

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

TOWN OF PALMYRA

HARRISON COUNTY, INDIANA

January 1, 2010 to December 31, 2011



**FILED**  
02/14/2013



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SCHEDULE OF OFFICIALS

| <u>Office</u>                        | <u>Official</u>  | <u>Term</u>  |
|--------------------------------------|--|--|
| Clerk-Treasurer                      | Amelia R. Ortega<br>Tiffany L. Cardwell<br>Christopher W. French | 08-08-09 to 07-12-10<br>07-13-10 to 12-28-12<br>12-29-12 to 12-31-15 |
| President of the Town Council        | Alvin M. Brown<br>Virginia L. Kirkham                            | 01-01-10 to 12-31-10<br>01-01-11 to 12-31-13                         |
| Superintendent of Water Utility      | Randy Trett  | 01-01-10 to 12-31-13   |
| Superintendent of Wastewater Utility | Patrick B. Cardwell<br>Tiffany L. Cardwell<br>Jim Hale           | 01-01-10 to 02-28-11<br>03-01-11 to 09-10-12<br>09-11-12 to 12-31-13 |
| Utility Office Manager               | Cheri L. Bannet<br>(Position Eliminated)                         | 01-01-10 to 09-04-12   |



**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 accompanying financial statements of the Town of Palmyra (Town), for the period of January 1, 2010 to December 31, 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 effects on the financial statement of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. The basis noted above is a different basis than that used in the prior period.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position and results of operations of the Town for the period of January 1, 2010 to December 31, 2011.

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 period of January 1, 2010 to December 31, 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 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.

STATE BOARD OF ACCOUNTS

January 10, 2013

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

| Fund   | Cash and<br>Investments<br>01-01-10 | Receipts            | Disbursements       | Cash and<br>Investments<br>12-31-10 |
|--|-------------------------------------|---------------------|---------------------|-------------------------------------|
| GENERAL FUND                                   | \$ 29,599                           | \$ 74,261           | \$ 61,475           | \$ 42,385                           |
| MOTOR VEHICLE HIGHWAY                          | 72,308                              | 15,951              | 23,489              | 64,770                              |
| LOCAL ROAD AND STREET                          | 18,346                              | 4,228               | 7,997               | 14,577                              |
| TRASH COLLECTION                               | 17,963                              | 45,196              | 36,878              | 26,281                              |
| LOCAL LAW ENFORCEMENT CONTINUING EDUCATION     | 558                                 | 35                  | 1,100               | (507)                               |
| RIVERBOAT REVENUE                              | 270,103                             | 112,000             | 73,351              | 308,752                             |
| PALMYRA SENIOR CENTER                          | 4,176                               | 241,387             | 246,437             | (874)                               |
| CUMULATIVE CAPITAL IMPROVEMENT                 | 10,688                              | 1,854               | 5,700               | 6,842                               |
| ECONOMIC DEVELOPMENT INCOME TAX                | 27,385                              | 8,076               | 7,863               | 27,598                              |
| PAYROLL DEDUCTION                              | 5,663                               | 325,355             | 269,933             | 61,085                              |
| SEWAGE UTILITY OPERATING                       | 13,307                              | 201,296             | 207,670             | 6,933                               |
| SEWAGE UTILITY BOND AND INTEREST               | 33,032                              | 53,055              | 54,567              | 31,520                              |
| SEWAGE UTILITY MAINTENANCE RESERVE             | 10,504                              | 6,304               | -                   | 16,808                              |
| SEWAGE UTILITY DEBT RESERVE                    | 59,597                              | 4,000               | -                   | 63,597                              |
| WATER UTILITY OPERATING                        | 20,096                              | 1,307,518           | 1,297,668           | 29,946                              |
| WATER UTILITY BOND AND INTEREST                | 48,914                              | 105,427             | 143,564             | 10,777                              |
| WATER UTILITY CONSTRUCTION/MAINTENANCE RESERVE | 215,191                             | 31,940              | 219                 | 246,912                             |
| WATER UTILITY METER DEPOSIT                    | 13,820                              | 4,000               | 871                 | 16,949                              |
| WATER UTILITY DEBT RESERVE                     | 165,383                             | -                   | -                   | 165,383                             |
| Totals   | <u>\$ 1,036,633</u>                 | <u>\$ 2,541,883</u> | <u>\$ 2,438,782</u> | <u>\$ 1,139,734</u>                 |

