

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

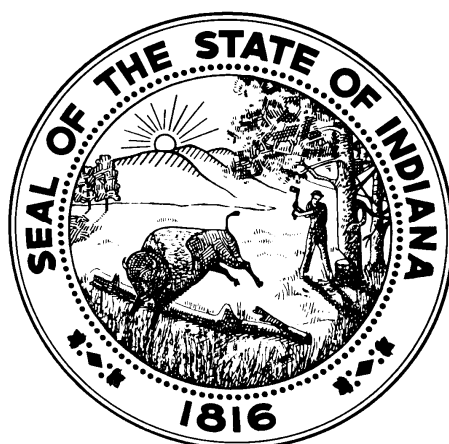
AUDIT REPORT

OF

TOWN OF NEW HARMONY

POSEY COUNTY, INDIANA

January 1, 2006 to December 31, 2007



**FILED**  
05/28/2008



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Karla Atkins	01-01-04 to 12-31-11
President of the Town Council	David Campbell	01-01-06 to 12-31-08
Superintendent of Water Utility	Ryan Farrar	01-01-06 to 12-31-08
Superintendent of Wastewater Utility	Ryan Farrar	01-01-06 to 12-31-08
Superintendent of Gas Utility	Robert Grider	01-01-06 to 12-31-08



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS  
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF THE TOWN OF NEW HARMONY, POSEY COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the major fund and aggregate remaining fund information of the Town of New Harmony (Town), as of and for the years ended December 31, 2006 and 2007, which collectively comprise the Town's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the Town prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, the business-type activities, the major fund, and aggregate remaining fund information of the Town as of December 31, 2006 and 2007, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated April 3, 2008, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS  
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
(Continued)

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Town taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Schedule of Funding Progress is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Town has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The Combining Schedules, as listed in the Table of Contents, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

April 3, 2008



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE TOWN OF NEW HARMONY, POSEY COUNTY, INDIANA

We have audited the financial statements of the governmental activities, the business-type activities, the major fund, and aggregate remaining fund information of the Town of New Harmony (Town), as of and for the years ended December 31, 2006 and 2007, which collectively comprise the Town's basic financial statements and have issued our report thereon dated April 3, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies or material weaknesses, as defined above.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS  
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Town's management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

April 3, 2008

TOWN OF NEW HARMONY  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For The Year Ended December 31, 2006

Functions/Programs	Program Receipts			Net (Disbursement) Receipt and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Primary Government		Totals
				Governmental Activities	Business-Type Activities	
Primary government:						
Governmental activities:						
General government	\$ 158,351	\$ 20,582	\$ -	\$ (137,769)	\$ -	\$ (137,769)
Public safety	70,344	253	-	(70,091)	-	(70,091)
Highways and streets	50,675	46,791	-	(3,884)	-	(3,884)
Culture and recreation	510,325	4,699	576,470	70,844	-	70,844
Total governmental activities	789,695	72,325	576,470	(140,900)	-	(140,900)
Business-type activities:						
Water	239,813	268,156	-	-	28,343	28,343
Wastewater	324,319	389,955	-	-	65,636	65,636
Gas	558,823	718,019	-	-	159,196	159,196
Total business-type activities	1,122,955	1,376,130	-	-	253,175	253,175
Total primary government	\$ 1,912,650	\$ 1,448,455	\$ 576,470	(140,900)	253,175	112,275
General receipts:						
Property taxes				122,787	-	122,787
Other local sources				68,332	-	68,332
Unrestricted investment earnings				22,583	57,732	80,315
Transfers				(69,200)	69,200	-
Total general receipts and transfers				144,502	126,932	271,434
Change in net assets				3,602	380,107	383,709
Net assets - beginning				500,732	1,103,528	1,604,260
Net assets - ending				\$ 504,334	\$ 1,483,635	\$ 1,987,969
<u>Assets</u>						
Cash and investments				\$ 52,301	\$ 775,581	\$ 827,882
Restricted assets:						
Cash and investments				452,033	708,054	1,160,087
Total assets				\$ 504,334	\$ 1,483,635	\$ 1,987,969
<u>Net Assets</u>						
Restricted for:						
Culture and recreation				\$ 19,824	\$ -	\$ 19,824
Debt service				-	298,306	298,306
Other purposes				432,209	409,748	841,957
Unrestricted				52,301	775,581	827,882
Total net assets				\$ 504,334	\$ 1,483,635	\$ 1,987,969

The notes to the financial statements are an integral part of this statement.

TOWN OF NEW HARMONY  
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,  
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
GOVERNMENTAL FUNDS  
For The Year Ended December 31, 2006

	General	Other Governmental Funds	Totals
Receipts:			
Taxes	\$ 116,114	\$ 6,673	\$ 122,787
Licenses and permits	5,286	250	5,536
Intergovernmental	16,873	624,327	641,200
Charges for services	11,249	6,578	17,827
Fines and forfeits	326	780	1,106
Other	18,685	55,356	74,041
 Total receipts	 168,533	 693,964	 862,497
Disbursements:			
General government	94,284	64,067	158,351
Public safety	65,473	4,871	70,344
Highways and streets	-	50,675	50,675
Culture and recreation	-	510,325	510,325
 Total disbursements	 159,757	 629,938	 789,695
 Excess of receipts over disbursements	 8,776	 64,026	 72,802
Other financing uses:			
Transfers out	-	(69,200)	(69,200)
 Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	 8,776	 (5,174)	 3,602
 Cash and investment fund balance - beginning	 43,525	 457,207	 500,732
 Cash and investment fund balance - ending	 \$ 52,301	 \$ 452,033	 \$ 504,334
 <u>Cash and Investment Assets - December 31</u>			
Cash and investments	\$ 52,301	\$ -	\$ 52,301
Restricted assets:			
Cash and investments	-	452,033	452,033
 Total cash and investment assets - December 31	 \$ 52,301	 \$ 452,033	 \$ 504,334
 <u>Cash and Investment Fund Balance - December 31</u>			
Restricted for:			
Culture and recreation	\$ -	\$ 19,824	\$ 19,824
Other purposes	-	432,209	432,209
Unrestricted	52,301	-	52,301
 Total cash and investment fund balance - December 31	 \$ 52,301	 \$ 452,033	 \$ 504,334

The notes to the financial statements are an integral part of this statement.

