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

EXAMINATION REPORT

OF

TOWN OF PALMYRA

HARRISON COUNTY, INDIANA

January 1, 2008 to December 31, 2009



FILED
11/15/2010

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Virginia Dale Amelia R. Ortega Tiffany L. Cardwell	01-01-08 to 08-07-09 08-08-09 to 07-12-10 07-13-10 to 12-31-11
President of the Town Council	Alvin M. Brown	01-01-08 to 12-31-10
Superintendent of Water Utility	Randy Trett	01-01-08 to 12-31-10
Superintendent of Wastewater Utility	Randy Trett Patrick B. Cardwell	01-01-08 to 12-31-09 01-01-10 to 12-31-10
Utility Office Manager	Frank H. Melton Cheri L. Banet	01-01-08 to 12-18-09 12-19-09 to 12-31-10



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF PALMYRA, HARRISON COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Palmyra (Town), for the period of January 1, 2008 to December 31, 2009. The Town's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the Town for the years ended December 31, 2008 and 2009, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Long-Term Debt, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the basic financial information. It has not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

August 31, 2010

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

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 12,557	\$ 40,738	\$ 37,842	\$ 15,453
Motor Vehicle Highway	56,239	17,421	11,673	61,987
Local Road and Street	16,567	4,338	4,300	16,605
Law Enforcement Continuing Education	836	-	-	836
Trash	14,026	41,480	40,584	14,922
Riverboat	218,674	86,418	133,042	172,050
Cumulative Capital Improvement	13,282	2,082	6,628	8,736
Economic Development Income Tax	24,870	6,950	7,296	24,524
Proprietary Funds:				
Water Utility - Operating	81,965	715,886	709,131	88,720
Water Utility - Bond and Interest	149,570	68,550	143,463	74,657
Water Utility - Debt Service Reserve	165,383	-	-	165,383
Water Utility - Customer Deposit	15,242	5,050	5,200	15,092
Water Utility - Construction	74,505	97,890	28,946	143,449
Wastewater Utility - Operating	4,298	162,836	159,713	7,421
Wastewater Utility - Bond and Interest	85,449	15,110	53,807	46,752
Wastewater Utility - Debt Service Reserve	33,597	10,000	-	43,597
Wastewater Utility - Maintenance Reserve	2,707	828	-	3,535
Fiduciary Fund:				
Payroll	7,011	116,713	116,446	7,278
Totals	<u>\$ 976,778</u>	<u>\$ 1,392,290</u>	<u>\$ 1,458,071</u>	<u>\$ 910,997</u>

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ 15,453	\$ 62,637	\$ 48,491	\$ 29,599
Motor Vehicle Highway	61,987	17,389	7,068	72,308
Local Road and Street	16,605	3,619	1,878	18,346
Law Enforcement Continuing Education	836	15	293	558
Trash	14,922	42,443	39,402	17,963
Riverboat	172,050	138,927	40,874	270,103
Senior Center	-	384,935	380,759	4,176
Cumulative Capital Improvement	8,736	1,952	-	10,688
Economic Development Income Tax	24,524	7,349	4,488	27,385
Proprietary Funds:				
Water Utility - Operating	88,720	705,470	774,094	20,096
Water Utility - Bond and Interest	74,657	117,300	143,043	48,914
Water Utility - Debt Service Reserve	165,383	-	-	165,383
Water Utility - Customer Deposit	15,092	4,000	5,272	13,820
Water Utility - Construction	143,449	71,742	-	215,191
Wastewater Utility - Operating	7,421	185,609	179,723	13,307
Wastewater Utility - Bond and Interest	46,752	40,500	54,220	33,032
Wastewater Utility - Debt Service Reserve	43,597	16,000	-	59,597
Wastewater Utility - Maintenance Reserve	3,535	6,969	-	10,504
Fiduciary Fund:				
Payroll	7,278	132,084	133,699	5,663
Totals	<u>\$ 910,997</u>	<u>\$ 1,938,940</u>	<u>\$ 1,813,304</u>	<u>\$ 1,036,633</u>

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

TOWN OF PALMYRA
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 (police), highways and streets, culture and recreation, public improvements, general administrative services, water and wastewater.