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

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

| Fund                                       | Cash and<br>Investments<br>01-01-11 | Receipts            | Disbursements       | Cash and<br>Investments<br>12-31-11 |
|--|-------------------------------------|---------------------|---------------------|-------------------------------------|
| GENERAL FUND                               | \$ 42,385                           | \$ 82,625           | \$ 66,906           | \$ 58,104                           |
| MOTOR VEHICLE HIGHWAY                      | 64,770                              | 16,902              | 13,759              | 67,913                              |
| LOCAL ROAD AND STREET                      | 14,577                              | 3,983               | 1,477               | 17,083                              |
| TRASH COLLECTION                           | 26,281                              | 45,336              | 50,354              | 21,263                              |
| PALMYRA SENIOR CENTER                      | (874)                               | 5,798               | 8,139               | (3,215)                             |
| LOCAL LAW ENFORCEMENT CONTINUING EDUCATION | (507)                               | 48                  | -                   | (459)                               |
| RIVERBOAT REVENUE                          | 308,752                             | 105,832             | 67,185              | 347,399                             |
| ECONOMIC DEVELOPMENT INCOME TAX            | 27,598                              | 6,269               | 7,362               | 26,505                              |
| CUMULATIVE CAPITAL IMPROVEMENT             | 6,842                               | 1,818               | 713                 | 7,947                               |
| PAYROLL DEDUCTION                          | 61,085                              | 258,968             | 319,763             | 290                                 |
| WATER UTILITY OPERATING                    | 29,946                              | 832,250             | 816,730             | 45,466                              |
| WATER UTILITY METER DEPOSIT                | 16,949                              | -                   | 1,635               | 15,314                              |
| WATER CONSTRUCTION/MAINTENANCE RESERVE     | 246,912                             | -                   | 25,960              | 220,952                             |
| WATER UTILITY BOND AND INTEREST            | 10,777                              | 122,632             | 132,975             | 434                                 |
| WATER UTILITY DEBT RESERVE                 | 165,383                             | -                   | -                   | 165,383                             |
| SEWAGE UTILITY OPERATING                   | 6,933                               | 183,239             | 157,003             | 33,169                              |
| SEWAGE MAINTENANCE RESERVE                 | 16,808                              | -                   | 2,064               | 14,744                              |
| SEWAGE UTILITY BOND AND INTEREST           | 31,520                              | 33,133              | 45,621              | 19,032                              |
| SEWAGE DEBT RESERVE                        | 63,597                              | -                   | -                   | 63,597                              |
| Totals                                     | <u>\$ 1,139,734</u>                 | <u>\$ 1,698,833</u> | <u>\$ 1,717,646</u> | <u>\$ 1,120,921</u>                 |

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

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

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.

Licenses and permits which include amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

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,

TOWN OF PALMYRA  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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.

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.

Penalties which include fees received for late payments.

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.

TOWN OF PALMYRA  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

*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.

**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.

TOWN OF PALMYRA  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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.

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## SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Town's Annual Reports for years prior to 2011 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 Annual Report information for years 2011 and later 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 PALMYRA  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010

