

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

FINANCIAL STATEMENTS REVIEW REPORT

OF

TOWN OF HARMONY

CLAY COUNTY, INDIANA

January 1, 2012 to December 31, 2016



FILED
09/08/2017

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Accountant's Review Report.....	3-4
Financial Statements and Accompanying Notes:	
Statements of Receipts, Disbursements, and Cash and Investment	
Balances - Regulatory Basis	7-9
Notes to Financial Statements.....	10-14
Exit Conference.....	15

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Donna J. Mullinix	01-01-12 to 12-31-19
President of the Town Council	O. Janice Gooch	01-01-12 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

TO: THE OFFICIALS OF THE TOWN OF HARMONY, CLAY COUNTY, INDIANA

We have reviewed the accompanying financial statements of the Town of Harmony (Town), for the period of January 1, 2012 to December 31, 2016. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Town's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with a regulatory basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana 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. This includes determining that the basis of accounting the Town uses is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with *Statements on Standards for Accounting and Review Services* promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with the prescribed basis of accounting described in Note 1. We believe that the results of our procedures provide a reasonable basis for our conclusion.


INDEPENDENT ACCOUNTANT'S REVIEW REPORT
(Continued)

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with the prescribed basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana 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. Our conclusion is not modified with respect to this matter.


Paul D. Joyce, CPA
State Examiner

July 13, 2017

FINANCIAL STATEMENTS AND ACCOMPANYING NOTES

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.

(This page intentionally left blank.)

TOWN OF HARMONY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended December 31, 2012 and 2013

Fund	Cash and Investments 01-01-12	Receipts	Disbursements	Cash and Investments 12-31-12	Receipts	Disbursements	Cash and Investments 12-31-13
General	\$ 121,158	\$ 91,008	\$ 86,227	\$ 125,939	\$ 64,636	\$ 81,906	\$ 108,669
Motor Vehicle Highway	30,383	16,563	14,621	32,325	25,364	22,184	35,505
Local Road And Street	4,131	2,921	4,882	2,170	2,924	1,950	3,144
Law Enforcement Continuing Ed	740	50	-	790	500	-	1,290
Riverboat	13,548	10,438	7,500	16,486	3,886	-	20,372
Rainy Day	4,011	-	-	4,011	-	-	4,011
Levy Excess	206	-	-	206	-	206	-
Cumulative Capital Development	20,381	5,754	-	26,135	30,577	25,000	31,712
Donation - Tornado Siren	7,610	100	6,552	1,158	-	-	1,158
Cumulative Capital Improvement	10,047	1,740	-	11,787	1,761	-	13,548
Debt Service	12,481	14,897	12,068	15,310	9,996	24,115	1,191
Storm Water Maintenance	12,199	-	3,447	8,752	-	1,000	7,752
Park Donation	5,891	5,000	-	10,891	5,000	8,599	7,292
Community Building/Center	2,419	5,789	2,516	5,692	6,600	2,030	10,262
Loit-Public Safety	13,738	13,613	2,286	25,065	11,870	9,157	27,778
Mccollister Memorial	161	-	-	161	-	161	-
Totals	\$ 259,104	\$ 167,873	\$ 140,099	\$ 286,878	\$ 163,114	\$ 176,308	\$ 273,684

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

TOWN OF HARMONY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended December 31, 2014 and 2015

