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

EXAMINATION REPORT
OF
TOWN OF NEWPORT
VERMILLION COUNTY, INDIANA
January 1, 2008 to December 31, 2009



FILED
10/27/2010

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OFFICIALS

Office

Official

Term

Clerk-Treasurer

Mary A. Bemis

01-01-08 to 12-31-11

President of the
Town Council

Paul M. Lee

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 NEWPORT, VERMILLION COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Newport (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 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 3, 2010

TOWN OF NEWPORT
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL AND PROPRIETARY FUND TYPES
As Of And For The Years Ended December 31, 2008 And 2009

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 20,639	\$ 48,989	\$ 56,071	\$ 13,557
Motor Vehicle Highway	14,672	20,926	34,134	1,464
Local Road and Street	1,205	3,568	2,443	2,330
DNR Tree Grant	106	-	-	106
Cumulative Capital Improvement	1,076	1,880	1,900	1,056
Cumulative Capital Development	38,029	2,126	-	40,155
Proprietary Funds:				
Water Utility - Operating	38,018	85,902	83,163	40,757
Water Utility - Bond and Interest	26,470	14,400	13,450	27,420
Water Utility - Depreciation	1,171	6,000	-	7,171
Water Utility - Customer Deposit	5,005	1,245	600	5,650
Totals	<u>\$ 146,391</u>	<u>\$ 185,036</u>	<u>\$ 191,761</u>	<u>\$ 139,666</u>
	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ 13,557	\$ 54,732	\$ 58,448	\$ 9,841
Motor Vehicle Highway	1,464	21,246	18,945	3,765
Local Road and Street	2,330	3,387	4,000	1,717
DNR Tree Grant	106	-	-	106
Cumulative Capital Improvement	1,056	1,772	1,900	928
Cumulative Capital Development	40,155	2,286	-	42,441
Proprietary Funds:				
Water Utility - Operating	40,757	106,406	116,137	31,026
Water Utility - Bond and Interest	27,420	14,400	14,050	27,770
Water Utility - Depreciation	7,171	6,000	10,945	2,226
Water Utility - Customer Deposit	5,650	1,350	397	6,603
Totals	<u>\$ 139,666</u>	<u>\$ 211,579</u>	<u>\$ 224,822</u>	<u>\$ 126,423</u>

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

TOWN OF NEWPORT
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 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.

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 NEWPORT
 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 completed in the current year has been reported.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 26,200
Buildings	26,800
Infrastructure	160,047
Machinery and equipment	<u>178,221</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 391,268</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 1,100
Buildings	24,100
Improvements other than buildings	440,047
Machinery and equipment	<u>24,758</u>
 Total business-type activities capital assets	 <u>\$ 490,005</u>

TOWN OF NEWPORT
 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
Business-type activities:		
Water Utility:		
Revenue bonds:		
Water works improvement	\$ <u>92,000</u>	\$ <u>14,600</u>

TOWN OF NEWPORT
EXAMINATION RESULTS AND COMMENTS

OFFICIAL BOND (Town)

Public Law 176, House Enrolled Act 1514, effective July 1, 2009, raised the minimum amount of the official bonds for Town Clerk-Treasurers from \$15,000 to \$30,000.

The Clerk-Treasurer had an official bond, but did not add a rider or purchase a new bond to increase the amount as mandated. Also, the recorded bond is a term bond from January 2007 to January 2011.

It is our audit position that a new bond be obtained on an annual basis by those elected or appointed officers, officials, deputies or other employees required to file individual bonds in order to meet the annual coverage requirement in the new law. (Cities and Towns Bulletin and Uniform Compliance Guidelines, June 2009)

Effective July 1, 2009, IC 5-4-1-18 states in part:

"(c) Except as provided in subsections (h) and (i), the fiscal bodies of the respective units shall fix the amount of the bond of . . . Town Clerk-Treasurers . . . as follows:

- (1) The amount of annual coverage must equal thirty thousand dollars (\$30,000) for each one million dollars (\$1,000,000) of receipts of the officer's office during the last complete fiscal year before the purchase of the bond, subject to subdivision (2).
- (2) The amount of annual coverage may not be less than thirty thousand dollars (\$30,000) nor more than three hundred thousand dollars (\$300,000) unless the fiscal body approves a greater amount of annual coverage for the officer or employee. . . ."

CUSTOMER BALANCES (Water Utility)

Due to mathematical errors in the Consumer Ledger, some Water customers were not charged appropriate amounts for unpaid balances or given appropriate credit for overpayments. Out of a sample of 20 consumer ledger cards, 5 were found to have errors in computing the correct amount of arrearage or credit balance.

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 NEWPORT
EXIT CONFERENCE

The contents of this report were discussed on August 3, 2010, with Mary A. Bemis, Clerk-Treasurer.