|  | GENERAL<br>FUND  | MOTOR<br>VEHICLE<br>HIGHWAY | LOCAL<br>ROAD<br>AND<br>STREET | TRASH<br>COLLECTION | LOCAL<br>LAW<br>ENFORCEMENT<br>CONTINUING<br>EDUCATION | RIVERBOAT<br>REVENUE | PALMYRA<br>SENIOR<br>CENTER |
|--|------------------|-----------------------------|--------------------------------|---------------------|--|----------------------|-----------------------------|
| Cash and investments - beginning                   | \$ 29,599        | \$ 72,308                   | \$ 18,346                      | \$ 17,963           | \$ 558   | \$ 270,103           | \$ 4,176                    |
| Receipts:  |                  |                             |                                |                     |  |                      |                             |
| Taxes  | 37,566           | -                           | -                              | -                   | -  | -                    | -                           |
| Licenses and permits                               | -                | -                           | -                              | -                   | 15   | -                    | -                           |
| Intergovernmental                                  | 25,032           | 15,870                      | 4,228                          | -                   | -  | 107,846              | 239,810                     |
| Charges for services                               | 4,094            | -                           | -                              | 45,196              | 20   | -                    | -                           |
| Utility fees                                       | -                | -                           | -                              | -                   | -  | -                    | -                           |
| Penalties  | -                | -                           | -                              | -                   | -  | -                    | -                           |
| Other receipts                                     | 7,569            | 81                          | -                              | -                   | -  | 4,154                | 1,577                       |
| Total receipts                                     | <u>74,261</u>    | <u>15,951</u>               | <u>4,228</u>                   | <u>45,196</u>       | <u>35</u>  | <u>112,000</u>       | <u>241,387</u>              |
| Disbursements:                                     |                  |                             |                                |                     |  |                      |                             |
| Personal services                                  | 28,166           | -                           | -                              | -                   | -  | -                    | -                           |
| Supplies   | 1,580            | 8,888                       | 7,140                          | -                   | -  | -                    | 643                         |
| Other services and charges                         | 14,328           | 8,138                       | -                              | 36,878              | -  | 62,961               | 245,504                     |
| Debt service - principal and interest              | -                | -                           | -                              | -                   | -  | -                    | -                           |
| Capital outlay                                     | -                | -                           | -                              | -                   | -  | 1,460                | -                           |
| Utility operating expenses                         | -                | -                           | -                              | -                   | -  | -                    | -                           |
| Other disbursements                                | 17,401           | 6,463                       | 857                            | -                   | 1,100  | 8,930                | 290                         |
| Total disbursements                                | <u>61,475</u>    | <u>23,489</u>               | <u>7,997</u>                   | <u>36,878</u>       | <u>1,100</u>   | <u>73,351</u>        | <u>246,437</u>              |
| Excess (deficiency) of receipts over disbursements | <u>12,786</u>    | <u>(7,538)</u>              | <u>(3,769)</u>                 | <u>8,318</u>        | <u>(1,065)</u>   | <u>38,649</u>        | <u>(5,050)</u>              |
| Cash and investments - ending                      | <u>\$ 42,385</u> | <u>\$ 64,770</u>            | <u>\$ 14,577</u>               | <u>\$ 26,281</u>    | <u>\$ (507)</u>  | <u>\$ 308,752</u>    | <u>\$ (874)</u>             |

