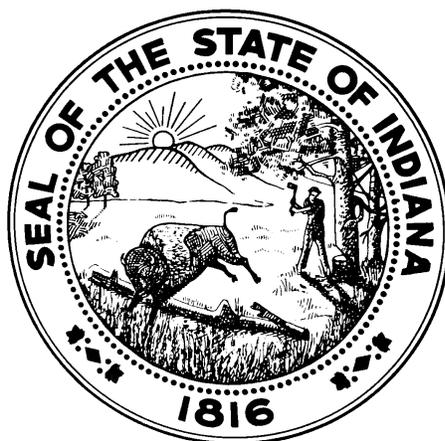


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

EXAMINATION REPORT
OF
TOWN OF NEW PALESTINE
HANCOCK COUNTY, INDIANA
January 1, 2006 to December 31, 2007



FILED
09/17/2008

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Becky J. Hilligoss	01-01-04 to 12-31-11
President of the Town Council	Larry W. Jonas	01-01-06 to 12-31-06
	Richard M. Shank	01-01-07 to 12-31-07
	Larry W. Jonas	01-01-08 to 12-31-08



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial information presented herein of the Town of New Palestine (Town), for the period of January 1, 2006 to December 31, 2007. 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, 2006 and 2007, 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

August 18, 2008

TOWN OF NEW PALESTINE
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, 2006 And 2007

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 95,084	\$ 390,003	\$ 314,182	\$ 170,905
Motor Vehicle Highway	104,381	196,377	252,269	48,489
Local Road and Street	32,687	15,451	14,000	34,138
Law Enforcement Continuing Education	-	2,348	1,850	498
Rainy Day	36,067	17,504	-	53,571
Police Donation	500	-	-	500
Levy Excess	6,827	1,906	6,827	1,906
Cumulative Capital Improvement	9,548	4,515	250	13,813
Cumulative Capital Development	31,611	35,291	22,299	44,603
Town Hall Capital Outlay	-	95,039	64,477	30,562
Building Repair Fund	-	138,987	-	138,987
Proprietary Funds:				
Wastewater Utility - Operating	30,594	612,868	594,904	48,558
Wastewater Utility - Bond and Interest	10,059	121,615	121,203	10,471
Wastewater Utility - Improvement	468,420	849,129	51,972	1,265,577
Wastewater Utility - Debt Reserve	120,703	2,373	-	123,076
Fiduciary Fund:				
Payroll	-	364,139	364,139	-
Totals	<u>\$ 946,481</u>	<u>\$ 2,847,545</u>	<u>\$ 1,808,372</u>	<u>\$ 1,985,654</u>

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 170,905	\$ 416,482	\$ 434,815	\$ 152,572
Motor Vehicle Highway	48,489	226,852	249,800	25,541
Local Road and Street	34,138	15,900	174	49,864
Law Enforcement Continuing Education	498	2,039	1,849	688
Rainy Day	53,571	89,486	-	143,057
Police Donation	500	-	-	500
Levy Excess	1,906	-	1,906	-
Cumulative Capital Improvement	13,813	4,440	2,535	15,718
Cumulative Capital Development	44,603	38,729	16,700	66,632
Town Hall Capital Outlay	30,562	33,984	64,546	-
Building Repair Fund	138,987	-	138,987	-
Proprietary Funds:				
Wastewater Utility - Operating	48,558	926,726	937,229	38,055
Wastewater Utility - Bond and Interest	10,471	85,656	88,804	7,323
Wastewater Utility - Improvement	1,265,577	194,166	949,624	510,119
Wastewater Utility - Debt Reserve	123,076	6,045	-	129,121
Wastewater Utility - Construction	-	800,000	608,360	191,640
Fiduciary Fund:				
Payroll	-	378,258	378,258	-
Totals	<u>\$ 1,985,654</u>	<u>\$ 3,218,763</u>	<u>\$ 3,873,587</u>	<u>\$ 1,330,830</u>

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

TOWN OF NEW PALESTINE
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, highway and streets, culture and recreation, public improvements, planning and zoning, general administration, 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).

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.

TOWN OF NEW PALESTINE
NOTES TO FINANCIAL INFORMATION
(Continued)

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.

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 PALESTINE
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS

For The Year Ended December 31, 2007

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 (those reported by governmental activities) are included regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are reported at historical cost.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Infrastructure	\$ 2,992,746
Buildings	864,927
Improvements other than buildings	418,345
Machinery and equipment	<u>197,881</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 4,473,899</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	\$ 72,927
Buildings	259,806
Improvements other than buildings	1,737,092
Machinery and equipment	<u>950,573</u>
Total business-type activities capital assets	<u>\$ 3,020,398</u>

TOWN OF NEW PALESTINE
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2007

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Notes and loans payable	\$ 76,042	\$ 29,954
Bonds payable:		
General obligation bonds:		
acquire town hall bldg	<u>471,000</u>	<u>65,260</u>
Total governmental activities debt	<u><u>\$ 547,042</u></u>	<u><u>\$ 95,214</u></u>
Business-type Activities:		
Wastewater Utility		
Revenue bonds:		
plant expansion	\$ 545,000	\$ 53,075
proposed line & interceptor expansion	<u>800,000</u>	<u>34,800</u>
Total business-type activities debt:	<u><u>\$ 1,345,000</u></u>	<u><u>\$ 87,875</u></u>

TOWN OF NEW PALESTINE
EXAMINATION RESULT AND COMMENT

LAW ENFORCEMENT DISBURSEMENTS FROM MOTOR VEHICLE HIGHWAY FUND

Disbursements were made from the Motor Vehicle Highway Fund for law enforcement costs, including salaries, equipment, car repairs and gasoline, which exceeded fifteen percent (15%) of the motor vehicle highway distributions.

Indiana Code 8-14-1-5 states in part:

"(a) All funds allocated to cities and towns from the motor vehicle highway account shall be used by the cities and towns for the construction, reconstruction, repair, maintenance, oiling, sprinkling, snow removal, weed and tree cutting and cleaning of their highways as herein defined, and including also any curbs, and the city's or town's share of the cost of the separation of the grades of crossing of public highways and railroads, the purchase or lease of highway construction and maintenance equipment, the purchase, erection, operation and maintenance of traffic signs and signals, and safety zones and devices; and the painting of structures, objects, surfaces in highways for purposes of safety and traffic regulation. All of such funds shall be budgeted as provided by law.

(b) In addition to purposes for which funds may be expended under subsections (a) and (c) of this section, monies allocated to cities and towns under this chapter may be expended for law enforcement purposes, subject to the following limitations:

- (1) For cities and towns with a population of less than five thousand (5,000), no more than fifteen percent (15%) may be spent for law enforcement purposes. . . ."

TOWN OF NEW PALESTINE
EXIT CONFERENCE

The contents of this report were discussed on August 18, 2008, with Becky J. Hilligoss, Clerk-Treasurer; and Barbara Mattingly, Vice President of the Town Council.