TOWN OF NEW HARMONY  
STATEMENT OF ASSETS AND FUND BALANCES AND  
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
PROPRIETARY FUNDS  
As of and for the Year Ended December 31, 2006

	Water Utility	Wastewater Utility	Gas Utility	Totals
Operating receipts:				
Metered water receipts	\$ 248,090	\$ -	\$ -	\$ 248,090
Penalties	1,412	-	-	1,412
Other water receipts	18,654	-	-	18,654
Measured revenue	-	343,207	677,029	1,020,236
Other	-	10,031	40,990	51,021
	<u>268,156</u>	<u>353,238</u>	<u>718,019</u>	<u>1,339,413</u>
Total operating receipts				
Operating disbursements:				
Salaries and wages	55,464	55,464	57,721	168,649
Employee pensions and benefits	22,709	24,033	24,805	71,547
Purchased gas	-	-	403,174	403,174
Purchased power	10,003	18,745	-	28,748
Sludge removal	-	9,204	-	9,204
Chemicals	4,881	-	-	4,881
Material and supplies	18,065	9,159	7,988	35,212
Transportation disbursements	610	672	-	1,282
Insurance disbursements	11,585	5,521	5,047	22,153
Miscellaneous disbursements	39,466	49,674	60,088	149,228
	<u>162,783</u>	<u>172,472</u>	<u>558,823</u>	<u>894,078</u>
Total operating disbursements				
Excess of operating receipts over operating disbursements				
	<u>105,373</u>	<u>180,766</u>	<u>159,196</u>	<u>445,335</u>
Nonoperating receipts (disbursements):				
Interest receipts	24,666	18,020	15,046	57,732
Miscellaneous receipts	69,200	-	-	69,200
Trash collection receipts	-	36,717	-	36,717
Trash collection disbursements	-	(36,676)	-	(36,676)
Debt service of principal	(17,000)	(69,000)	-	(86,000)
Interest disbursement	(60,030)	(46,171)	-	(106,201)
	<u>16,836</u>	<u>(97,110)</u>	<u>15,046</u>	<u>(65,228)</u>
Total nonoperating receipts (disbursements)				
Excess of receipts over disbursements and nonoperating receipts (disbursements)				
	122,209	83,656	174,242	380,107
Cash and investment fund balance - beginning				
	<u>516,678</u>	<u>369,875</u>	<u>216,975</u>	<u>1,103,528</u>
Cash and investment fund balance - ending				
	<u>\$ 638,887</u>	<u>\$ 453,531</u>	<u>\$ 391,217</u>	<u>\$ 1,483,635</u>
<u>Cash and Investment Assets - December 31</u>				
Cash and investments				
	\$ 338,923	\$ 90,922	\$ 345,735	\$ 775,580
Restricted assets:				
Cash and investments	<u>299,964</u>	<u>362,609</u>	<u>45,482</u>	<u>708,055</u>
Total cash and investment assets - December 31				
	<u>\$ 638,887</u>	<u>\$ 453,531</u>	<u>\$ 391,217</u>	<u>\$ 1,483,635</u>
<u>Cash and Investment Fund Balance - December 31</u>				
Restricted for:				
Debt service	\$ 166,644	\$ 131,662	\$ -	\$ 298,306
Other purposes	133,320	230,946	45,482	409,748
Unrestricted				
	<u>338,923</u>	<u>90,923</u>	<u>345,735</u>	<u>775,581</u>
Total cash and investment fund balance - December 31				
	<u>\$ 638,887</u>	<u>\$ 453,531</u>	<u>\$ 391,217</u>	<u>\$ 1,483,635</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF NEW HARMONY  
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
FIDUCIARY FUNDS  
For The Year Ended December 31, 2006

	Agency Fund
Additions:	
Agency fund additions	\$ 290,348
Deductions:	
Agency fund deductions	292,216
Deficiency of total additions over total deductions	(1,868)
Cash and investment fund balance - beginning	6,959
Cash and investment fund balance - ending	\$ 5,091

The notes to the financial statements are an integral part of this statement.

TOWN OF NEW HARMONY  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For The Year Ended December 31, 2007