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

|  | CUMULATIVE<br>CAPITAL<br>IMPROVEMENT | ECONOMIC<br>DEVELOPMENT<br>INCOME<br>TAX | PAYROLL<br>DEDUCTION | SEWAGE<br>UTILITY<br>OPERATING | SEWAGE<br>UTILITY<br>BOND<br>AND<br>INTEREST | SEWAGE<br>UTILITY<br>MAINTENANCE<br>RESERVE | SEWAGE<br>UTILITY<br>DEBT<br>RESERVE |
|--|--------------------------------------|--|----------------------|--------------------------------|--|---|--------------------------------------|
| Cash and investments - beginning                   | \$ 10,688                            | \$ 27,385                                | \$ 5,663             | \$ 13,307                      | \$ 33,032                                    | \$ 10,504                                   | \$ 59,597                            |
| Receipts:  |                                      |  |                      |                                |  |   |                                      |
| Taxes  | -                                    | -  | -                    | -                              | -  | -   | -                                    |
| Licenses and permits                               | -                                    | -  | -                    | -                              | -  | -   | -                                    |
| Intergovernmental                                  | 1,854                                | 8,076                                    | -                    | -                              | -  | -   | -                                    |
| Charges for services                               | -                                    | -  | -                    | -                              | -  | -   | -                                    |
| Utility fees                                       | -                                    | -  | -                    | 171,535                        | -  | -   | -                                    |
| Penalties  | -                                    | -  | -                    | -                              | -  | -   | -                                    |
| Other receipts                                     | -                                    | -  | 325,355              | 29,761                         | 53,055                                       | 6,304                                       | 4,000                                |
| Total receipts                                     | 1,854                                | 8,076                                    | 325,355              | 201,296                        | 53,055                                       | 6,304                                       | 4,000                                |
| Disbursements:                                     |                                      |  |                      |                                |  |   |                                      |
| Personal services                                  | -                                    | 5,336                                    | -                    | -                              | -  | -   | -                                    |
| Supplies   | -                                    | -  | -                    | -                              | -  | -   | -                                    |
| Other services and charges                         | 5,700                                | 1,500                                    | -                    | -                              | -  | -   | -                                    |
| Debt service - principal and interest              | -                                    | -  | -                    | -                              | 54,567                                       | -   | -                                    |
| Capital outlay                                     | -                                    | -  | -                    | -                              | -  | -   | -                                    |
| Utility operating expenses                         | -                                    | -  | -                    | 133,435                        | -  | -   | -                                    |
| Other disbursements                                | -                                    | 1,027                                    | 269,933              | 74,235                         | -  | -   | -                                    |
| Total disbursements                                | 5,700                                | 7,863                                    | 269,933              | 207,670                        | 54,567                                       | -   | -                                    |
| Excess (deficiency) of receipts over disbursements | (3,846)                              | 213                                      | 55,422               | (6,374)                        | (1,512)                                      | 6,304                                       | 4,000                                |
| Cash and investments - ending                      | \$ 6,842                             | \$ 27,598                                | \$ 61,085            | \$ 6,933                       | \$ 31,520                                    | \$ 16,808                                   | \$ 63,597                            |

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

|  | WATER<br>UTILITY<br>OPERATING | WATER<br>UTILITY<br>BOND<br>AND<br>INTEREST | WATER<br>UTILITY<br>CONSTRUCTION/<br>MAINTENANCE<br>RESERVE | WATER<br>UTILITY<br>METER<br>DEPOSIT | WATER<br>UTILITY<br>DEBT<br>RESERVE | Totals       |
|--|-------------------------------|---|---|--------------------------------------|-------------------------------------|--------------|
| Cash and investments - beginning                   | \$ 20,096                     | \$ 48,914                                   | \$ 215,191  | \$ 13,820                            | \$ 165,383                          | \$ 1,036,633 |
| Receipts:  |                               |   |   |                                      |                                     |              |
| Taxes  | -                             | -   | -   | -                                    | -                                   | 37,566       |
| Licenses and permits                               | -                             | -   | -   | -                                    | -                                   | 15           |
| Intergovernmental                                  | -                             | -   | -   | -                                    | -                                   | 402,716      |
| Charges for services                               | -                             | -   | -   | -                                    | -                                   | 49,310       |
| Utility fees                                       | 824,972                       | -   | -   | -                                    | -                                   | 996,507      |
| Penalties  | 13,387                        | -   | -   | -                                    | -                                   | 13,387       |
| Other receipts                                     | 469,159                       | 105,427                                     | 31,940  | 4,000                                | -                                   | 1,042,382    |
| Total receipts                                     | 1,307,518                     | 105,427                                     | 31,940  | 4,000                                | -                                   | 2,541,883    |
| Disbursements:                                     |                               |   |   |                                      |                                     |              |
| Personal services                                  | -                             | -   | -   | -                                    | -                                   | 33,502       |
| Supplies   | -                             | -   | -   | -                                    | -                                   | 18,251       |
| Other services and charges                         | -                             | -   | -   | -                                    | -                                   | 375,009      |
| Debt service - principal and interest              | -                             | 143,564                                     | -   | -                                    | -                                   | 198,131      |
| Capital outlay                                     | -                             | -   | 219   | -                                    | -                                   | 1,679        |
| Utility operating expenses                         | 569,795                       | -   | -   | 871                                  | -                                   | 704,101      |
| Other disbursements                                | 727,873                       | -   | -   | -                                    | -                                   | 1,108,109    |
| Total disbursements                                | 1,297,668                     | 143,564                                     | 219   | 871                                  | -                                   | 2,438,782    |
| Excess (deficiency) of receipts over disbursements | 9,850                         | (38,137)                                    | 31,721  | 3,129                                | -                                   | 103,101      |
| Cash and investments - ending                      | \$ 29,946                     | \$ 10,777                                   | \$ 246,912  | \$ 16,949                            | \$ 165,383                          | \$ 1,139,734 |

