

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

TOWN OF SALAMONIA

JAY COUNTY, INDIANA

January 1, 2010 to December 31, 2011



**FILED**  
10/11/2012



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Connie Southworth	01-01-08 to 12-31-15
President of the Town Council	Charles S. Keen Karen Keen	01-01-10 to 12-31-11 01-01-12 to 12-31-12



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF SALAMONIA, JAY COUNTY, INDIANA

We have examined the accompanying financial statements of the Town of Salamonia (Town), for the years ended December 31, 2010 and 2011. The financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on the financial statements 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 statements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

As discussed in Note 1, the Town prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis noted above is a different basis than that used in the prior year.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Town for the years ended December 31, 2010 and 2011, on the basis of accounting described in Note 1.

Our examination was conducted for the purpose of forming an opinion on the Town's financial statements. The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Payables and Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statements. They have not been subjected to the examination procedures applied to the financial statements and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Town's management, Town Council, and others within the entity 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

August 22, 2012

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## FINANCIAL STATEMENTS

The financial statements and accompanying notes were approved by management of the Town. The financial statements and notes are presented as intended by the Town.

TOWN OF SALAMONIA  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For The Year Ended December 31, 2010

Fund	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
General	\$ 4,385	\$ 11,691	\$ 13,866	\$ 2,210
Motor Vehicle Highway	30,463	5,720	5,033	31,150
Local Road and Street	10,209	942	1,732	9,419
Rainy Day	66	74	-	140
Riverboat	389	988	251	1,126
Cumulative Capital Improvement	933	462	380	1,015
Economic Development Income Tax	3,060	384	1,800	1,644
Wastewater Utility Operating	44,801	35,234	29,015	51,020
Wastewater Utility Bond and Interest	5,871	5,355	7,400	3,826
Wastewater Utility Debt Service Reserve	9,473	1,166	-	10,639
Wastewater Utility Improvement	-	833	-	833
Totals	<u>\$ 109,650</u>	<u>\$ 62,849</u>	<u>\$ 59,477</u>	<u>\$ 113,022</u>

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

TOWN OF SALAMONIA  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For The Year Ended December 31, 2011

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
General	\$ 2,210	\$ 11,109	\$ 12,946	\$ 373
Motor Vehicle Highway	31,150	5,850	3,585	33,415
Local Road and Street	9,419	904	600	9,723
Rainy Day	140	-	-	140
Riverboat	1,126	989	235	1,880
Cumulative Capital Improvement	1,015	454	867	602
Economic Development Income Tax	1,644	317	-	1,961
Wastewater Utility Operating	51,020	36,710	34,126	53,604
Wastewater Utility Bond and Interest	3,826	7,565	7,310	4,081
Wastewater Utility Debt Service Reserve	10,639	-	-	10,639
Wastewater Utility Improvement	833	2,000	-	2,833
Totals	<u>\$ 113,022</u>	<u>\$ 65,898</u>	<u>\$ 59,669</u>	<u>\$ 119,251</u>

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

TOWN OF SALAMONIA  
NOTES TO FINANCIAL STATEMENTS

**Note 1. 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 some or all of the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, wastewater, trash, and urban redevelopment and housing.

The accompanying financial statements present the financial information for the Town.

*B. Basis of Accounting*

The financial statements are reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), 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 regulatory 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.

*C. Cash and Investments*

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

*D. Receipts*

Receipts are presented in the aggregate on the face of the financial statements. The aggregate receipts may include the following sources:

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the Town.

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state, local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Utility fees which are comprised mostly of charges for current services.

TOWN OF SALAMONIA  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

*E. Disbursements*

Disbursements are presented in the aggregate on the face of the financial statements. The aggregate disbursements may include the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service principal and interest which include fixed obligations resulting from financial transactions previously entered into by the Town. It includes all expenditures for the reduction of the principal and interest of the Town's general obligation indebtedness.

Utility operating expenses which include all outflows for operating the utilities.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

*F. Interfund Transfers*

The Town may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

*G. Fund Accounting*

Separate funds are established, maintained, and reported by the Town. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the Town. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the Town in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

TOWN OF SALAMONIA  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

**Note 2. Budgets**

The operating budget is initially prepared and approved at the local level. The fiscal officer of the Town submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

**Note 3. Property Taxes**

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the Town in June and December; however, situations can arise which would delay the distributions. 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 percent 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 normally become delinquent if not paid by May 10 and November 10, respectively.

