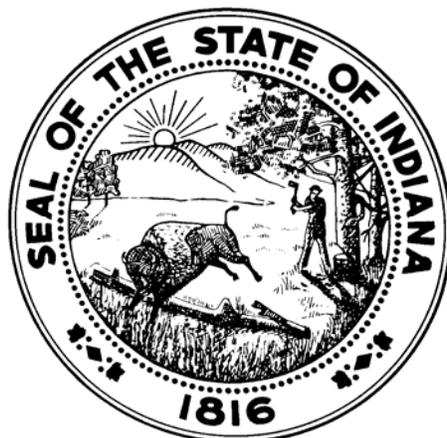


**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

EXAMINATION REPORT  
OF  
TOWN OF PARKER CITY  
RANDOLPH COUNTY, INDIANA  
January 1, 2005 to December 31, 2006



**FILED**  
11/14/2007



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OFFICIALS

Office

Official

Term

Clerk-Treasurer

Kim K. Walker

01-01-04 to 12-31-07

President of the Town Council

Fred Ludington

01-01-05 to 12-31-07



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF PARKER CITY, RANDOLPH COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Parker City (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

September 27, 2007

TOWN OF PARKER CITY  
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, 2005 And 2006

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
<b>Governmental Funds:</b>				
General	\$ 82,602	\$ 305,910	\$ 287,715	\$ 100,797
Motor Vehicle Highway	18,451	44,840	44,290	19,001
Local Road and Street	1,610	5,677	5,342	1,945
Park Donation	1,646	2,876	46	4,476
Law Enforcement Continuing Education	733	527	116	1,144
Downtown Donation	1,707	-	1,000	707
Rainy Day	8,814	8,685	17,499	-
Riverboat	8,929	8,929	13,728	4,130
Federal Emergency Management Agency	-	27,916	27,040	876
First Responders	-	2,988	2,592	396
Volunteer Committee	-	10,256	4,030	6,226
Cumulative Capital Improvement	9,672	4,377	8,146	5,903
Cumulative Capital Development	10,147	12,036	9,096	13,087
Economic Development Income Tax	19,759	32,886	28,460	24,185
<b>Proprietary Funds:</b>				
Water Utility - Operating	124,938	161,126	174,466	111,598
Water Utility - Bond and Interest	3,180	3,968	3,850	3,298
Water Utility - Depreciation	136,391	33,375	-	169,766
Water Utility - Customer Deposit	13,810	2,655	2,199	14,266
Wastewater Utility - Operating	81,774	189,631	200,816	70,589
Wastewater Utility - Bond and Interest	23,818	45,600	49,100	20,318
Wastewater Utility - Depreciation	29,821	6,379	-	36,200
Wastewater Utility - Debt Reserve	49,505	-	-	49,505
Wastewater Utility - Customer Deposit	8,143	4,020	2,759	9,404
Wastewater Utility - Cash with Fiscal Agent	1,110	-	1,110	-
<b>Fiduciary Fund:</b>				
Payroll	-	300,711	300,202	509
<b>Totals</b>	<u>\$ 636,560</u>	<u>\$ 1,215,368</u>	<u>\$ 1,183,602</u>	<u>\$ 668,326</u>

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
<b>Governmental Funds:</b>				
General	\$ 100,797	\$ 271,697	\$ 272,472	\$ 100,022
Motor Vehicle Highway	19,001	53,276	50,665	21,612
Local Road and Street	1,945	12,333	9,659	4,619
Park and Recreation	4,476	4,000	3,457	5,019
Law Enforcement Continuing Education	1,144	378	265	1,257
Downtown Donation	707	-	179	528
Riverboat	4,130	8,911	4,130	8,911
Federal Emergency Management Agency	876	-	876	-
Fire Department	-	448,702	448,702	-
First Responders	396	1,647	1,604	439
Volunteer Committee	6,226	6,315	6,203	6,338
Cumulative Capital Improvement	5,903	5,059	7,370	3,592
Cumulative Capital Development	13,087	11,398	18,327	6,158
Economic Development Income Tax	24,185	23,729	45,300	2,614
<b>Proprietary Funds:</b>				
Water Utility - Operating	111,598	150,148	186,036	75,710
Water Utility - Bond and Interest	3,298	3,840	3,750	3,388
Water Utility - Depreciation	169,766	77,940	59,307	188,399
Water Utility - Customer Deposit	14,266	6,080	6,112	14,234
Wastewater Utility - Operating	70,589	175,707	198,336	47,960
Wastewater Utility - Bond and Interest	20,318	43,200	49,005	14,513
Wastewater Utility - Depreciation	36,200	6,679	18,608	24,271
Wastewater Utility - Debt Reserve	49,505	10,995	39,000	21,500
Wastewater Utility - Customer Deposit	9,404	3,180	2,565	10,019
<b>Fiduciary Fund:</b>				
Payroll	509	320,584	321,093	-
<b>Totals</b>	<u>\$ 668,326</u>	<u>\$ 1,645,798</u>	<u>\$ 1,753,021</u>	<u>\$ 561,103</u>

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

TOWN OF PARKER CITY  
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, health and social services, culture and recreation, 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.