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

|  | GENERAL<br>FUND  | MOTOR<br>VEHICLE<br>HIGHWAY | LOCAL<br>ROAD<br>AND<br>STREET | TRASH<br>COLLECTION | PALMYRA<br>SENIOR<br>CENTER | LOCAL<br>LAW<br>ENFORCEMENT<br>CONTINUING<br>EDUCATION | RIVERBOAT<br>REVENUE |
|--|------------------|-----------------------------|--------------------------------|---------------------|-----------------------------|--|----------------------|
| Cash and investments - beginning                   | \$ 42,385        | \$ 64,770                   | \$ 14,577                      | \$ 26,281           | \$ (874)                    | \$ (507)   | \$ 308,752           |
| Receipts:  |                  |                             |                                |                     |                             |  |                      |
| Taxes  | 35,829           | -                           | -                              | -                   | -                           | -  | -                    |
| Licenses and permits                               | 4,332            | -                           | -                              | -                   | -                           | -  | -                    |
| Intergovernmental                                  | 18,940           | 16,902                      | 3,983                          | -                   | -                           | -  | 104,840              |
| Charges for services                               | -                | -                           | -                              | 45,336              | 4,861                       | 48   | -                    |
| Utility fees                                       | -                | -                           | -                              | -                   | -                           | -  | -                    |
| Penalties  | -                | -                           | -                              | -                   | -                           | -  | -                    |
| Other receipts                                     | 23,524           | -                           | -                              | -                   | 937                         | -  | 992                  |
| Total receipts                                     | <u>82,625</u>    | <u>16,902</u>               | <u>3,983</u>                   | <u>45,336</u>       | <u>5,798</u>                | <u>48</u>  | <u>105,832</u>       |
| Disbursements:                                     |                  |                             |                                |                     |                             |  |                      |
| Personal services                                  | 30,229           | -                           | -                              | -                   | -                           | -  | -                    |
| Supplies   | 583              | 7,970                       | 1,477                          | 11                  | 1,683                       | -  | 25,905               |
| Other services and charges                         | 35,220           | 5,789                       | -                              | 50,343              | 4,881                       | -  | 27,961               |
| Debt service - principal and interest              | -                | -                           | -                              | -                   | -                           | -  | -                    |
| Capital outlay                                     | 874              | -                           | -                              | -                   | -                           | -  | 13,319               |
| Utility operating expenses                         | -                | -                           | -                              | -                   | -                           | -  | -                    |
| Other disbursements                                | -                | -                           | -                              | -                   | 1,575                       | -  | -                    |
| Total disbursements                                | <u>66,906</u>    | <u>13,759</u>               | <u>1,477</u>                   | <u>50,354</u>       | <u>8,139</u>                | <u>-</u>   | <u>67,185</u>        |
| Excess (deficiency) of receipts over disbursements | <u>15,719</u>    | <u>3,143</u>                | <u>2,506</u>                   | <u>(5,018)</u>      | <u>(2,341)</u>              | <u>48</u>  | <u>38,647</u>        |
| Cash and investments - ending                      | <u>\$ 58,104</u> | <u>\$ 67,913</u>            | <u>\$ 17,083</u>               | <u>\$ 21,263</u>    | <u>\$ (3,215)</u>           | <u>\$ (459)</u>  | <u>\$ 347,399</u>    |

