We have examined the financial information presented herein of the Town of New Whiteland, New Whiteland Water Utility, and New Whiteland Wastewater Utility (Town), for the period of January 1, 2000 to December 31, 2005. The Town's management is responsible for the financial information presented herein. 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 financial information presented herein 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 financial information referred to above presents fairly, in all material respects, the financial information of the Town for the years ended December 31, 2000, 2001, 2002, 2003, 2004, and 2005, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

January 18, 2007

TOWN OF NEW WHITELAND
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
As Of And For The Years Ended December 31, 2000, 2001, 2002, 2003, 2004, And 2005

	Cash and Investments 01-01-00	Receipts	Disbursements	Cash and Investments 12-31-00
Governmental Funds:				
General Fund	\$ 156,526	\$ 1,037,455	\$ 1,069,448	\$ 124,533
Motor Vehicle Highway	54,154	121,373	111,336	64,191
Local Road and Street	36,485	103,039	119,484	20,040
Park Nonreverting Operating	2,983	29,755	29,785	2,953
Tracy Road Project	-	7,485	14,848	(7,363)
Cumulative Capital Improvement	84,883	-	-	84,883
Accident Report	703	286	735	254
Firearms Training	409	505	450	464
LECE	1,425	2,597	735	3,287
State Grant - Police Department	18,262	32,133	17,926	32,469
Recycle	13,574	-	9,965	3,609
User Fee	14,180	-	-	14,180
Cumulative Fire	74,472	13,041	26,730	60,783
Fire Truck Loan	9,191	18,458	9,191	18,458
Park Cumulative Capital Improvement	6,895	31	-	6,926
Proprietary Funds:				
Water Operating	66,362	432,371	463,038	35,695
Sanitation	824,175	588,686	612,941	799,920
Fiduciary Fund:				
Payroll Fund	4,514	743,587	740,554	7,547
Totals	<u>\$ 1,369,193</u>	<u>\$ 3,130,802</u>	<u>\$ 3,227,166</u>	<u>\$ 1,272,829</u>

	Cash and Investments 01-01-01	Receipts	Disbursements	Cash and Investments 12-31-01
Governmental Funds:				
General Fund	\$ 124,533	\$ 1,141,838	\$ 1,172,903	\$ 93,468
Motor Vehicle Highway	64,191	120,036	175,279	8,948
Local Road and Street	20,040	72,663	66,153	26,550
Park Nonreverting Operating	2,953	41,706	38,063	6,596
Tracy Road Project	(7,363)	7,363	-	-
Cumulative Capital Improvement	84,883	8,988	-	93,871
Accident Report	254	218	-	472
Firearms Training	464	770	-	1,234
LECE	3,287	522	-	3,809
State Grant - Police Department	32,469	-	2,985	29,484
Recycle	3,609	-	-	3,609
User Fee	14,180	-	-	14,180
Cumulative Fire	60,783	46,813	25,216	82,380
Fire Truck Loan	18,458	-	-	18,458
Park Cumulative Capital Improvement	6,926	-	5,000	1,926
Nonreverting Unrestricted Police Donations	-	3,157	-	3,157
Operation Pull-Over	-	515	423	92
Proprietary Funds:				
Water Operating	35,695	435,625	465,775	5,545
Sanitation	799,920	533,313	758,676	574,557
Fiduciary Fund:				
Payroll Fund	7,547	833,826	821,960	19,413
Totals	<u>\$ 1,272,829</u>	<u>\$ 3,247,353</u>	<u>\$ 3,532,433</u>	<u>\$ 987,749</u>

The accompanying notes are an integral part of the schedules.

TOWN OF NEW WHITELAND
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
As Of And For The Years Ended December 31, 2000, 2001, 2002, 2003, 2004, And 2005
(Continued)