Functions/Programs	Program Receipts			Net (Disbursement) Receipt and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Totals
Primary government:						
Governmental activities:						
General government	\$ 289,140	\$ 35,085	\$ 30,000	\$ (224,055)	\$ -	\$ (224,055)
Public safety	60,837	590	-	(60,247)	-	(60,247)
Highways and streets	27,821	49,643	-	21,822	-	21,822
Culture and recreation	22,115	5,456	18,076	1,417	-	1,417
Total governmental activities	<u>399,913</u>	<u>90,774</u>	<u>48,076</u>	<u>(261,063)</u>	<u>-</u>	<u>(261,063)</u>
Business-type activities:						
Water	248,739	307,397	-	-	58,658	58,658
Wastewater	340,718	375,154	-	-	34,436	34,436
Gas	590,382	618,519	-	-	28,137	28,137
Total business-type activities	<u>1,179,839</u>	<u>1,301,070</u>	<u>-</u>	<u>-</u>	<u>121,231</u>	<u>121,231</u>
Total primary government	<u>\$ 1,579,752</u>	<u>\$ 1,391,844</u>	<u>\$ 48,076</u>	<u>(261,063)</u>	<u>121,231</u>	<u>(139,832)</u>
General receipts:						
Property taxes				91,251	-	91,251
Other local sources				121,241	-	121,241
Unrestricted investment earnings				23,367	71,947	95,314
Total general receipts				<u>235,859</u>	<u>71,947</u>	<u>307,806</u>
Change in net assets				(25,204)	193,178	167,974
Net assets - beginning				504,334	1,483,635	1,987,969
Net assets - ending				<u>\$ 479,130</u>	<u>\$ 1,676,813</u>	<u>\$ 2,155,943</u>
<u>Assets</u>						
Cash and investments				\$ 21,329	\$ 770,138	\$ 791,467
Restricted assets:						
Cash and investments				457,801	906,675	1,364,476
Total assets				<u>\$ 479,130</u>	<u>\$ 1,676,813</u>	<u>\$ 2,155,943</u>
<u>Net Assets</u>						
Restricted for:						
Culture and recreation				\$ 23,388	\$ -	\$ 23,388
Debt service				-	333,312	333,312
Other purposes				434,413	573,363	1,007,776
Unrestricted				21,329	770,138	791,467
Total net assets				<u>\$ 479,130</u>	<u>\$ 1,676,813</u>	<u>\$ 2,155,943</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF NEW HARMONY  
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,  
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
GOVERNMENTAL FUNDS  
For The Year Ended December 31, 2007

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
Receipts:			
Taxes	\$ 86,329	\$ 4,922	\$ 91,251
Licenses and permits	3,605	580	4,185
Intergovernmental	15,192	109,001	124,193
Charges for services	9,401	2,737	12,138
Fines and forfeits	-	1,450	1,450
Other	<u>54,454</u>	<u>87,038</u>	<u>141,492</u>
Total receipts	<u>168,981</u>	<u>205,728</u>	<u>374,709</u>
Disbursements:			
General government	144,624	144,516	289,140
Public safety	55,329	5,508	60,837
Highways and streets	-	27,821	27,821
Culture and recreation	<u>-</u>	<u>22,115</u>	<u>22,115</u>
Total disbursements	<u>199,953</u>	<u>199,960</u>	<u>399,913</u>
Excess (deficiency) of receipts over disbursements	<u>(30,972)</u>	<u>5,768</u>	<u>(25,204)</u>
Cash and investment fund balance - beginning	<u>52,301</u>	<u>452,033</u>	<u>504,334</u>
Cash and investment fund balance - ending	<u>\$ 21,329</u>	<u>\$ 457,801</u>	<u>\$ 479,130</u>
<u>Cash and Investment Assets - December 31</u>			
Cash and investments	\$ 21,329	\$ -	\$ 21,329
Restricted assets:			
Cash and investments	<u>-</u>	<u>457,801</u>	<u>457,801</u>
Total cash and investment assets - December 31	<u>\$ 21,329</u>	<u>\$ 457,801</u>	<u>\$ 479,130</u>
<u>Cash and Investment Fund Balance - December 31</u>			
Restricted for:			
Culture and recreation	\$ -	\$ 23,388	\$ 23,388
Other purposes	-	434,413	434,413
Unrestricted	<u>21,329</u>	<u>-</u>	<u>21,329</u>
Total cash and investment fund balance - December 31	<u>\$ 21,329</u>	<u>\$ 457,801</u>	<u>\$ 479,130</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF NEW HARMONY  
STATEMENT OF ASSETS AND FUND BALANCES AND  
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
PROPRIETARY FUNDS  
As of and for the Year Ended December 31, 2007

	Water Utility	Wastewater Utility	Gas Utility	Totals
Operating receipts:				
Metered water receipts	\$ 278,120	\$ -	\$ -	\$ 278,120
Penalties	1,855	-	-	1,855
Other water revenue	27,422	-	-	27,422
Measured revenue	-	330,177	575,928	906,105
Other	-	9,077	42,591	51,668
<b>Total operating receipts</b>	<b>307,397</b>	<b>339,254</b>	<b>618,519</b>	<b>1,265,170</b>
Operating disbursements:				
Salaries and wages	57,381	57,381	59,391	174,153
Employee pensions and benefits	31,654	31,654	31,946	95,254
Purchased gas	-	-	429,553	429,553
Purchased power	12,445	17,654	-	30,099
Sludge removal	-	13,890	-	13,890
Chemicals	5,626	-	-	5,626
Material and supplies	20,753	10,841	10,028	41,622
Transportation disbursements	587	493	-	1,080
Insurance disbursements	8,660	4,575	4,532	17,767
Miscellaneous disbursements	34,368	53,931	54,932	143,231
<b>Total operating disbursements</b>	<b>171,474</b>	<b>190,419</b>	<b>590,382</b>	<b>952,275</b>
<b>Excess of operating receipts over operating disbursements</b>	<b>135,923</b>	<b>148,835</b>	<b>28,137</b>	<b>312,895</b>
Nonoperating receipts (disbursements):				
Interest receipts	29,482	21,118	21,347	71,947
Trash collection receipts	-	35,900	-	35,900
Trash collection disbursements	-	(37,585)	-	(37,585)
Debt service of principal	(18,000)	(69,000)	-	(87,000)
Interest disbursement	(59,265)	(43,714)	-	(102,979)
<b>Total nonoperating receipts (disbursements)</b>	<b>(47,783)</b>	<b>(93,281)</b>	<b>21,347</b>	<b>(119,717)</b>
<b>Excess of receipts over disbursements and nonoperating receipts (disbursements)</b>	<b>88,140</b>	<b>55,554</b>	<b>49,484</b>	<b>193,178</b>
Cash and investment fund balance - beginning	638,887	453,531	391,217	1,483,635
<b>Cash and investment fund balance - ending</b>	<b>\$ 727,027</b>	<b>\$ 509,085</b>	<b>\$ 440,701</b>	<b>\$ 1,676,813</b>
<u>Cash and Investment Assets - December 31</u>				
Cash and investments	\$ 324,481	\$ 61,338	\$ 384,319	\$ 770,138
Restricted assets:				
Cash and investments	402,546	447,747	56,382	906,675
<b>Total cash and investment assets - December 31</b>	<b>\$ 727,027</b>	<b>\$ 509,085</b>	<b>\$ 440,701</b>	<b>\$ 1,676,813</b>
<u>Cash and Investment Fund Balance - December 31</u>				
Restricted for:				
Debt service	\$ 226,326	\$ 156,986	\$ -	\$ 383,312
Other purposes	176,220	290,761	56,382	523,363
Unrestricted	324,481	61,338	384,319	770,138
<b>Total cash and investment fund balance - December 31</b>	<b>\$ 727,027</b>	<b>\$ 509,085</b>	<b>\$ 440,701</b>	<b>\$ 1,676,813</b>