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

|  | ECONOMIC<br>DEVELOPMENT<br>INCOME<br>TAX | CUMULATIVE<br>CAPITAL<br>IMPROVEMENT | PAYROLL<br>DEDUCTION | WATER<br>UTILITY<br>OPERATING | WATER<br>UTILITY<br>METER<br>DEPOSIT | WATER<br>CONSTRUCTION/<br>MAINTENANCE<br>RESERVE | WATER<br>UTILITY<br>BOND<br>AND<br>INTEREST |
|--|--|--------------------------------------|----------------------|-------------------------------|--------------------------------------|--|---|
| Cash and investments - beginning                   | \$ 27,598                                | \$ 6,842                             | \$ 61,085            | \$ 29,946                     | \$ 16,949                            | \$ 246,912                                       | \$ 10,777                                   |
| Receipts:  |  |                                      |                      |                               |                                      |  |   |
| Taxes  | -  | -                                    | -                    | -                             | -                                    | -  | -   |
| Licenses and permits                               | -  | -                                    | -                    | -                             | -                                    | -  | -   |
| Intergovernmental                                  | 6,269                                    | 1,818                                | -                    | -                             | -                                    | -  | -   |
| Charges for services                               | -  | -                                    | -                    | -                             | -                                    | -  | -   |
| Utility fees                                       | -  | -                                    | -                    | 714,482                       | -                                    | -  | -   |
| Penalties  | -  | -                                    | -                    | 56,352                        | -                                    | -  | -   |
| Other receipts                                     | -  | -                                    | 258,968              | 61,416                        | -                                    | -  | 122,632                                     |
| Total receipts                                     | <u>6,269</u>                             | <u>1,818</u>                         | <u>258,968</u>       | <u>832,250</u>                | <u>-</u>                             | <u>-</u>   | <u>122,632</u>                              |
| Disbursements:                                     |  |                                      |                      |                               |                                      |  |   |
| Personal services                                  | 6,450                                    | -                                    | 319,763              | -                             | -                                    | -  | -   |
| Supplies   | -  | -                                    | -                    | -                             | -                                    | -  | -   |
| Other services and charges                         | 912                                      | 713                                  | -                    | -                             | -                                    | -  | -   |
| Debt service - principal and interest              | -  | -                                    | -                    | 114,529                       | -                                    | -  | 132,975                                     |
| Capital outlay                                     | -  | -                                    | -                    | -                             | -                                    | -  | -   |
| Utility operating expenses                         | -  | -                                    | -                    | 651,811                       | -                                    | -  | -   |
| Other disbursements                                | -  | -                                    | -                    | 50,390                        | 1,635                                | 25,960   | -   |
| Total disbursements                                | <u>7,362</u>                             | <u>713</u>                           | <u>319,763</u>       | <u>816,730</u>                | <u>1,635</u>                         | <u>25,960</u>                                    | <u>132,975</u>                              |
| Excess (deficiency) of receipts over disbursements | <u>(1,093)</u>                           | <u>1,105</u>                         | <u>(60,795)</u>      | <u>15,520</u>                 | <u>(1,635)</u>                       | <u>(25,960)</u>                                  | <u>(10,343)</u>                             |
| Cash and investments - ending                      | <u>\$ 26,505</u>                         | <u>\$ 7,947</u>                      | <u>\$ 290</u>        | <u>\$ 45,466</u>              | <u>\$ 15,314</u>                     | <u>\$ 220,952</u>                                | <u>\$ 434</u>                               |

