

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

TOWN OF MARSHALL

PARKE COUNTY, INDIANA

January 1, 2010 to December 31, 2011



FILED
10/23/2012

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Sharon Harmon Jennifer L. Green	01-01-08 to 12-31-10 01-01-11 to 12-31-15
President of the Town Council	Charles C. Smith Larry R. Harmon	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 MARSHALL, PARKE COUNTY, INDIANA

We have examined the accompanying financial statements of the Town of Marshall (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 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 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

September 20, 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 MARSHALL
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	\$ 44,070	\$ 81,998	\$ 84,832	\$ 41,236
Motor Vehicle Highway	81,672	11,058	40,590	52,140
Local Road And Street	19,125	1,115	-	20,240
Parks And Recreation	566	-	-	566
Rainy Day	965	678	-	1,643
Excess Levy Fund	-	64	-	64
Public Safety	-	9,443	-	9,443
Cumulative Capl Imprv Cigarette Tax	3,582	1,054	-	4,636
Water Utility-Operating	50,730	95,412	93,286	52,856
Water Utility-Customer Deposit	5,055	300	-	5,355
Water Bond/Interest Sinking	17,660	19,269	19,376	17,553
Water Debt Reserve	11,948	3,962	-	15,910
Totals	<u>\$ 235,373</u>	<u>\$ 224,353</u>	<u>\$ 238,084</u>	<u>\$ 221,642</u>

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

TOWN OF MARSHALL
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	\$ 41,236	\$ 52,338	\$ 62,849	\$ 30,725
Motor Vehicle Highway	52,140	11,282	10,373	53,049
Local Road And Street	20,240	1,062	-	21,302
Parks And Recreation	566	-	-	566
Rainy Day	1,643	-	-	1,643
Cumulative Capl Imprv Cigarette Tax	4,636	1,034	-	5,670
Excess Levy Fund	64	1,163	-	1,227
Public Safety	9,443	2,801	-	12,244
Water Utility-Operating	52,856	83,414	67,909	68,361
Water Utility-Customer Deposit	5,355	150	-	5,505
Water Bond/Interest Sinking	17,553	15,038	19,059	13,532
Water Debt Reserve	15,910	3,962	-	19,872
Totals	<u>\$ 221,642</u>	<u>\$ 172,244</u>	<u>\$ 160,190</u>	<u>\$ 233,696</u>

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

TOWN OF MARSHALL
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, water, wastewater, electric, gas, storm water, trash, aviation, 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 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.

TOWN OF MARSHALL
NOTES TO FINANCIAL STATEMENTS
(Continued)

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

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

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 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.

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

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.

TOWN OF MARSHALL
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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.

TOWN OF MARSHALL
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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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/.

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 MARSHALL
 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	Parks And Recreation	Rainy Day	Excess Levy Fund	Public Safety
Cash and investments - beginning	\$ 44,070	\$ 81,672	\$ 19,125	\$ 566	\$ 965	\$ -	\$ -
Receipts:							
Taxes	23,160	-	-	-	-	64	-
Intergovernmental	52,956	11,058	1,115	-	678	-	1,280
Charges for services	426	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	5,456	-	-	-	-	-	8,163
Total receipts	<u>81,998</u>	<u>11,058</u>	<u>1,115</u>	<u>-</u>	<u>678</u>	<u>64</u>	<u>9,443</u>
Disbursements:							
Personal services	9,980	1,108	-	-	-	-	-
Supplies	549	-	-	-	-	-	-
Other services and charges	66,140	39,482	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	8,163	-	-	-	-	-	-
Total disbursements	<u>84,832</u>	<u>40,590</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(2,834)</u>	<u>(29,532)</u>	<u>1,115</u>	<u>-</u>	<u>678</u>	<u>64</u>	<u>9,443</u>
Cash and investments - ending	<u>\$ 41,236</u>	<u>\$ 52,140</u>	<u>\$ 20,240</u>	<u>\$ 566</u>	<u>\$ 1,643</u>	<u>\$ 64</u>	<u>\$ 9,443</u>

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

	Cumulative Capl Imprv Cigarette Tax	Water Utility-Operating	Water Utility-Customer Deposit	Water Bond/Interest Sinking	Water Debt Service	Totals
Cash and investments - beginning	\$ 3,582	\$ 50,730	\$ 5,055	\$ 17,660	\$ 11,948	\$ 235,373
Receipts:						
Taxes	-	-	-	-	-	23,224
Intergovernmental	1,054	-	-	-	-	68,141
Charges for services	-	-	-	-	-	426
Utility fees	-	90,826	-	-	-	90,826
Other receipts	-	4,586	300	19,269	3,962	41,736
Total receipts	1,054	95,412	300	19,269	3,962	224,353
Disbursements:						
Personal services	-	-	-	-	-	11,088
Supplies	-	-	-	-	-	549
Other services and charges	-	-	-	-	-	105,622
Debt service - principal and interest	-	23,231	-	19,376	-	42,607
Utility operating expenses	-	49,316	-	-	-	49,316
Other disbursements	-	20,739	-	-	-	28,902
Total disbursements	-	93,286	-	19,376	-	238,084
Excess (deficiency) of receipts over disbursements	1,054	2,126	300	(107)	3,962	(13,731)
Cash and investments - ending	\$ 4,636	\$ 52,856	\$ 5,355	\$ 17,553	\$ 15,910	\$ 221,642