The notes to the financial statements are an integral part of this statement.

TOWN OF NEW HARMONY  
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
FIDUCIARY FUNDS  
For The Year Ended December 31, 2007

	Agency Funds
Additions:	
Agency fund additions	\$ 295,671
Deductions:	
Agency fund deductions	295,120
Excess of total additions over total deductions	551
Cash and investment fund balance - beginning	5,091
Cash and investment fund balance - ending	\$ 5,642

The notes to the financial statements are an integral part of this statement.

TOWN OF NEW HARMONY  
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

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, gas, water, wastewater, and urban redevelopment and housing.

The Town's financial reporting entity is composed of the primary government. There are no significant component units which require inclusion.

In determining the financial reporting entity, the Town complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statements of Activities and Net Assets - Cash and Investment Basis display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The Town reports the following major governmental fund:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Town reports the following major proprietary funds:

The water utility fund accounts for the operation of the water distribution system.

The wastewater utility fund accounts for the operation of the wastewater treatment plant, pumping stations, and collection systems.

The gas utility fund accounts for the operation of the gas distribution system.

TOWN OF NEW HARMONY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Additionally, the Town reports the following fund type:

Agency funds account for assets held by the Town as an agent for the payroll fund.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund, and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The cash and investment basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial statements.

If the Town utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating receipts of the enterprise funds are charges to customers for sales and services. Operating disbursements for enterprise funds include the cost of sales and services and administrative costs. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements. Internal service funds are used to account for activities provided to other departments or agencies primarily with the government. The Town does not have any internal service funds.

D. Assets and Cash and Investment Balances

1. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as interest receipts in the year of the sale of the investment.

TOWN OF NEW HARMONY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

2. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

3. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

4. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets - All other net assets that do not meet the definition of "restricted."

It is the Town's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

TOWN OF NEW HARMONY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets - Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services - Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements - Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
3. Interfund transfers - Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

Internal activities - Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets - Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers - Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities and Net Assets - Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

Prior to the first required publication, the fiscal officer of the Town submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ ordinance, approves the budget for the next year. Copies of the budget resolution/ ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the Town receives approval of the Indiana Department of Local Government Finance.

TOWN OF NEW HARMONY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

The Town's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

III. Detailed Notes on All Funds

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

IV. Other Information

A. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

Job Related Illnesses or Injuries to Employees

During 1995, the Town joined with other governmental entities in the Indiana Public Employers' Plan, a public entity risk pool currently operating as a common risk management and insurance program for 740 member governmental entities. This risk pool was formed in 1989. The purpose of the risk pool is to provide a medium for the funding and administration of job related illnesses or injuries to employees. The Town pays an annual premium to the risk pool for its job related illnesses or injuries to employees coverage. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$1,000,000 per insured event.

B. Rate Structure - Enterprise Funds

Water Utility

The current rate structure was approved by the Town Council on June 13, 2000.

Wastewater Utility

The current rate structure was approved by the Town Council on August 4, 2003.

TOWN OF NEW HARMONY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Gas Utility

The current rate structure was approved by the Town Council on November 17, 2005.

C. Pension Plan

Agent Multiple-Employer Defined Benefit 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 the 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 member's 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. The 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 plan members for PERF are established by the Board of Trustees of PERF. The Town's annual pension cost and related information, as provided by the actuary, is presented in this note.

Information to segregate the assets/liabilities and the actuarial study figures between the Town and the Utilities is not available.