**Note 4. Deposits and Investments**

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be 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 statutes authorize 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 5. Risk Management**

The Town may be 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; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the Town to set aside money for claim settlements. The self-insurance fund would be included in the financial statements. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the Town by recording as a disbursement any replacement items purchased.

## SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Town's 2010 Annual Report can be found on the Indiana Transparency Portal website: [www.in.gov/itp/annual\\_reports/](http://www.in.gov/itp/annual_reports/).

For additional financial information, the Town's 2011 Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statements contained in this report and the financial information presented in the Annual Reports of the Town which are referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the examination. This is a common occurrence in any financial statement examination. The financial information presented in this report is examined information, and the accuracy of such information can be determined by reading the opinion given in the Independent Accountant's Report.

The supplementary information presented was approved by management of the Town. It is presented as intended by the Town.

TOWN OF SALAMONIA  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010

	General	Motor Vehicle Highway	Local Road and Street	Rainy Day	Riverboat	Cumulative Capital Improvement
Cash and investments - beginning	\$ 4,385	\$ 30,463	\$ 10,209	\$ 66	\$ 389	\$ 933
Receipts:						
Taxes	4,812	-	-	-	-	-
Intergovernmental	3,537	5,720	942	74	988	462
Utility fees	-	-	-	-	-	-
Other receipts	3,342	-	-	-	-	-
Total receipts	<u>11,691</u>	<u>5,720</u>	<u>942</u>	<u>74</u>	<u>988</u>	<u>462</u>
Disbursements:						
Personal services	4,037	-	-	-	-	-
Supplies	285	-	-	-	-	-
Other services and charges	9,544	2,033	1,732	-	251	380
Debt service - principal and interest	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	3,000	-	-	-	-
Total disbursements	<u>13,866</u>	<u>5,033</u>	<u>1,732</u>	<u>-</u>	<u>251</u>	<u>380</u>
Excess (deficiency) of receipts over disbursements	<u>(2,175)</u>	<u>687</u>	<u>(790)</u>	<u>74</u>	<u>737</u>	<u>82</u>
Cash and investments - ending	<u>\$ 2,210</u>	<u>\$ 31,150</u>	<u>\$ 9,419</u>	<u>\$ 140</u>	<u>\$ 1,126</u>	<u>\$ 1,015</u>

TOWN OF SALAMONIA  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010  
 (Continued)

	Economic Development Income Tax	Wastewater Utility Operating	Wastewater Utility Bond and Interest	Wastewater Utility Debt Service Reserve	Wastewater Utility Improvement	Totals
Cash and investments - beginning	\$ 3,060	\$ 44,801	\$ 5,871	\$ 9,473	\$ -	\$ 109,650
Receipts:						
Taxes	-	-	-	-	-	4,812
Intergovernmental	384	-	-	-	-	12,107
Utility fees	-	34,883	-	-	-	34,883
Other receipts	-	351	5,355	1,166	833	11,047
Total receipts	<u>384</u>	<u>35,234</u>	<u>5,355</u>	<u>1,166</u>	<u>833</u>	<u>62,849</u>
Disbursements:						
Personal services	-	-	-	-	-	4,037
Supplies	-	-	-	-	-	285
Other services and charges	1,800	-	-	-	-	15,740
Debt service - principal and interest	-	-	7,400	-	-	7,400
Utility operating expenses	-	21,660	-	-	-	21,660
Other disbursements	-	7,355	-	-	-	10,355
Total disbursements	<u>1,800</u>	<u>29,015</u>	<u>7,400</u>	<u>-</u>	<u>-</u>	<u>59,477</u>
Excess (deficiency) of receipts over disbursements	<u>(1,416)</u>	<u>6,219</u>	<u>(2,045)</u>	<u>1,166</u>	<u>833</u>	<u>3,372</u>
Cash and investments - ending	<u>\$ 1,644</u>	<u>\$ 51,020</u>	<u>\$ 3,826</u>	<u>\$ 10,639</u>	<u>\$ 833</u>	<u>\$ 113,022</u>