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.

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 PALMYRA
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2009

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Business-type activities:		
Water Utility:		
Revenue bonds:		
1970 Water improvement revenue bonds	\$ 18,000	\$ 18,900
1972 Water improvement revenue bonds	19,000	9,950
Notes and loans payable	<u>1,280,000</u>	<u>114,680</u>
Total Water Utility	<u>1,317,000</u>	<u>143,530</u>
Wastewater Utility:		
Revenue bonds:		
1991 Wastewater improvement revenue bonds	35,000	23,025
Notes and loans payable	<u>524,400</u>	<u>33,762</u>
Total Wastewater Utility	<u>559,400</u>	<u>56,787</u>
Total business-type activities debt	<u>\$ 1,876,400</u>	<u>\$ 200,317</u>

TOWN OF PALMYRA
EXAMINATION RESULTS AND COMMENTS

COMPENSATION AND BENEFITS (Town of Palmyra)

Under an agreement entered into in February 1996, with the Harrison County Park and Recreation Board, the Town placed a residential trailer in the County-owned Buffalo Trace Park, located in Palmyra. The agreement provides that the Town is responsible for the utilities associated with the trailer. On December 7, 2000, the Town entered into a 20 year lease agreement with Frank Melton (lessee) for the lease of the Town-owned trailer located at Buffalo Trace Park. The lease states that the lessee shall pay no rent or utilities. In exchange for monthly rent and utilities, the lessee is required to occupy the leased premises and provide minimum security for the park. The lessee has held various positions with the Town during the past 30 years, up until the time of his retirement on December 18, 2009. The lessee continues to reside at the property under the terms of the lease.

The value of the monthly rent and utilities received by the lessee during his time of employment with the Town could be considered as compensation or benefits that may have been required to be reported on his W-2's. Additionally, since the lessee still resides on the premises following his retirement, the value of the monthly rent and actual cost of the utilities provided could be considered as noncash compensation that may be required to be reported to the Internal Revenue Service.

We recommended the Town contact the Internal Revenue Service to determine the proper reporting requirements.

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. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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)

PENALTIES, INTEREST, AND OTHER CHARGES (Water Utility)

The Water Utility purchases their water for resale from Ramsey Water Company, Inc. Payment for water purchased during July 2008 was not made by the due date and a late charge of \$726.68 was assessed. The late charge was paid on September 2, 2008, by Check 11286.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

TOWN OF PALMYRA
EXAMINATION RESULTS AND COMMENTS
(Continued)

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee.

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

The former Clerk-Treasurer, Virginia Dale, was requested to reimburse the Water Utility Operating Fund \$726.68. (See Summary, page 10)

BOND ORDINANCE REQUIREMENTS (Wastewater Utility)

Revenue Bond Ordinance B-90-1, which governs the 1991 Wastewater Improvement Revenue Bonds, and Revenue Bond Ordinance 2-2002, which governs the 2002 Rural Development Loan, requires monthly transfers be made to the Bond and Interest Fund to meet payments due on the next payment due date. As of December 31, 2009, the Bond and Interest Fund was underfunded by \$5,080.

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)

CAPITAL ASSET RECORDS (Water and Wastewater Utilities)

There was no detail of capital assets for the Utilities presented for the examination period.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded on the applicable Capital Assets Ledger. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF PALMYRA
EXIT CONFERENCE

The contents of this report were discussed on August 31, 2010, with Alvin M. Brown, President of the Town Council; Tiffany L. Cardwell, Clerk-Treasurer; and Cheri L. Banet, Utility Office Manager. The officials concurred with our findings.

The contents of this report were also discussed on August 31, 2010, with Virginia Dale, former Clerk-Treasurer.

TOWN OF PALMYRA
SUMMARY

	Charges	Credits	Balance Due
Virginia Dale, former Clerk-Treasurer:			
Penalties, Interest, and Other Charges, pages 7 and 8	\$ 726.68	\$	\$
Paid by Virginia Dale, former Clerk-Treasurer			
Receipt 4322, deposited September 3, 2010		726.68	-
Totals	\$ 726.68	\$ 726.68	\$ -