TOWN OF MARSHALL
 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	Parks And Recreation	Rainy Day	Cumulative Capl Imprv Cigarette Tax	Excess Levy Fund
Cash and investments - beginning	\$ 41,236	\$ 52,140	\$ 20,240	\$ 566	\$ 1,643	\$ 4,636	\$ 64
Receipts:							
Taxes	22,505	1,922	-	-	-	-	-
Intergovernmental	16,740	9,360	1,062	-	-	1,034	-
Utility fees	-	-	-	-	-	-	-
Other receipts	13,093	-	-	-	-	-	1,163
Total receipts	<u>52,338</u>	<u>11,282</u>	<u>1,062</u>	<u>-</u>	<u>-</u>	<u>1,034</u>	<u>1,163</u>
Disbursements:							
Personal services	11,267	-	-	-	-	-	-
Supplies	884	-	-	-	-	-	-
Other services and charges	36,386	7,373	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	10,938	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	3,374	3,000	-	-	-	-	-
Total disbursements	<u>62,849</u>	<u>10,373</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(10,511)</u>	<u>909</u>	<u>1,062</u>	<u>-</u>	<u>-</u>	<u>1,034</u>	<u>1,163</u>
Cash and investments - ending	<u>\$ 30,725</u>	<u>\$ 53,049</u>	<u>\$ 21,302</u>	<u>\$ 566</u>	<u>\$ 1,643</u>	<u>\$ 5,670</u>	<u>\$ 1,227</u>

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

	Public Safety	Water Utility-Operating	Water Utility-Customer Deposit	Water Bond/Interest Sinking	Water Debt Reserve	Totals
Cash and investments - beginning	\$ 9,443	\$ 52,856	\$ 5,355	\$ 17,553	\$ 15,910	\$ 221,642
Receipts:						
Taxes	2,801	-	-	-	-	27,228
Intergovernmental	-	-	-	-	-	28,196
Utility fees	-	83,344	-	-	-	83,344
Other receipts	-	70	150	15,038	3,962	33,476
Total receipts	<u>2,801</u>	<u>83,414</u>	<u>150</u>	<u>15,038</u>	<u>3,962</u>	<u>172,244</u>
Disbursements:						
Personal services	-	-	-	-	-	11,267
Supplies	-	-	-	-	-	884
Other services and charges	-	-	-	-	-	43,759
Debt service - principal and interest	-	19,000	-	-	-	19,000
Capital outlay	-	-	-	-	-	10,938
Utility operating expenses	-	48,909	-	-	-	48,909
Other disbursements	-	-	-	19,059	-	25,433
Total disbursements	<u>-</u>	<u>67,909</u>	<u>-</u>	<u>19,059</u>	<u>-</u>	<u>160,190</u>
Excess (deficiency) of receipts over disbursements	<u>2,801</u>	<u>15,505</u>	<u>150</u>	<u>(4,021)</u>	<u>3,962</u>	<u>12,054</u>
Cash and investments - ending	<u>\$ 12,244</u>	<u>\$ 68,361</u>	<u>\$ 5,505</u>	<u>\$ 13,532</u>	<u>\$ 19,872</u>	<u>\$ 233,696</u>

TOWN OF MARSHALL
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 Decemeber 31, 2011

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	\$ 262,000	\$ 18,943

TOWN OF MARSHALL
EXAMINATION RESULTS AND COMMENTS

PENALTIES, INTEREST, AND OTHER CHARGES

Penalties and interest totaling \$112.79 were paid to the Department of Revenue on Sales Tax for February, April, and September 2011.

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.

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)

ANNUAL REPORT

The Bond and Interest Sinking Fund and the Debt Reserve Fund were not reported on the Annual Report. The Town began submitting monthly deposits to the Bank of New York Mellon Trust in 2008 to satisfy their bond requirements. The monies in these funds have been properly recorded in their Utility Ledgers but are not reported on their annual report. A similar comment was included in prior Report B37334.

Indiana Code 5-3-1-3(a) states in part: "Within sixty (60) days after the expiration of each calendar year, the fiscal officer of each civil city and town in Indiana shall publish an annual report of the receipts and expenditures of the city or town . . ."

APPROPRIATIONS

The records presented for examination indicated the following expenditures in excess of budgeted appropriations:

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
General	2010	\$ 24,832
Motor Vehicle Highway	2010	14,390

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

OFFICIAL BOND

Jennifer Green, Clerk-Treasurer, did not obtain an official bond for the years 2011 and 2012.

Indiana Code 5-4-1-5.1(b) states in part: "Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder. . . ."

TOWN OF MARSHALL
EXIT CONFERENCE

The contents of this report were discussed on September 20, 2012, with Jennifer L. Green, Clerk-Treasurer; Sharon Harmon, former Clerk-Treasurer; and Larry R. Harmon, President of the Town Council. The officials concurred with our findings.