TOWN OF SALAMONIA  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011

	General	Motor Vehicle Highway	Local Road and Street	Rainy Day	Riverboat	Cumulative Capital Improvement
Cash and investments - beginning	\$ 2,210	\$ 31,150	\$ 9,419	\$ 140	\$ 1,126	\$ 1,015
Receipts:						
Taxes	5,854	-	-	-	-	-
Intergovernmental	2,134	5,850	904	-	989	454
Utility fees	-	-	-	-	-	-
Other receipts	3,121	-	-	-	-	-
Total receipts	<u>11,109</u>	<u>5,850</u>	<u>904</u>	<u>-</u>	<u>989</u>	<u>454</u>
Disbursements:						
Personal services	4,112	-	-	-	-	-
Supplies	202	-	-	-	-	-
Other services and charges	4,365	585	600	-	235	867
Debt service - principal and interest	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	4,267	3,000	-	-	-	-
Total disbursements	<u>12,946</u>	<u>3,585</u>	<u>600</u>	<u>-</u>	<u>235</u>	<u>867</u>
Excess (deficiency) of receipts over disbursements	<u>(1,837)</u>	<u>2,265</u>	<u>304</u>	<u>-</u>	<u>754</u>	<u>(413)</u>
Cash and investments - ending	<u>\$ 373</u>	<u>\$ 33,415</u>	<u>\$ 9,723</u>	<u>\$ 140</u>	<u>\$ 1,880</u>	<u>\$ 602</u>

TOWN OF SALAMONIA  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	Economic Development Income Tax	Wastewater Utility Operating	Wastewater Utility Bond and Interest	Wastewater Utility Debt Service Reserve	Wastewater Utility Improvement	Totals
Cash and investments - beginning	\$ 1,644	\$ 51,020	\$ 3,826	\$ 10,639	\$ 833	\$ 113,022
Receipts:						
Taxes	-	-	-	-	-	5,854
Intergovernmental	317	-	-	-	-	10,648
Utility fees	-	36,668	-	-	-	36,668
Other receipts	-	42	7,565	-	2,000	12,728
Total receipts	317	36,710	7,565	-	2,000	65,898
Disbursements:						
Personal services	-	-	-	-	-	4,112
Supplies	-	-	-	-	-	202
Other services and charges	-	-	-	-	-	6,652
Debt service - principal and interest	-	-	7,310	-	-	7,310
Utility operating expenses	-	24,561	-	-	-	24,561
Other disbursements	-	9,565	-	-	-	16,832
Total disbursements	-	34,126	7,310	-	-	59,669
Excess (deficiency) of receipts over disbursements	317	2,584	255	-	2,000	6,229
Cash and investments - ending	\$ 1,961	\$ 53,604	\$ 4,081	\$ 10,639	\$ 2,833	\$ 119,251

TOWN OF SALAMONIA  
SCHEDULE OF PAYABLES AND RECEIVABLES  
December 31, 2011

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Wastewater Utility	<u>\$ -</u>	<u>\$ 8,189</u>

TOWN OF SALAMONIA  
 SCHEDULE OF LEASES AND DEBT  
 December 31, 2011

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Wastewater Utility: Revenue bonds	Wastewater Utility	\$ 117,000	\$ 7,220

TOWN OF SALAMONIA  
 SCHEDULE OF CAPITAL ASSETS  
 December 31, 2011

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.

	Ending Balance
Governmental activities:	
Land	\$ 6,600
Buildings	259,623
Improvements other than buildings	29,644
Machinery, equipment and vehicles	64,363
Total governmental activities	360,230
Wastewater Utility:	
Land	15,500
Buildings	17,806
Improvements other than buildings	1,108,823
Machinery, equipment and vehicles	241,166
Total Wastewater Utility	1,383,295
Total capital assets	\$ 1,743,525

TOWN OF SALAMONIA  
EXIT CONFERENCE

The contents of this report were discussed on August 22, 2012, with Connie Southworth, Clerk-Treasurer. Our examination disclosed no material items that warrant comment at this time.