

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

FINANCIAL STATEMENTS AUDIT REPORT

OF

PALMYRA TOWNSHIP

KNOX COUNTY, INDIANA

January 1, 2014 to December 31, 2017



FILED
09/21/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Deborah A. Pinney	01-01-11 to 12-31-18
Chairman of the Township Board	Douglas J. Hatton	01-01-14 to 12-31-14
	Anthony R. Downen	01-01-15 to 12-31-15
	Raymond A. Hatton	01-01-16 to 12-31-16
	Douglas J. Hatton	01-01-17 to 12-31-17
	Raymond A. Hatton	01-01-18 to 12-31-18



INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF PALMYRA TOWNSHIP, KNOX COUNTY, INDIANA

Report on the Financial Statements

We have audited the accompanying financial statements of Palmyra Township (Township), which comprise the financial position and results of operations for the period of January 1, 2014 to December 31, 2017, and the related notes to the financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. 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 misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As discussed in Note 1 to the financial statements, the Township prepares its financial statements on 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 basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the Township for the period of January 1, 2014 to December 31, 2017.


Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Township for the period of January 1, 2014 to December 31, 2017, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the Township'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 auditing procedures applied by us in the audit of the financial statements and, accordingly, we express no opinion on them.


Paul D. Joyce, CPA
State Examiner

August 20, 2018

FINANCIAL STATEMENTS AND ACCOMPANYING NOTES

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

PALMYRA TOWNSHIP, KNOX COUNTY
 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
Township	\$ 159,661	\$ 46,355	\$ 31,642	\$ 174,374	\$ 48,266	\$ 29,353	\$ 193,287
Township Assistance	26,368	10,322	6,902	29,788	10,599	5,010	35,377
Fire Fighting	80,566	46,364	69,158	57,772	56,627	42,702	71,697
Rainy Day	10,404	-	-	10,404	-	-	10,404
Alton Cemetery	8,529	11	-	8,540	14	-	8,554
Fire Debt	249,529	87,366	299,759	37,136	51,796	54,170	34,762
Totals	\$ 535,057	\$ 190,418	\$ 407,461	\$ 318,014	\$ 167,302	\$ 131,235	\$ 354,081

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

PALMYRA TOWNSHIP, KNOX COUNTY
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Years Ended December 31, 2016 and 2017

Fund	Cash and Investments 01-01-16	Receipts	Disbursements	Cash and Investments 12-31-16	Receipts	Disbursements	Cash and Investments 12-31-17
Township	\$ 193,287	\$ 52,935	\$ 33,767	\$ 212,455	\$ 51,617	\$ 47,708	\$ 216,364
Township Assistance	35,377	9,789	3,693	41,473	10,492	4,419	47,546
Fire Fighting	71,697	46,069	44,943	72,823	50,490	50,276	73,037
Rainy Day	10,404	-	-	10,404	-	-	10,404
Alton Cemetery	8,554	13	-	8,567	28	-	8,595
Fire Debt	34,762	47,211	81,254	719	54,679	27,085	28,313
Totals	\$ 354,081	\$ 156,017	\$ 163,657	\$ 346,441	\$ 167,306	\$ 129,488	\$ 384,259

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

PALMYRA TOWNSHIP, KNOX COUNTY
NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The Township was established under the laws of the State of Indiana. The Township operates under a township trustee/township board form of government and provides some or all of the following services: public safety (fire), health and social services (township assistance), culture and recreation (parks and/or community centers), and general administrative services (weed and dog control).

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

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 Township.

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.

PALMYRA TOWNSHIP, KNOX COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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 Township. It includes all expenditures for the reduction of the principal and interest of the Township'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.

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 Township 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.

PALMYRA TOWNSHIP, KNOX COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

G. Fund Accounting

Separate funds are established, maintained, and reported by the Township. 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 Township. 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 Township 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 Township 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 Township 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 lien date (March 1 in a year ending before January 1, 2016 and January 1 in a year beginning after December 31, 2015) 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 Township 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.

PALMYRA TOWNSHIP, KNOX COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 5. Risk Management

The Township 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 Township 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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OTHER INFORMATION - UNAUDITED

The Township's Annual Financial Reports information can be found on the Indiana Gateway for Government Units 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 Township's Annual Financial Reports referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The other information presented was approved by management of the Township. It is presented as intended by the Township.