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

|  | WATER<br>UTILITY<br>DEBT<br>RESERVE | SEWAGE<br>UTILITY<br>OPERATING | SEWAGE<br>MAINTENANCE<br>RESERVE | SEWAGE<br>UTILITY<br>BOND<br>AND<br>INTEREST | SEWAGE<br>DEBT<br>RESERVE | Totals       |
|--|-------------------------------------|--------------------------------|----------------------------------|--|---------------------------|--------------|
| Cash and investments - beginning                   | \$ 165,383                          | \$ 6,933                       | \$ 16,808                        | \$ 31,520                                    | \$ 63,597                 | \$ 1,139,734 |
| Receipts:  |                                     |                                |                                  |  |                           |              |
| Taxes  | -                                   | -                              | -                                | -  | -                         | 35,829       |
| Licenses and permits                               | -                                   | -                              | -                                | -  | -                         | 4,332        |
| Intergovernmental                                  | -                                   | -                              | -                                | -  | -                         | 152,752      |
| Charges for services                               | -                                   | -                              | -                                | -  | -                         | 50,245       |
| Utility fees                                       | -                                   | 173,078                        | -                                | -  | -                         | 887,560      |
| Penalties  | -                                   | 3,053                          | -                                | -  | -                         | 59,405       |
| Other receipts                                     | -                                   | 7,108                          | -                                | 33,133                                       | -                         | 508,710      |
| Total receipts                                     | -                                   | 183,239                        | -                                | 33,133                                       | -                         | 1,698,833    |
| Disbursements:                                     |                                     |                                |                                  |  |                           |              |
| Personal services                                  | -                                   | -                              | -                                | -  | -                         | 356,442      |
| Supplies   | -                                   | -                              | -                                | -  | -                         | 37,629       |
| Other services and charges                         | -                                   | -                              | -                                | -  | -                         | 125,819      |
| Debt service - principal and interest              | -                                   | -                              | -                                | 45,621                                       | -                         | 293,125      |
| Capital outlay                                     | -                                   | -                              | -                                | -  | -                         | 14,193       |
| Utility operating expenses                         | -                                   | 114,435                        | -                                | -  | -                         | 766,246      |
| Other disbursements                                | -                                   | 42,568                         | 2,064                            | -  | -                         | 124,192      |
| Total disbursements                                | -                                   | 157,003                        | 2,064                            | 45,621                                       | -                         | 1,717,646    |
| Excess (deficiency) of receipts over disbursements | -                                   | 26,236                         | (2,064)                          | (12,488)                                     | -                         | (18,813)     |
| Cash and investments - ending                      | \$ 165,383                          | \$ 33,169                      | \$ 14,744                        | \$ 19,032                                    | \$ 63,597                 | \$ 1,120,921 |

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

| Type                                 | Description of Debt<br>Purpose               | Ending<br>Principal<br>Balance | Principal and<br>Interest Due<br>Within One<br>Year |
|--------------------------------------|--|--------------------------------|---|
| Water Utility:<br>Revenue bonds      | 2003 State Revolving Fund Loan - Water Tower | \$ 1,128,000                   | \$ 113,968  |
| Wastewater Utility:<br>Revenue bonds | 2002 Rural Development Loan - WWTP Expansion | 508,400                        | 32,973  |
| Totals                               |  | <u>\$ 1,636,400</u>            | <u>\$ 146,941</u>                                   |

TOWN OF PALMYRA  
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<br>Balance |
|-----------------------------------|-------------------|
| Governmental activities:          |                   |
| Land                              | \$ 29,000         |
| Infrastructure                    | 1,476,000         |
| Buildings                         | 983,000           |
| Machinery, equipment and vehicles | 51,540            |
| Total governmental activities     | 2,539,540         |
| Water Utility:                    |                   |
| Land                              | 21,600            |
| Infrastructure                    | 13,510,000        |
| Machinery, equipment and vehicles | 185,979           |
| Total Water Utility               | 13,717,579        |
| Wastewater Utility:               |                   |
| Land                              | 1,270             |
| Infrastructure                    | 3,225,000         |
| Buildings                         | 205,000           |
| Machinery, equipment and vehicles | 281,700           |
| Total Wastewater Utility          | 3,712,970         |
| Total capital assets              | \$ 19,970,089     |

TOWN OF PALMYRA  
EXAMINATION RESULTS AND COMMENTS

***CONDITION OF RECORDS (Town, Water, and Wastewater Utilities)***

The following deficiencies relating to the recordkeeping were present during our examination:

1. Depository reconciliations of the fund balances to the bank account balances were not being performed. In both 2011 and 2012, the Town hired an outside accounting firm to subsequently complete the monthly reconciliations for 2010 and 2011, respectively. As of December 17, 2012, there have been no monthly bank reconciliations performed for 2012.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

2. There were a considerable number of posting errors. These errors included deposits not receipted, checks and receipts not recorded in the proper amounts, checks and receipts posted to the wrong fund, duplicate posting of receipts and payroll transfers, and non-sufficient funds checks incorrectly posted.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

3. Some items such as receipts, nonsufficient funds checks, and payments made through automatic withdrawal, were not entered into the records of the Town.