Fund	Cash and Investments 01-01-14	Receipts	Disbursements	Cash and Investments 12-31-14	Receipts	Disbursements	Cash and Investments 12-31-15
GENERAL FUND	\$ 108,669	\$ 92,765	\$ 89,584	\$ 111,850	\$ 99,433	\$ 93,369	\$ 117,914
MOTOR VEHICLE HIGHWAY	35,505	30,588	16,963	49,130	30,333	17,790	61,673
LOCAL ROAD & STREET	3,144	2,932	250	5,826	2,956	-	8,782
LOCAL LAW ENF CONT ED	1,290	618	-	1,908	-	30	1,878
PARK NONREVERT DONATION	7,292	5,000	1,130	11,162	5,000	10,000	6,162
RAINY DAY	4,011	-	-	4,011	-	-	4,011
CUM CAP IMP - CIG TAX	13,548	1,735	-	15,283	1,648	-	16,931
CUM CAP DEVELOPMENT	31,712	6,122	-	37,834	6,109	-	43,943
RIVERBOAT	20,372	3,886	-	24,258	3,886	-	28,144
LOIT-PUBLIC SAFETY	27,778	11,704	7,300	32,182	10,528	14,213	28,497
DONATION - TORNADO SIREN	1,158	-	-	1,158	-	-	1,158
COMMUNITY CENTER BUILDING	10,262	8,125	-	18,387	3,925	106	22,206
DEBT SERVICE	1,191	10	-	1,201	-	1,201	-
STORM WATER MAINT	7,752	-	1,920	5,832	11,703	6,774	10,761
Totals	<u>\$ 273,684</u>	<u>\$ 163,485</u>	<u>\$ 117,147</u>	<u>\$ 320,022</u>	<u>\$ 175,521</u>	<u>\$ 143,483</u>	<u>\$ 352,060</u>

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

TOWN OF HARMONY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended December 31, 2016

Fund	Cash and Investments 01-01-16	Receipts	Disbursements	Cash and Investments 12-31-16
GENERAL FUND	\$ 117,914	\$ 75,744	\$ 88,734	\$ 104,924
MOTOR VEHICLE HIGHWAY	61,673	30,483	17,612	74,544
LOCAL ROAD & STREET	8,782	2,925	-	11,707
LOCAL LAW ENF CONT ED	1,878	150	270	1,758
PARK NONREVERT DONATION	6,162	5,000	-	11,162
RAINY DAY	4,011	3,863	-	7,874
LEVY EXCESS FUND	-	1	-	1
CUM CAP IMP - CIG TAX	16,931	1,672	-	18,603
CUM CAP DEVELOPMENT	43,943	24,648	-	68,591
RIVERBOAT	28,144	3,886	-	32,030
LOIT-PUBLIC SAFETY	28,497	10,265	13,508	25,254
DONATION - TORNADO SIREN	1,158	-	-	1,158
COMMUNITY CENTER BUILDING	22,206	6,150	83	28,273
LOIT SPECIAL DIST	-	11,590	-	11,590
COMM CENTER DEP FUND	-	900	975	(75)
STORM WATER MAINT	10,761	17,320	3,778	24,303
Totals	<u>\$ 352,060</u>	<u>\$ 194,597</u>	<u>\$ 124,960</u>	<u>\$ 421,697</u>

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

TOWN OF HARMONY
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 Indiana 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. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

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. Amounts received from one or more of the following: property tax, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeeper's 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. Amounts received from businesses, occupations, or non-businesses 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 the following: peddler licenses, animal licenses, auctioneer licenses, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

TOWN OF HARMONY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Intergovernmental receipts. Amounts received from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of intergovernmental receipts include, but are not limited to, the following: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distributions received from the state, local road and street distributions 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. Amounts received for services including, but not limited to, the following: planning commission charges, building department charges, copies of public records, copy machines 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.

Fines and forfeits. Amounts received from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

Other receipts. Amounts received from various sources, including, but 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. Amounts disbursed 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. Amounts disbursed for 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, but are not limited to, the following: office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges. Amounts disbursed for services including, but not limited to, the following: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service - principal and interest. Amounts disbursed for 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. Amounts disbursed for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

TOWN OF HARMONY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Utility operating expenses. Amounts disbursed for operating the utilities.

Other disbursements. Amounts disbursed for various other purposes including, but 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, make transfers 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 amounts 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 amounts 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.

TOWN OF HARMONY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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, the following: 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.

Note 6. *Pension Plan*

Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give the Town authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Indiana Public Retirement System
One North Capitol, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

TOWN OF HARMONY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS.

Note 7. Cash Balance Deficit

The financial statements contain a fund with a deficit in cash. This was a result of posting errors of community center rental deposits.

TOWN OF HARMONY
EXIT CONFERENCE

The contents of this report were discussed on July 13, 2017, with Donna J. Mullinix, Clerk-Treasurer, and O. Janice Gooch, President of the Town Council.