

B37179

**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, 2008 to December 31, 2009



**FILED**  
07/08/2010



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OFFICIALS

Office

Official

Term

Clerk-Treasurer

Rebecca Hilligoss

01-01-07 to 12-31-10

President of the  
Town Council

Larry Jonas

01-01-08 to 12-31-10



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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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, 2008 to December 31, 2009. 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, 2008 and 2009, 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 a required part 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 14, 2010

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, 2008 And 2009

	Cash and Investments			Cash and Investments
	01-01-08	Receipts	Disbursements	12-31-08
Governmental Funds:				
General	\$ 152,572	\$ 437,751	\$ 405,989	\$ 184,334
Law Enforcement Continuing Education	688	1,940	1,298	1,330
Local Road and Street	49,864	15,442	3,551	61,756
Motor Vehicle Highway	25,541	240,243	190,156	75,627
Police Donation	500	-	500	-
Rainy Day	143,057	58,811	32,019	169,849
General Obligation Bond	-	67,448	65,260	2,188
Cumulative Capital Development	66,632	41,392	15,458	92,566
Cumulative Capital Improvement	15,718	4,111	-	19,829
Proprietary Funds:				
Wastewater Utility - Operating	38,055	470,162	487,969	20,248
Wastewater Utility - Bond and Interest	7,323	87,859	87,875	7,307
Wastewater Utility - Debt Reserve	129,121	1,127,965	1,120,717	136,368
Wastewater Utility - Depreciation	510,119	6,370	57,395	459,094
Wastewater Utility - Construction	191,640	-	12,910	178,730
Fiduciary Fund:				
Payroll	-	417,833	417,833	-
Totals	<u>\$ 1,330,830</u>	<u>\$ 2,977,327</u>	<u>\$ 2,898,931</u>	<u>\$ 1,409,226</u>
	Cash and Investments			Cash and Investments
	01-01-09	Receipts	Disbursements	12-31-09
Governmental Funds:				
General	\$ 184,334	\$ 470,596	\$ 459,257	\$ 195,673
Law Enforcement Continuing Education	1,330	3,416	915	3,831
Local Road and Street	61,756	19,758	18,931	62,582
Motor Vehicle Highway	75,627	228,155	141,166	162,617
Police Donation	-	-	-	-
Rainy Day	169,849	42,204	10,707	201,345
General Obligation Bond	2,188	96,605	66,925	31,868
Cumulative Capital Development	92,566	32,463	15,688	109,340
Cumulative Capital Improvement	19,829	3,876	-	23,704
Proprietary Funds:				
Wastewater Utility - Operating	20,248	535,811	501,807	54,252
Wastewater Utility - Bond and Interest	7,307	86,217	87,685	5,838
Wastewater Utility - Debt Reserve	136,368	1,125,102	1,121,602	139,869
Wastewater Utility - Depreciation	459,094	78,368	302,242	235,219
Wastewater Utility - Construction	178,730	-	178,730	-
Fiduciary Fund:				
Payroll	-	442,999	442,999	-
Totals	<u>\$ 1,409,226</u>	<u>\$ 3,165,567</u>	<u>\$ 3,348,654</u>	<u>\$ 1,226,139</u>

The accompany 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, highways and streets, culture and recreation, public improvements, planning and zoning, and general administrative 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.

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, 2009

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	\$ 4,159,841
Buildings	871,998
Improvements other than buildings	319,036
Machinery and equipment	<u>222,287</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 5,573,162</u>
<u>Primary Government</u>	<u>Balance</u>
Business-type activities:	
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	\$ 72,927
Buildings	385,646
Improvements other than buildings	4,097,051
Machinery and equipment	<u>1,545,092</u>
Total business-type activities capital assets	<u>\$ 6,100,716</u>

TOWN OF NEW PALESTINE  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 December 31, 2009

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	\$ 35,799	\$ 12,212
Bonds payable:		
General obligation bonds:		
acquire town hall bldg	<u>286,000</u>	<u>33,103</u>
Total governmental activities debt	<u>\$ 321,799</u>	<u>\$ 45,315</u>
Business-type activities:		
Wastewater Utility:		
Revenue bonds:		
plant expansion	\$ 440,000	\$ 52,660
proposed line & interceptor expansion	<u>800,000</u>	<u>834,800</u>
Total business-type activities debt	<u>\$ 1,240,000</u>	<u>\$ 887,460</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 15% of the motor vehicle highway distributions. A similar comment appeared in prior Report B32690.

IC 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 June 14, 2010, with Rebecca Hilligoss, Clerk-Treasurer; and Barbara Mattingly, Town Board member.