

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, 2005 to December 31, 2006



FILED
10/26/2007

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OFFICIALS

Office

Official

Term

Clerk-Treasurer

Mary Alice Bemis

01-01-04 to 12-31-10

President of the Town Council

Paul Lee

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 NEWPORT, VERMILLION COUNTY, INDIANA

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

August 29, 2007

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, 2005 And 2006

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General	\$ 22,824	\$ 32,820	\$ 37,080	\$ 18,564
Motor Vehicle Highway	10,855	21,582	24,553	7,884
Local Road and Street	104	4,020	3,929	195
Riverboat	-	3,645	-	3,645
DNR Tree Grant	-	14,807	10,072	4,735
Excess Levy	-	799	-	799
Cumulative Capital Improvement	437	1,787	2,037	187
Cumulative Capital Development	31,883	11,231	9,577	33,537
Proprietary Funds:				
Water Utility - Operating	62,940	82,795	96,609	49,126
Water Utility - Bond and Interest	26,070	14,400	14,650	25,820
Water Utility - Depreciation	9,288	6,000	-	15,288
Water Utility - Customer Deposit	3,750	250	505	3,495
Totals	<u>\$ 168,151</u>	<u>\$ 194,136</u>	<u>\$ 199,012</u>	<u>\$ 163,275</u>

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 18,564	\$ 52,972	\$ 41,396	\$ 30,140
Motor Vehicle Highway	7,884	25,607	24,297	9,194
Local Road and Street	195	4,175	4,370	-
Riverboat	3,645	3,637	7,282	-
DNR Tree Grant	4,735	5,000	8,930	805
Excess Levy	799	-	799	-
Cumulative Capital Improvement	187	2,065	1,165	1,087
Cumulative Capital Development	33,537	8,013	5,000	36,550
Proprietary Funds:				
Water Utility - Operating	49,126	78,985	74,931	53,180
Water Utility - Bond and Interest	25,820	14,400	13,250	26,970
Water Utility - Depreciation	15,288	6,000	-	21,288
Water Utility - Customer Deposit	3,495	1,200	375	4,320
Totals	<u>\$ 163,275</u>	<u>\$ 202,054</u>	<u>\$ 181,795</u>	<u>\$ 183,534</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 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, 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.

General infrastructure assets completed in the current and prior year have been reported.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 26,200
Infrastructure	74,272
Buildings	26,800
Machinery and equipment	<u>178,221</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 305,493</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	411,112
Machinery and equipment	<u>24,758</u>
 Total business-type activities capital assets	 <u>\$ 461,070</u>

TOWN OF NEWPORT
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT

For The Year Ended December 31, 2006

Description of Debt	Ending Balance	Due Within One Year
Business-type Activities:		
Water Utility		
Revenue bonds:		
Water works improvement	<u>\$ 118,000</u>	<u>\$ 9,000</u>

TOWN OF NEWPORT
EXAMINATION RESULTS AND COMMENTS

CONFLICT OF INTEREST - WATER UTILITY

A Uniform Conflict of Interest Disclosure Statement has not been filed by a Town Councilman whose wife is employed as the Utility Clerk. The Town Council sets the amount of the Utility Clerk's compensation.

Indiana Code 35-44-1-3 states in part:

"(a) A public servant who knowingly or intentionally: (1) has a pecuniary interest in; or (2) derives a profit from; a contract or purchase connected with an action by the governmental entity served by the public servant commits conflict of interest, a Class D felony. . . ."

"(c) This section does not prohibit a public servant from having a pecuniary interest in or deriving a profit from a contract or purchase connected with the governmental entity served . . . (3) If the public servant: (A) is an elected public servant . . . and (B) makes a disclosure under subsection (d)(1) through (d)(6)."

"(d) A disclosure required by this section must: (1) be in writing; (2) describe the contract or purchase to be made by the governmental entity; (3) describe the pecuniary interest that the public servant has in the contract or purchase; (4) be affirmed under penalty of perjury; (5) be submitted to the governmental entity and be accepted by the governmental entity in a public meeting of the governmental entity prior to final action on the contract or purchase; (6) be filed within fifteen (15) days after final action on the contract or purchase with: (A) the state board of accounts; and (B) . . . the clerk of the circuit court in the county where the governmental entity takes final action on the contract or purchase . . ."

"(g) A public servant has a pecuniary interest in a contract or purchase if the contract or purchase will result or is intended to result in an ascertainable increase in the income or net worth of: (1) the public servant; or (2) a dependent of the public servant who: (A) is under the direct or indirect administrative control of the public servant; or (B) receives a contract or purchase order that is reviewed, approved, or directly or indirectly administered by the public servant."

"(k) As used in this section, 'dependent' means any of the following: (1) The spouse of a public servant. (2) A child, stepchild, or adoptee (as defined in IC 31-9-2-2) of a public servant who is: (A) unemancipated; and (B) less than eighteen (18) years of age. (3) Any individual more than one-half (1/2) of whose support is provided during a year by the public servant."

PUBLIC RECORDS RETENTION - WATER UTILITY

The following records were not presented for examination:

Form 313A, Register of Daily Cash Receipts, from January 1, 2005 to December 31, 2006,
Water Utility Billing Postcards from January to July 2006

According to the Utility Clerk, the records were damaged from a water leak and then misplaced. They could not be located at the time of the examination.

Indiana Code 5-15-6-3(f) concerning destruction of public records states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

Supporting documentation such as receipts, canceled checks, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (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 29, 2007, with Mary Alice Bemis, Clerk-Treasurer; and Amy L. Tolbert, Utility Clerk.