Note 6. Subsequent Event

On January 5, 2007, the Town received a "Notice of Release of Funds and Authorization to Incur Costs" for a \$525,000 Community Development Block Grant from the Indiana Office of Rural Affairs for the construction of Flood Drainage Facilities. The local match of \$60,510 was to be provided from the Town's Sewer Construction Fund. However, the Town does not have a Sewer Construction Fund. The pledged local match of \$49,505 is from the Wastewater Debt Reserve Fund, which is to be maintained as a margin of safety and a protection against default in the payment of principal of and interest on outstanding bonds.

TOWN OF PARKER CITY  
 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 have not been reported. Retroactive reporting of general infrastructure assets will occur sometime in the future.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 2,000
Buildings	35,973
Improvements other than buildings	67,078
Machinery and equipment	<u>273,165</u>
 Total governmental activities, capital assets not being depreciated	 \$ <u>378,216</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets not being depreciated:	
Land	\$ 4,120
Capital assets being depreciated:	
Buildings	67,824
Improvements other than buildings	832,210
Machinery and equipment	<u>131,547</u>
 Total Water Utility capital assets	 <u>1,035,701</u>
Wastewater Utility:	
Capital assets not being depreciated:	
Land	5,108
Construction in progress	39,000
Capital assets being depreciated:	
Buildings	146,834
Improvements other than buildings	2,342,356
Machinery and equipment	<u>168,526</u>
 Total Wastewater Utility capital assets	 <u>2,701,824</u>
 Total business-type activities capital assets	 \$ <u>3,737,525</u>

TOWN OF PARKER CITY  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 For The Year Ended December 31, 2006

Description of Asset	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>		
Notes and loans payable	<u>\$ 27,009.00</u>	<u>\$ 7,677.00</u>
<b>Business-type Activities:</b>		
Water Utility		
Revenue bonds:		
Repairs	<u>\$ 33,000.00</u>	<u>\$ 2,000.00</u>
Wastewater Utility		
Notes and loans payable		
Repairs	31,510.00	18,348.00
Repairs	<u>346,000.00</u>	<u>39,000.00</u>
Total Wastewater Utility	<u>377,510.00</u>	<u>57,348.00</u>
<b>Total business-type activities long-term debt:</b>	<u>\$ 410,510.00</u>	<u>\$ 59,348.00</u>

TOWN OF PARKER CITY  
EXAMINATION RESULTS AND COMMENTS

HIGH DEDUCTIBLE GROUP HEALTH INSURANCE PLAN

On October 18, 2004, the Town Council agreed to provide a new group health insurance policy to the Town's employees. The policy had a \$2,000 deductible feature. The Council agreed to reimburse the employees for the actual amount of out of pocket expenses incurred up to \$2,000. This benefit has not been listed on the salary ordinance. During our examination period the Town's reimbursements consisted of:

Five employees had received a total of \$2,449.51 as reimbursements paid directly to them.

Four employees had invoices from health care providers paid for them totaling \$3,586.44.

One employee was reimbursed \$3,094.43 for out of pocket medical expenses and medical insurance premiums for family members who were not covered by the Town's health insurance plan. (The employee was covered under a "single" policy.)

One employee was reimbursed \$150.55 more than the allowable \$2,000; but, this amount has been repaid.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. Noncompliance may require corrective action. Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

COMPENSATION AND BENEFITS

Payments of \$5,200 for vacation pay and holiday pay for 2005 and \$1,200 in payments for holiday pay for 2006 were not processed through the payroll system (no income taxes nor FICA taxes were withheld before the payments were made to the employees). However, these amounts were reported on the employees' W-2's.

Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. Noncompliance may require corrective action. Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF PARKER CITY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

SUPPORTING DOCUMENTATION

Several payments were observed which did not contain adequate supporting documentation, such as receipts, invoices, and other public records. Due to the lack of supporting information, the validity and accountability for some money disbursed could not be established.

Supporting documentation such as receipts, canceled checks, tickets, 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)

OVERPAYMENT OF SALARY

The Clerk-Treasurer received compensation of \$1,073.68 for the administration of a Federal Emergency Management Agency Grant which was not included in the salary ordinance. This was repaid to the Town on September 6, 2007.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ORDINANCES AND RESOLUTIONS

Ordinance 94-3 requires the Town to maintain a balance of at least \$49,505 in the Wastewater Utility Debt Service Reserve Fund. However, the balance of this Fund at December 31, 2006, was only \$21,500.

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 PARKER CITY  
EXIT CONFERENCE

The contents of this report were discussed on September 27, 2007, with Kim K. Walker, Clerk-Treasurer; and Fred Ludington, President of the Town Council. The officials concurred with our findings.