TOWN OF NEW HARMONY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 15,348
Interest on net pension obligation	(1,193)
Adjustment to annual required contribution	1,360
Annual pension cost	15,515
Contributions made	10,361
Increase in net pension obligation	5,154
Net pension obligation, beginning of year	(16,460)
Net pension obligation, end of year	\$ (11,306)
Contribution rates:	
Town	7.25%
Plan members	3%
Actuarial valuation date	07-01-06
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	40 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

Actuarial Assumptions

Investment rate of return	7.25%
Projected future salary increases:	
Total	5%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	2%

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-04	\$ 10,356	173%	\$ 15,967
	06-30-05	14,082	104%	16,460
	06-30-06	15,515	67%	11,306

TOWN OF NEW HARMONY  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-04	\$ 97,376	\$ 150,963	\$ (53,587)	65%	\$ 235,521	(23%)
07-01-05	108,985	181,218	(72,233)	60%	220,553	(33%)
07-01-06	108,850	89,495	19,355	122%	140,201	14%

TOWN OF NEW HARMONY  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2006

	Motor Vehicle Highway	Local Road and Street	Park	Riverfront Trail	Recaptured Grant	Local Law Enforcement Continuing Education
<b>Receipts:</b>						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	250
Intergovernmental	39,337	4,525	-	94,546	-	-
Charges for services	-	-	2,075	-	-	3
Fines and forfeits	-	-	-	780	-	-
Other	548	-	2,322	750	-	-
<b>Total receipts</b>	<b>39,885</b>	<b>4,525</b>	<b>4,397</b>	<b>96,076</b>	<b>-</b>	<b>253</b>
<b>Disbursements:</b>						
General government	-	-	-	-	-	-
Public safety	4,871	-	-	-	-	-
Highways and streets	25,594	15,781	-	-	-	-
Culture and recreation	-	-	3,305	25,078	-	-
<b>Total disbursements</b>	<b>30,465</b>	<b>15,781</b>	<b>3,305</b>	<b>25,078</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts over disbursements	9,420	(11,256)	1,092	70,998	-	253
<b>Other financing uses:</b>						
Transfers out	-	-	-	(69,200)	-	-
<b>Total other financing uses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(69,200)</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	9,420	(11,256)	1,092	1,798	-	253
Cash and investment fund balance - beginning	14,326	26,700	4,739	14	8,381	690
Cash and investment fund balance - ending	<u>\$ 23,746</u>	<u>\$ 15,444</u>	<u>\$ 5,831</u>	<u>\$ 1,812</u>	<u>\$ 8,381</u>	<u>\$ 943</u>
<b>Cash and Investment Assets - December 31</b>						
<b>Restricted assets:</b>						
Cash and investments	\$ 23,746	\$ 15,444	\$ 5,831	\$ 1,812	\$ 8,381	\$ 943
<b>Total cash and investment assets - December 31</b>	<b>\$ 23,746</b>	<b>\$ 15,444</b>	<b>\$ 5,831</b>	<b>\$ 1,812</b>	<b>\$ 8,381</b>	<b>\$ 943</b>
<b>Cash and Investment Fund Balance - December 31</b>						
<b>Restricted for:</b>						
Culture and recreation	\$ -	\$ -	\$ 5,831	\$ 1,812	\$ -	\$ -
Other purposes	23,746	15,444	-	-	8,381	943
<b>Total cash and investment fund balance - December 31</b>	<b>\$ 23,746</b>	<b>\$ 15,444</b>	<b>\$ 5,831</b>	<b>\$ 1,812</b>	<b>\$ 8,381</b>	<b>\$ 943</b>

TOWN OF NEW HARMONY  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2006  
 (Continued)

	Riverboat Wagering Tax	Street	Park Board	Cumulative Capital Improvement	Cumulative Capital Development	Wabash River Erosion
<b>Receipts:</b>						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 6,673	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	3,273	722	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Other	25,765	2,381	13	-	131	-
<b>Total receipts</b>	<b>25,765</b>	<b>2,381</b>	<b>13</b>	<b>3,273</b>	<b>7,526</b>	<b>-</b>
<b>Disbursements:</b>						
General government	20,000	-	-	7,011	4,054	590
Public safety	-	-	-	-	-	-
Highways and streets	-	9,300	-	-	-	-
Culture and recreation	-	-	-	-	-	-
<b>Total disbursements</b>	<b>20,000</b>	<b>9,300</b>	<b>-</b>	<b>7,011</b>	<b>4,054</b>	<b>590</b>
Excess (deficiency) of receipts over disbursements	5,765	(6,919)	13	(3,738)	3,472	(590)
<b>Other financing uses:</b>						
Transfers out	-	-	-	-	-	-
<b>Total other financing uses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	5,765	(6,919)	13	(3,738)	3,472	(590)
Cash and investment fund balance - beginning	489	69,871	1,109	10,523	21,581	27,883
Cash and investment fund balance - ending	<u>\$ 6,254</u>	<u>\$ 62,952</u>	<u>\$ 1,122</u>	<u>\$ 6,785</u>	<u>\$ 25,053</u>	<u>\$ 27,293</u>
<b>Cash and Investment Assets - December 31</b>						
<b>Restricted assets:</b>						
Cash and investments	\$ 6,254	\$ 62,952	\$ 1,122	\$ 6,785	\$ 25,053	\$ 27,293
<b>Total cash and investment assets - December 31</b>	<b>\$ 6,254</b>	<b>\$ 62,952</b>	<b>\$ 1,122</b>	<b>\$ 6,785</b>	<b>\$ 25,053</b>	<b>\$ 27,293</b>
<b>Cash and Investment Fund Balance - December 31</b>						
<b>Restricted for:</b>						
Culture and recreation	\$ -	\$ -	\$ 1,122	\$ -	\$ -	\$ -
Other purposes	6,254	62,952	-	6,785	25,053	27,293
<b>Total cash and investment fund balance - December 31</b>	<b>\$ 6,254</b>	<b>\$ 62,952</b>	<b>\$ 1,122</b>	<b>\$ 6,785</b>	<b>\$ 25,053</b>	<b>\$ 27,293</b>

TOWN OF NEW HARMONY  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2006  
 (Continued)