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

4. We noted instances of up to fifteen (15) months passing from the time of the original date of the transactions until entry on the records. Additionally, we noted instances in which receipts were not being issued at the time of collection and the collections were not being deposited timely.

All documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1 et seq., commonly referred to as the Public Records Law. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF PALMYRA  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Indiana Code 5-13-6-1(d) states: "A city (other than a consolidated city) or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories: (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and (2) approved as depositories of state funds."

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

As a result of the deficiencies in recordkeeping noted above, adjustments to the financial statements were necessary in order to fairly present the financial activity of the Town for the examination period. All proposed adjustments were approved by management and made to the financial statements. A summary of the adjustments made to the receipts and disbursements by fund is as follows:

| Fund                     | 2010              |                  | 2011             |                  |
|--------------------------|-------------------|------------------|------------------|------------------|
|                          | Receipts          | Disbursements    | Receipts         | Disbursements    |
| General Fund             | \$ -              | \$ -             | \$ 10,652        | \$ 75            |
| Motor Vehicle Highway    | -                 | -                | 1,316            | -                |
| Local Road and Street    | -                 | -                | 289              | -                |
| Trash Collection         | -                 | -                | -                | 10               |
| Payroll Deduction        | -                 | 272              | -                | 60,813           |
| Water Utility Operating  | 126,275           | 53,128           | 19,765           | 2,305            |
| Sewage Utility Operating | 4,397             | 3,954            | 245              | 96               |
| Totals                   | <u>\$ 130,672</u> | <u>\$ 57,354</u> | <u>\$ 32,267</u> | <u>\$ 63,299</u> |

**OVERDRAWN CASH BALANCES (Town)**

The cash balances of the following funds were overdrawn:

| Fund                                       | 2010   | 2011   |
|--|--------|--------|
| Local Law Enforcement Continuing Education | \$ 507 | \$ 459 |
| Palmyra Senior Center                      | 874    | 3,215  |

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF PALMYRA  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

**APPROPRIATIONS (Town)**

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

| Fund                           | Excess Amount Expended |                  |
|--------------------------------|------------------------|------------------|
|                                | 2010                   | 2011             |
| General Fund                   | \$ 5,431               | \$ 10,862        |
| Cumulative Capital Improvement | 461                    | -                |
| Totals                         | <u>\$ 5,892</u>        | <u>\$ 10,862</u> |

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."

**INTEREST ON INVESTMENTS (Town and Water Utility)**

Interest earned in the amount of \$7,297 on a certificate of deposit was automatically added to the principal and not recorded in the records.

Interest on investments should not be automatically added into the investment. Instead, interest on investments should be paid to the governmental unit at each maturity date and posted to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

**CUSTOMER DEPOSIT REGISTER (Water Utility)**

The detailed customer deposit register does not reconcile with the customer deposit amount recorded in the fund ledger. At December 31, 2011, the Water Utility Meter Deposit Fund showed \$486.57 more in customer deposits than that recorded in the detailed customer deposit register.

At all times, the manual/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

**ERROR ON CLAIMS (Water and Wastewater Utilities)**

The following deficiency was noted on claims during the audit period:

All claims of the Water and Wastewater Utilities did not have board approval.

Indiana Code 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

TOWN OF PALMYRA  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF PALMYRA  
EXIT CONFERENCE

The contents of this report were discussed on January 10, 2013, with Christopher W. French, current Clerk-Treasurer; Tiffany L. Cardwell, former Clerk-Treasurer; and Virginia L. Kirkham, President of the Town Council. The officials concurred with our findings.