	Cash and Investments 01-01-02	Receipts	Disbursements	Cash and Investments 12-31-02
Governmental Funds:				
General Fund	\$ 93,468	\$ 1,152,308	\$ 1,140,109	\$ 105,667
Motor Vehicle Highway	8,948	123,375	114,717	17,606
Local Road and Street	26,550	52,050	68,637	9,963
Park Nonreverting Operating	6,596	54,312	58,705	2,203
Cumulative Capital Improvement	93,871	-	-	93,871
Accident Report	472	409	-	881
Firearms Training	1,234	670	-	1,904
LECE	3,809	864	1,477	3,196
State Grant - Police Department	29,484	-	26,224	3,260
Recycle	3,609	-	-	3,609
User Fee	14,180	-	-	14,180
Cumulative Fire	82,380	32,971	2,485	112,866
Fire Truck Loan	18,458	-	18,458	-
Park Cumulative Capital Improvement	1,926	433	-	2,359
Nonreverting Unrestricted Police Donations	3,157	2,900	2,888	3,169
Nonreverting Unrestricted Fire Equipment Donations	-	20	-	20
Nonreverting Restricted Building Inspections	-	9,420	6,324	3,096
Operation Pull-Over	92	1,546	2,208	(570)
Proprietary Funds:				
Water Operating	5,545	463,602	460,802	8,345
Sanitation	574,557	562,383	628,466	508,474
Fiduciary Fund:				
Payroll Fund	19,413	833,826	821,960	31,279
Totals	<u>\$ 987,749</u>	<u>\$ 3,291,089</u>	<u>\$ 3,353,460</u>	<u>\$ 925,378</u>
	Cash and Investments 01-01-03	Receipts	Disbursements	Cash and Investments 12-31-03
Governmental Funds:				
General Fund	\$ 105,667	\$ 1,180,707	\$ 1,128,955	\$ 157,419
Motor Vehicle Highway	17,606	143,551	134,874	26,283
Local Road and Street	9,963	49,121	52,550	6,534
Park Nonreverting Operating	2,203	39,826	36,717	5,312
Cumulative Capital Improvement	93,871	-	-	93,871
Accident Report	881	346	-	1,227
Firearms Training	1,904	621	-	2,525
LECE	3,196	594	-	3,790
State Grant - Police Department	3,260	-	-	3,260
Recycle	3,609	-	-	3,609
User Fee	14,180	-	-	14,180
Cumulative Fire	112,866	21,314	12,224	121,956
Fire Truck Loan	-	-	-	-
Park Cumulative Capital Improvement	2,359	1,385	-	3,744
Police Department - Arch Insurance	-	34,398	21,988	12,410
Nonreverting Unrestricted Police Donations	3,169	7,759	4,140	6,788
Nonreverting Unrestricted Fire Equipment Donations	20	530	-	550
Nonreverting Restricted Building Inspections	3,096	42,275	33,378	11,993
Operation Pull-Over	(570)	230	230	(570)
Proprietary Funds:				
Water Operating	8,345	622,948	595,884	35,409
Sanitation	508,474	911,844	827,697	592,621
Fiduciary Fund:				
Payroll Fund	31,279	843,132	873,860	551
Totals	<u>\$ 925,378</u>	<u>\$ 3,900,581</u>	<u>\$ 3,722,497</u>	<u>\$ 1,103,462</u>

The accompanying notes are an integral part of the schedules.

TOWN OF NEW WHITELAND
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
As Of And For The Years Ended December 31, 2000, 2001, 2002, 2003, 2004, And 2005
(Continued)

