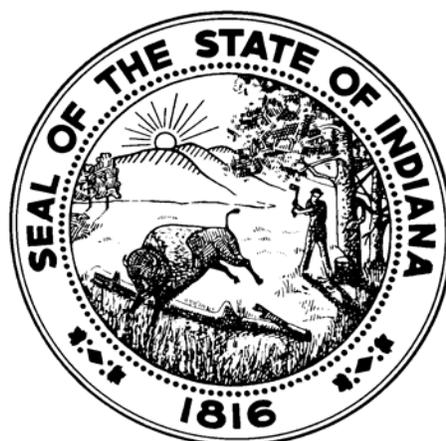


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

EXAMINATION REPORT
OF
TOWN OF NEW PEKIN
WASHINGTON COUNTY, INDIANA
January 1, 2005 to December 31, 2006



FILED
07/30/2007

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Doris Mahuron	01-01-05 to 02-27-05
	Sherry L. Clem	02-28-05 to 12-31-10
President of the Town Council	Sherry L. Clem	01-01-05 to 02-27-05
	Gerald Fleming	02-28-05 to 12-31-05
	Michael Bowling	01-01-06 to 12-31-06
	Frank Anderson	01-01-07 to 12-31-07
Superintendent of Utilities	Timothy A. Smith	01-01-05 to 12-31-07



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 ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF NEW PEKIN, WASHINGTON COUNTY, INDIANA

We have examined the financial information presented herein of the Town of New Pekin (Town), for the period of January 1, 2005 to December 31, 2006. 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, 2005 and 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information, and accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

June 18, 2007

TOWN OF NEW PEKIN
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, 2005 And 2006

	Cash and	Receipts	Disbursements	Cash and
	Investments			Investments
	01-01-05			12-31-05
Governmental Funds:				
General	\$ 99,751	\$ 290,707	\$ 138,396	\$ 252,062
Motor Vehicle Highway	73,352	40,523	43,040	70,835
Local Road and Street	21,971	6,121	8,282	19,810
Park and Recreation	9,093	3,755	1,984	10,864
Law Enforcement Continuing Education	608	250	212	646
Riverboat	82	8,412	-	8,494
Rainy Day	14,671	-	3,235	11,436
Trailer Ordinance	525	-	-	525
Revolving Loans	52,717	16,223	25,025	43,915
Ordinance Violations Bureau	800	-	-	800
Cumulative Capital Improvement	6,995	4,124	-	11,119
Economic Development Income Tax	24,274	13,273	3,054	34,493
Proprietary Funds:				
Water Utility - Operating	106,053	409,234	438,672	76,615
Water Utility - Bond and Interest	45,238	68,271	50,053	63,456
Water Utility - Depreciation	51,578	14,763	13,500	52,841
Water Utility - Debt Service Reserve	88,484	8,458	-	96,942
Water Utility - Costumer Deposit	32,798	5,850	5,060	33,588
Wastewater Utility - Operating	17,049	164,383	163,836	17,596
Wastewater Utility - Depreciation	17,047	4,369	4,000	17,416
Wastewater Utility - Bond and Interest	34,097	31,364	24,360	41,101
Wastewater Utility - Debt Service Reserve	70,165	5,539	-	75,704
Fiduciary Fund:				
Payroll	2,295	296,506	296,192	2,609
Totals	\$ 769,643	\$ 1,392,125	\$ 1,218,901	\$ 942,867

	Cash and	Receipts	Disbursements	Cash and
	Investments			Investments
	01-01-06			12-31-06
Governmental Funds:				
General	\$ 252,062	\$ 185,618	\$ 142,238	\$ 295,442
Motor Vehicle Highway	70,835	73,658	63,345	81,148
Local Road and Street	19,810	5,967	5,769	20,008
Park and Recreation	10,864	4,483	3,232	12,115
Law Enforcement Continuing Education	646	315	249	712
Riverboat	8,494	8,394	-	16,888
Rainy Day	11,436	-	-	11,436
Trailer Ordinance	525	-	-	525
Revolving Loans	43,915	14,451	-	58,366
Ordinance Violations Bureau	800	-	-	800
Cumulative Capital Improvement	11,119	4,766	2,444	13,441
Economic Development Income Tax	34,493	16,001	2,626	47,868
Proprietary Funds:				
Water Utility - Operating	76,615	404,547	412,142	69,020
Water Utility - Bond and Interest	63,456	63,143	50,055	76,544
Water Utility - Depreciation	52,841	14,366	-	67,207
Water Utility - Debt Service Reserve	96,942	9,221	-	106,163
Water Utility - Costumer Deposit	33,588	5,532	4,995	34,125
Wastewater Utility - Operating	17,596	175,371	148,326	44,641
Wastewater Utility - Depreciation	17,416	4,222	-	21,638
Wastewater Utility - Bond and Interest	41,101	29,006	24,000	46,107
Wastewater Utility - Debt Service Reserve	75,704	6,230	-	81,934
Fiduciary Fund:				
Payroll	2,609	278,009	277,662	2,956
Totals	\$ 942,867	\$ 1,303,300	\$ 1,137,083	\$ 1,109,084

The accompanying notes are an integral part of the financial information.

TOWN OF NEW PEKIN
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

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, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, and urban redevelopment and housing.

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 PEKIN
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.

TOWN OF NEW PEKIN
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

For The Year Ended 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.

	Ending Balance
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 1,500
Buildings	155,861
Improvements other than buildings	3,549
Machinery and equipment	88,881
 Total governmental activities, capital assets not being depreciated	 \$ 249,791
 Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 39,000
Buildings	175,000
Improvements other than buildings	1,748,974
Machinery and equipment	67,979
 Total Water Utility capital assets	 2,030,953
 Wastewater Utility:	
Capital assets, not being depreciated:	
Land	93,429
Buildings	22,634
Improvements other than buildings	1,683,919
Machinery and equipment	448,095
 Total Wastewater Utility capital assets	 2,248,077
 Total business-type activities capital assets	 \$ 4,279,030

TOWN OF NEW PEKIN
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT

For The Year Ended December 31, 2006

Description of Asset	Ending Balance	Due Within One Year
Business-type Activities:		
Water Utility		
Revenue bonds:		
1984 Waterworks expansion revenue bonds	\$ 477,000	\$ 16,000
Wastewater Utility		
Revenue bonds:		
1989 Sewage works expansion revenue bonds	294,000	6,000
 Total business-type activities long-term debt:	 <u>\$ 771,000</u>	 <u>\$ 22,000</u>

TOWN OF NEW PEKIN
EXAMINATION RESULTS AND COMMENTS

INTERNAL CONTROLS

The detail of payroll withholding accounts reconciles to the payroll control balance as of December 31, 2006. However, the withholding accounts are not being individually reconciled and there are numerous negative balances in these accounts as of December 31, 2006.

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)

ORDINANCES AND RESOLUTIONS

Ordinance 2005-2 which established new rates and charges for monthly metered water consumption was passed on March 15, 2005, and was effective on the April 1, 2005, billing. However, the amounts billed to customers did not agree with the rates approved in this ordinance. Customers using more than the minimum gallons allowed were being underbilled. Town officials are currently working with the software vendor to correct this problem.

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)

TOWN OF NEW PEKIN
EXIT CONFERENCE

The contents of this report were discussed on June 18, 2007, with Sherry L. Clem, Clerk-Treasurer; and Gary Nale, Town Manager. The officials concurred with our findings.