	Ribeyre Gym Restoration	Veterans Memorial	Cemetery Improvement	Cemetery Perpetual Care	Cemetery Operating	Murphy Park Endowment
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	481,924	-	-	-	-	-
Charges for services	-	-	600	1,500	2,400	-
Fines and forfeits	-	-	-	-	-	-
Other	-	1,665	1,500	-	15,626	250
<b>Total receipts</b>	<b>481,924</b>	<b>1,665</b>	<b>2,100</b>	<b>1,500</b>	<b>18,026</b>	<b>250</b>
Disbursements:						
General government	-	574	13,455	-	18,383	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Culture and recreation	481,924	-	-	-	-	18
<b>Total disbursements</b>	<b>481,924</b>	<b>574</b>	<b>13,455</b>	<b>-</b>	<b>18,383</b>	<b>18</b>
Excess (deficiency) of receipts over disbursements	-	1,091	(11,355)	1,500	(357)	232
Other financing uses:						
Transfers out	-	-	-	-	-	-
<b>Total other financing uses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	1,091	(11,355)	1,500	(357)	232
Cash and investment fund balance - beginning	-	1,801	20,319	116,089	21,341	9,214
Cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ 2,892</u>	<u>\$ 8,964</u>	<u>\$ 117,589</u>	<u>\$ 20,984</u>	<u>\$ 9,446</u>
<b>Cash and Investment Assets - December 31</b>						
Restricted assets:						
Cash and investments	\$ -	\$ 2,892	\$ 8,964	\$ 117,589	\$ 20,984	\$ 9,446
<b>Total cash and investment assets - December 31</b>	<u>\$ -</u>	<u>\$ 2,892</u>	<u>\$ 8,964</u>	<u>\$ 117,589</u>	<u>\$ 20,984</u>	<u>\$ 9,446</u>
<b>Cash and Investment Fund Balance - December 31</b>						
Restricted for:						
Culture and recreation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,446
Other purposes	-	2,892	8,964	117,589	20,984	-
<b>Total cash and investment fund balance - December 31</b>	<u>\$ -</u>	<u>\$ 2,892</u>	<u>\$ 8,964</u>	<u>\$ 117,589</u>	<u>\$ 20,984</u>	<u>\$ 9,446</u>

TOWN OF NEW HARMONY  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2006  
 (Continued)

	Murphy Park Shelter House	Recycling	Mosquito	Christmas Decorations	Electric Liquidating	Totals
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,673
Licenses and permits	-	-	-	-	-	250
Intergovernmental	-	-	-	-	-	624,327
Charges for services	-	-	-	-	-	6,578
Fines and forfeits	-	-	-	-	-	780
Other	38	-	-	38	4,329	55,356
<b>Total receipts</b>	<b>38</b>	<b>-</b>	<b>-</b>	<b>38</b>	<b>4,329</b>	<b>693,964</b>
Disbursements:						
General government	-	-	-	-	-	64,067
Public safety	-	-	-	-	-	4,871
Highways and streets	-	-	-	-	-	50,675
Culture and recreation	-	-	-	-	-	510,325
<b>Total disbursements</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>629,938</b>
Excess (deficiency) of receipts over disbursements	38	-	-	38	4,329	64,026
Other financing uses:						
Transfers out	-	-	-	-	-	(69,200)
<b>Total other financing uses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(69,200)</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	38	-	-	38	4,329	(5,174)
Cash and investment fund balance - beginning	1,575	832	121	669	98,940	457,207
Cash and investment fund balance - ending	<u>\$ 1,613</u>	<u>\$ 832</u>	<u>\$ 121</u>	<u>\$ 707</u>	<u>\$ 103,269</u>	<u>\$ 452,033</u>
<b>Cash and Investment Assets - December 31</b>						
Restricted assets:						
Cash and investments	\$ 1,613	\$ 832	\$ 121	\$ 707	\$ 103,269	\$ 452,033
<b>Total cash and investment assets - December 31</b>	<u>\$ 1,613</u>	<u>\$ 832</u>	<u>\$ 121</u>	<u>\$ 707</u>	<u>\$ 103,269</u>	<u>\$ 452,033</u>
<b>Cash and Investment Fund Balance - December 31</b>						
Restricted for:						
Culture and recreation	\$ 1,613	\$ -	\$ -	\$ -	\$ -	\$ 19,824
Other purposes	-	832	121	707	103,269	432,209
<b>Total cash and investment fund balance - December 31</b>	<u>\$ 1,613</u>	<u>\$ 832</u>	<u>\$ 121</u>	<u>\$ 707</u>	<u>\$ 103,269</u>	<u>\$ 452,033</u>