	Cash and Investments 01-01-04	Receipts	Disbursements	Cash and Investments 12-31-04
Governmental Funds:				
General Fund	\$ 157,419	\$ 1,347,206	\$ 1,254,316	\$ 250,309
Motor Vehicle Highway	26,283	147,477	117,815	55,945
Local Road and Street	6,534	52,657	30,547	28,644
Park Nonreverting Operating	5,312	25,008	25,751	4,569
Cumulative Capital Improvement	93,871	-	93,871	-
Accident Report	1,227	190	1,417	-
Firearms Training	2,525	220	2,745	-
LECE	3,790	22,311	5,170	20,931
State Grant - Police Department	3,260	-	-	3,260
Recycle	3,609	-	3,609	-
User Fee	14,180	300	14,426	54
Cumulative Fire	121,956	21,806	30,692	113,070
Park CCI	3,744	230	-	3,974
Police Department - Arch Insurance	12,410	-	-	12,410
Nonreverting Unrestricted Police Donations	6,788	8,450	2,848	12,390
Nonreverting Restricted Fire Equipment and Building Donation	-	500	-	500
Nonreverting Unrestricted Fire Equipment Donations	550	1,503	78	1,975
Nonreverting Restricted Building Inspections	11,993	38,585	35,388	15,190
Operation Pull-Over	(570)	1,844	1,274	-
Fire Department - Insurance	-	2,061	2,061	-
Fire Department - Grant	-	3,842	-	3,842
Fire Department - Federal Grant	-	132,592	132,576	16
Rainy Day	-	23,151	23,151	-
Proprietary Funds:				
Water Operating	35,409	652,304	559,451	128,262
Meter Deposit	-	7,085	4,415	2,670
Sanitation	592,621	827,647	725,231	695,037
Fiduciary Fund:				
Payroll Fund	551	983,372	895,796	88,127
Totals	<u>\$ 1,103,462</u>	<u>\$ 4,300,341</u>	<u>\$ 3,962,628</u>	<u>\$ 1,441,175</u>
	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General Fund	\$ 250,309	\$ 1,265,580	\$ 1,292,405	\$ 223,484
Motor Vehicle Highway	55,945	153,305	132,381	76,869
Local Road and Street	28,644	54,306	28,034	54,916
Park Nonreverting Operating	4,569	28,485	25,572	7,482
Accident Report	-	5	-	5
Firearms Training	-	360	-	360
LECE	20,931	2,256	19,816	3,371
State Grant - Police Department	3,260	-	-	3,260
User Fee	54	-	-	54
Cumulative Fire	113,070	31,766	19,484	125,352
Park Cumulative Capital Improvement	3,974	-	1,475	2,499
Police Department - Arch Insurance	12,410	12,662	25,072	-
Nonreverting Unrestricted Police Donations	12,390	3,072	12,911	2,551
Nonreverting Restricted Fire Equipment and Building Donation	500	1,000	-	1,500
Nonreverting Unrestricted Fire Equipment Donations	1,975	142	1,684	433
Nonreverting Restricted Building Inspections	15,190	20,547	22,474	13,263
Operation Pull-Over	-	2,736	2,736	-
Fire Department - Grant	3,842	-	530	3,312
Fire Department - Federal Grant	16	13,538	13,554	-
Rainy Day	-	62,124	28,098	34,026
Proprietary Funds:				
Water Operating	128,262	667,267	595,911	199,618
Meter Deposit	2,670	10,320	9,370	3,620
Sanitation	695,037	793,079	631,325	856,791
Storm Water	-	54,177	7,221	46,956
Fiduciary Fund:				
Payroll Fund	88,127	1,176,078	1,247,674	16,531
Totals	<u>\$ 1,441,175</u>	<u>\$ 4,352,805</u>	<u>\$ 4,117,727</u>	<u>\$ 1,676,253</u>

The accompanying notes are an integral part of the schedules.

TOWN OF NEW WHITELAND
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The Town was established under the laws of the State of Indiana. The Town provides the following services: public safety, health and social services, culture and recreation, and general administrative services, water, wastewater and stormwater 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 WHITELAND
NOTES TO FINANCIAL INFORMATION
(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 debt including a water tower loan, a State Revolving Loan for wastewater plant renovations and improvements; Tracy Road loan; and capital leases for vehicles. The outstanding principal at December 31, 2005 was as follows:

	<u>Balance 12-31-05</u>
Water Tower Loan	\$ 378,631
State Revolving Loan – Wastewater Plant	2,040,000
Tracy Road Loan	158,566
Capital Leases (vehicles)	45,000

TOWN OF NEW WHITELAND
EXAMINATION RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances contained numerous errors and uncorrected differences for the years 2000 through 2001. An accounting firm was hired to determine what corrections needed to be made and for some months of 2002, to actually perform the bank reconciliations. Reconciliations for the year 2003 also reflected differences which were not researched and corrected. There was a similar comment in the prior Report B14793.

Indiana Code 5-13-6-1(e) states in part: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

CONDITION OF RECORDS

The Town's financial records included numerous errors during the years 2000 through 2003. There were instances where checks were voided; however, the checks were not voided in the computer system or, in at least one instance, only a portion of the check amount was voided. There were instances where the checks were not posted to the correct appropriation. There were instances where receipts were posted incorrectly or where receipts were not issued for money received. There were numerous instances where amounts were posted incorrectly or where posting corrections were attempted, but not made correctly. Also, nonsufficient fund checks were not always posted correctly on the computer system. Some transactions were recorded as "negative" receipts and disbursements, in an attempt to make corrections.

The Annual Reports for the years 2000 through 2002 contained numerous errors and did not always agree to the Town's financial records.

Due to the poor condition of the financial records, Town officials hired an accounting firm to review their records through November 30, 2002, and determine what corrections needed to be made.

There were similar comments in the prior Report B14793.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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)

OVERPAYMENT COLLECTIONS

We noted several reimbursements for overpayments made by Town officials during the years 2000 through 2003. In addition, we determined during the examination that there was an overpayment of \$2,895 which had not been collected. Town officials contacted the company in question and a refund was subsequently received by the Town.

Governmental units should collect any overpayments made. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF NEW WHITELAND
EXAMINATION RESULTS AND COMMENTS
(Continued)

ERRORS ON CLAIMS

The following deficiencies were noted on claims for the years 2000 through 2003:

1. Claims were not adequately itemized.
2. Claims or invoices did not have evidence to support receipt of goods or services.
3. There were instances where the claim could not be located.

Indiana Code 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services."

"(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

CAPITAL ASSET RECORDS

The Town failed to record all capital asset additions in the capital assets records. There were vehicles purchased through capital leases which were not included. There was an increase in the threshold level of additions to capital assets from \$1,000 to \$5,000; however, recorded assets below the new threshold were not deleted from the capital assets records. Software in use by the Town includes an option to record information when the Town disposes of a capital asset, but the reports still included those assets in the total capital assets.

The department heads were given copies of their department's capital asset printouts to verify to their capital assets; however, not all of those copies had been returned. We were not able to determine that the returned printouts were compared to the capital assets record and any differences investigated.

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 NEW WHITELAND
EXAMINATION RESULTS AND COMMENTS
(Continued)

PENALTIES, INTEREST AND OTHER CHARGES

Sales tax penalties and interest totaling \$408.92 and \$46.87, respectively, were paid to the Indiana Department of Revenue for the period from December 2003 through August 2004. Also, a penalty of \$582.00 was paid in 2005, relative to remittance of the Utility Receipts Tax.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee.

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

INTERNAL CONTROLS - UTILITY BILLINGS

During our audit, we determined that there were errors in the wastewater billings. The Utility staff determined that the errors occurred during a computer software upgrade. All commercial accounts were subsequently reviewed; two accounts were found to have incorrect wastewater meter codes, which are used to determine the amounts to be billed. Also, there was one instance where the manual meter reading book had the wrong size meter noted for a commercial account. It was determined that the billing for this account was correct; only the information in the meter reading book was incorrect.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

INTERNAL CONTROLS - PARKS DEPARTMENT

The Parks Department did not keep a ledger of receipts, including a breakdown of each major type of revenue that they received.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF NEW WHITELAND,
EXIT CONFERENCE

The contents of this report were discussed on March 16, 2007, with William D. Johnson, former Clerk-Treasurer, who concurred with our findings; John Perrin, President of the Town Board; and Maribeth Alspach, current Clerk-Treasurer. The official response has been made a part of this report and may be found on page 13.



TOWN OF NEW WHITELAND
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www.townofnewwhiteland.com

March 20, 2007

State Board of Accounts
302 W. Washington Street, Room E 418
Indianapolis, IN 46204-2738

Re: "OFFICIAL RESPONSE"

To Whom It May Concern:

I would like to officially note that the comments "Bank Account Reconciliations", "Condition of Records", "Overpayment Collections" and "Errors on Claims" are attributed to the prior Clerk-Treasurer and his staff. I did not assume responsibility for the financial records of the town until January 1, 2004.

The comment on "Capital Asset Records" is being addressed. Those items valued at less than \$5,000 have been deleted from the program. New inventory lists are being distributed to the various Department Heads and the information will be verified. Any reported changes will be made to the data base.

The comment "Internal Controls – Utility Billings" was the result in a glitch in the Keystone software when we upgraded our program. The auditor found the error which was corrected and reported to the New Whiteland Town Council in their public meeting on February 20, 2007. Current and future billings will be correct.

I would like to thank the State Board of Account personnel who were involved in this audit for their assistance in helping me identify and resolve many issues during their time spent in our offices.

Sincerely,

Maribeth Alspach
New Whiteland Clerk-Treasurer