TOWN OF NEW HARMONY  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2007

	Motor Vehicle Highway	Local Road and Street	County Option Income Tax	Park	Cemetery Posey County Commission	Riverfront Trail	Recaptured Grant
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	43,969	4,519	8,714	-	-	-	30,000
Charges for services	-	-	-	-	487	-	-
Fines and forfeits	-	-	-	-	-	1,440	-
Other	1,155	-	-	4,615	-	-	3,000
<b>Total receipts</b>	<b>45,124</b>	<b>4,519</b>	<b>8,714</b>	<b>4,615</b>	<b>487</b>	<b>1,440</b>	<b>33,000</b>
Disbursements:							
General government	-	-	-	-	-	-	33,600
Public safety	4,808	-	-	-	-	-	-
Highways and streets	25,421	-	-	-	-	-	-
Culture and recreation	-	-	-	2,007	-	1,000	-
<b>Total disbursements</b>	<b>30,229</b>	<b>-</b>	<b>-</b>	<b>2,007</b>	<b>-</b>	<b>1,000</b>	<b>33,600</b>
Excess (deficiency) of receipts over disbursements	14,895	4,519	8,714	2,608	487	440	(600)
Cash and investment fund balance - beginning	23,746	15,444	-	5,831	-	1,812	8,381
Cash and investment fund balance - ending	<u>\$ 38,641</u>	<u>\$ 19,963</u>	<u>\$ 8,714</u>	<u>\$ 8,439</u>	<u>\$ 487</u>	<u>\$ 2,252</u>	<u>\$ 7,781</u>
<b><u>Cash and Investment Assets - December 31</u></b>							
Restricted assets:							
Cash and investments	\$ 38,641	\$ 19,963	\$ 8,714	\$ 8,439	\$ 487	\$ 2,252	\$ 7,781
Total cash and investment assets - December 31	<u>\$ 38,641</u>	<u>\$ 19,963</u>	<u>\$ 8,714</u>	<u>\$ 8,439</u>	<u>\$ 487</u>	<u>\$ 2,252</u>	<u>\$ 7,781</u>
<b><u>Cash and Investment Fund Balance - December 31</u></b>							
Restricted for:							
Culture and recreation	\$ -	\$ -	\$ -	\$ 8,439	\$ -	\$ 2,252	\$ -
Other purposes	38,641	19,963	8,714	-	487	-	7,781
Total cash and investment fund balance - December 31	<u>\$ 38,641</u>	<u>\$ 19,963</u>	<u>\$ 8,714</u>	<u>\$ 8,439</u>	<u>\$ 487</u>	<u>\$ 2,252</u>	<u>\$ 7,781</u>

TOWN OF NEW HARMONY  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2007  
 (Continued)

	Local Law Enforcement Continuing Education	Riverboat Wagering Tax	Street	Park Board	Cumulative Capital Improvement	Cumulative Capital Development	Wabash River Erosion
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,922	\$ -
Licenses and permits	580	-	-	-	-	-	-
Intergovernmental	-	-	-	-	3,217	506	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	10	-	-	-	-	-	-
Other	-	5,776	2,752	434	-	-	25,000
<b>Total receipts</b>	<b>590</b>	<b>5,776</b>	<b>2,752</b>	<b>434</b>	<b>3,217</b>	<b>5,428</b>	<b>25,000</b>
Disbursements:							
General government	-	633	-	-	3,154	4,300	32,526
Public safety	700	-	-	-	-	-	-
Highways and streets	-	-	2,400	-	-	-	-
Culture and recreation	-	-	-	325	-	-	-
<b>Total disbursements</b>	<b>700</b>	<b>633</b>	<b>2,400</b>	<b>325</b>	<b>3,154</b>	<b>4,300</b>	<b>32,526</b>
Excess (deficiency) of receipts over disbursements	(110)	5,143	352	109	63	1,128	(7,526)
Cash and investment fund balance - beginning	943	6,254	62,952	1,122	6,785	25,053	27,293
Cash and investment fund balance - ending	<u>833</u>	<u>11,397</u>	<u>63,304</u>	<u>1,231</u>	<u>6,848</u>	<u>26,181</u>	<u>19,767</u>
<u>Cash and Investment Assets - December 31</u>							
Restricted assets:							
Cash and investments	\$ 833	\$ 11,397	\$ 63,304	\$ 1,231	\$ 6,848	\$ 26,181	\$ 19,767
Total cash and investment assets - December 31	<u>833</u>	<u>11,397</u>	<u>63,304</u>	<u>1,231</u>	<u>6,848</u>	<u>26,181</u>	<u>19,767</u>
<u>Cash and Investment Fund Balance - December 31</u>							
Restricted for:							
Culture and recreation	\$ -	\$ -	\$ -	\$ 1,231	\$ -	\$ -	\$ -
Other purposes	833	11,397	63,304	-	6,848	26,181	19,767
Total cash and investment fund balance - December 31	<u>833</u>	<u>11,397</u>	<u>63,304</u>	<u>1,231</u>	<u>6,848</u>	<u>26,181</u>	<u>19,767</u>

TOWN OF NEW HARMONY  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2007  
 (Continued)

	Ribeyre Gym Restoration	Veterans Memorial	Cemetery Improvement	Cemetery Perpetual Care	Cemetery Operating	Murphy Park Endowment
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	18,076	-	-	-	-	-
Charges for services	-	-	300	750	1,200	-
Fines and forfeits	-	-	-	-	-	-
Other	-	140	-	-	12,356	355
<b>Total receipts</b>	<b>18,076</b>	<b>140</b>	<b>300</b>	<b>750</b>	<b>13,556</b>	<b>355</b>
Disbursements:						
General government	-	123	1,000	-	18,386	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Culture and recreation	18,076	-	-	-	-	-
<b>Total disbursements</b>	<b>18,076</b>	<b>123</b>	<b>1,000</b>	<b>-</b>	<b>18,386</b>	<b>-</b>
Excess (deficiency) of receipts over disbursements	-	17	(700)	750	(4,830)	355
Cash and investment fund balance - beginning	-	2,892	8,964	117,589	20,984	9,446
Cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ 2,909</u>	<u>\$ 8,264</u>	<u>\$ 118,339</u>	<u>\$ 16,154</u>	<u>\$ 9,801</u>
<u>Cash and Investment Assets - December 31</u>						
Restricted assets:						
Cash and investments	\$ -	\$ 2,909	\$ 8,264	\$ 118,339	\$ 16,154	\$ 9,801
Total cash and investment assets - December 31	<u>\$ -</u>	<u>\$ 2,909</u>	<u>\$ 8,264</u>	<u>\$ 118,339</u>	<u>\$ 16,154</u>	<u>\$ 9,801</u>
<u>Cash and Investment Fund Balance - December 31</u>						
Restricted for:						
Culture and recreation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,801
Other purposes	-	2,909	8,264	118,339	16,154	-
Total cash and investment fund balance - December 31	<u>\$ -</u>	<u>\$ 2,909</u>	<u>\$ 8,264</u>	<u>\$ 118,339</u>	<u>\$ 16,154</u>	<u>\$ 9,801</u>

TOWN OF NEW HARMONY  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2007  
 (Continued)

	Murphy Park Shelter House	Recycling	Mosquito	Christmas Decorations	Electric Liquidating	Totals
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	4,922
Licenses and permits	-	-	-	-	-	580
Intergovernmental	-	-	-	-	-	109,001
Charges for services	-	-	-	-	-	2,737
Fines and forfeits	-	-	-	-	-	1,450
Other	52	-	-	-	31,403	87,038
Total receipts	52	-	-	-	31,403	205,728
Disbursements:						
General government	-	-	-	-	50,794	144,516
Public safety	-	-	-	-	-	5,508
Highways and streets	-	-	-	-	-	27,821
Culture and recreation	-	-	-	707	-	22,115
Total disbursements	-	-	-	707	50,794	199,960
Excess (deficiency) of receipts over disbursements	52	-	-	(707)	(19,391)	5,768
Cash and investment fund balance - beginning	1,613	832	121	707	103,269	452,033
Cash and investment fund balance - ending	\$ 1,665	\$ 832	\$ 121	\$ -	\$ 83,878	\$ 457,801
<u>Cash and Investment Assets - December 31</u>						
Restricted assets:						
Cash and investments	\$ 1,665	\$ 832	\$ 121	\$ -	\$ 83,878	\$ 457,801
Total cash and investment assets - December 31	\$ 1,665	\$ 832	\$ 121	\$ -	\$ 83,878	\$ 457,801
<u>Cash and Investment Fund Balance - December 31</u>						
Restricted for:						
Culture and recreation	\$ 1,665	\$ -	\$ -	\$ -	\$ -	23,388
Other purposes	-	832	121	-	83,878	434,413
Total cash and investment fund balance - December 31	\$ 1,665	\$ 832	\$ 121	\$ -	\$ 83,878	\$ 457,801

TOWN OF NEW HARMONY  
 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.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 64,708
Buildings	821,524
Improvements other than buildings	12,223
Machinery and equipment	<u>789,992</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 1,688,447</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 750
Buildings	51,552
Improvements other than buildings	2,052,342
Machinery and equipment	<u>103,887</u>
 Total Water Utility capital assets	 <u>2,208,531</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	2,000
Buildings	232,942
Improvements other than buildings	2,062,270
Machinery and equipment	<u>100,501</u>
 Total Wastewater Utility capital assets	 <u>2,397,713</u>
Gas Utility:	
Capital assets, not being depreciated:	
Land	500
Buildings	20,902
Machinery and equipment	<u>46,067</u>
 Total Gas Utility capital assets	 <u>67,469</u>
 Total business-type activities capital assets	 <u>\$ 4,673,713</u>

TOWN OF NEW HARMONY  
 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
Business-type Activities:		
Water Utility		
Loan:		
USDA Rural Development	\$ 1,299,000	\$ 77,455
Total Water Utility	<u>1,299,000</u>	<u>77,455</u>
Wastewater Utility		
Loan:		
USDA	464,000	44,080
State Revolving Loan Fund	<u>868,000</u>	<u>69,908</u>
Total Wastewater Utility	<u>1,332,000</u>	<u>113,988</u>
Total business-type activities debt	<u>\$ 2,631,000</u>	<u>\$ 191,443</u>

SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

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Fax: (317) 232-4711  
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE TOWN OF NEW HARMONY, POSEY COUNTY, INDIANA

Compliance

We have audited the compliance of the Town of New Harmony (Town) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the years ended December 31, 2006 and 2007. The Town's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town's compliance with those requirements.

In our opinion, the Town complied in all material respects with the requirements referred to above that are applicable to its major federal program for the years ended December 31, 2006 and 2007.

Internal Control Over Compliance

The management of the Town is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133  
(Continued)

A control deficiency in a Town's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies or material weaknesses, as defined above.

This report is intended solely for the information and use of the Town's management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

April 3, 2008

TOWN OF NEW HARMONY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Years Ended December 31, 2006 and 2007

Federal Grantor Agency/Pass-Through Entity Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 12-31-06	Total Federal Awards Expended 12-31-07
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
Pass-Through Indiana Office of Community and Rural Affairs Community Development Block Grants/State's Program	14.228			
Community Focus Fund		CF-05-227	\$ 481,924	\$ 18,076
Community Focus Fund Planning Grant		PL-06-018	-	30,000
			<u>481,924</u>	<u>48,076</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>				
Pass-Through Indiana Department of Natural Resources Recreational Trails Program	20.219	RT-03-02	29,212	-
			<u>\$ 511,136</u>	<u>\$ 48,076</u>

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

TOWN OF NEW HARMONY  
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town of New Harmony (Town) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with the Indiana Code (IC 5-11-1 et seq.), audits of Towns with populations under 5,000 shall be conducted biennially. Such audits shall include both years within the biennial period.

TOWN OF NEW HARMONY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? no

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
14.228	Community Development Block Grants/State's Program

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? no

Section II - Financial Statement Findings

No matters are reportable.

Section III - Federal Award Findings and Questioned Costs

No matters are reportable.

TOWN OF NEW HARMONY  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

TOWN OF NEW HARMONY  
EXIT CONFERENCE

The contents of this report were discussed on April 3, 2008, with David Campbell, President of the Town Council; and Karla Atkins, Clerk-Treasurer. Our audit disclosed no material items that warrant comment at this time.