PALMYRA TOWNSHIP, KNOX COUNTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014

	Township	Township Assistance	Fire Fighting	Rainy Day	Alton Cemetery	Fire Debt	Totals
Cash and investments - beginning	\$ 159,661	\$ 26,368	\$ 80,566	\$ 10,404	\$ 8,529	\$ 249,529	\$ 535,057
Receipts:							
Taxes	26,783	9,076	40,706	-	-	78,088	154,653
Intergovernmental receipts	17,777	1,246	4,836	-	-	9,278	33,137
Charges for services	720	-	-	-	-	-	720
Other receipts	1,075	-	822	-	11	-	1,908
Total receipts	46,355	10,322	46,364	-	11	87,366	190,418
Disbursements:							
Personal services	15,044	1,318	6,792	-	-	-	23,154
Supplies	37	-	2,905	-	-	-	2,942
Other services and charges	11,370	5,402	34,573	-	-	-	51,345
Debt service - principal and interest	-	-	-	-	-	54,170	54,170
Capital outlay	5,191	-	-	-	-	245,589	250,780
Other disbursements	-	182	24,888	-	-	-	25,070
Total disbursements	31,642	6,902	69,158	-	-	299,759	407,461
Excess (deficiency) of receipts over disbursements	14,713	3,420	(22,794)	-	11	(212,393)	(217,043)
Cash and investments - ending	\$ 174,374	\$ 29,788	\$ 57,772	\$ 10,404	\$ 8,540	\$ 37,136	\$ 318,014

PALMYRA TOWNSHIP, KNOX COUNTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2015

	Township	Township Assistance	Fire Fighting	Rainy Day	Alton Cemetery	Fire Debt	Totals
Cash and investments - beginning	\$ 174,374	\$ 29,788	\$ 57,772	\$ 10,404	\$ 8,540	\$ 37,136	\$ 318,014
Receipts:							
Taxes	30,464	9,859	45,087	-	-	48,964	134,374
Intergovernmental receipts	16,389	740	2,608	-	-	2,832	22,569
Charges for services	720	-	-	-	-	-	720
Other receipts	693	-	8,932	-	14	-	9,639
Total receipts	48,266	10,599	56,627	-	14	51,796	167,302
Disbursements:							
Personal services	16,842	1,544	6,792	-	-	-	25,178
Supplies	240	-	1,059	-	-	-	1,299
Other services and charges	12,271	3,466	27,873	-	-	-	43,610
Debt service - principal and interest	-	-	-	-	-	54,170	54,170
Capital outlay	-	-	6,978	-	-	-	6,978
Other disbursements	-	-	-	-	-	-	-
Total disbursements	29,353	5,010	42,702	-	-	54,170	131,235
Excess (deficiency) of receipts over disbursements	18,913	5,589	13,925	-	14	(2,374)	36,067
Cash and investments - ending	\$ 193,287	\$ 35,377	\$ 71,697	\$ 10,404	\$ 8,554	\$ 34,762	\$ 354,081

PALMYRA TOWNSHIP, KNOX COUNTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016

	Township	Township Assistance	Fire Fighting	Rainy Day	Alton Cemetery	Fire Debt	Totals
Cash and investments - beginning	\$ 193,287	\$ 35,377	\$ 71,697	\$ 10,404	\$ 8,554	\$ 34,762	\$ 354,081
Receipts:							
Taxes	29,519	9,132	43,217	-	-	44,703	126,571
Intergovernmental receipts	21,696	657	2,424	-	-	2,508	27,285
Charges for services	720	-	-	-	-	-	720
Other receipts	1,000	-	428	-	13	-	1,441
Total receipts	52,935	9,789	46,069	-	13	47,211	156,017
Disbursements:							
Personal services	16,158	1,559	6,996	-	-	-	24,713
Supplies	159	-	1,224	-	-	-	1,383
Other services and charges	11,514	2,134	30,059	-	-	-	43,707
Debt service - principal and interest	-	-	-	-	-	81,254	81,254
Capital outlay	5,936	-	6,664	-	-	-	12,600
Other disbursements	-	-	-	-	-	-	-
Total disbursements	33,767	3,693	44,943	-	-	81,254	163,657
Excess (deficiency) of receipts over disbursements	19,168	6,096	1,126	-	13	(34,043)	(7,640)
Cash and investments - ending	\$ 212,455	\$ 41,473	\$ 72,823	\$ 10,404	\$ 8,567	\$ 719	\$ 346,441

PALMYRA TOWNSHIP, KNOX COUNTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2017

	Township	Township Assistance	Fire Fighting	Rainy Day	Alton Cemetery	Fire Debt	Totals
Cash and investments - beginning	\$ 212,455	\$ 41,473	\$ 72,823	\$ 10,404	\$ 8,567	\$ 719	\$ 346,441
Receipts:							
Taxes	47,148	9,819	47,780	-	-	51,851	156,598
Intergovernmental receipts	2,265	673	2,606	-	-	2,828	8,372
Charges for services	720	-	-	-	-	-	720
Other receipts	1,484	-	104	-	28	-	1,616
Total receipts	51,617	10,492	50,490	-	28	54,679	167,306
Disbursements:							
Personal services	20,676	1,841	9,090	-	-	-	31,607
Supplies	403	133	2,923	-	-	-	3,459
Other services and charges	12,638	2,445	31,520	-	-	-	46,603
Debt service - principal and interest	-	-	-	-	-	27,085	27,085
Capital outlay	13,991	-	6,743	-	-	-	20,734
Other disbursements	-	-	-	-	-	-	-
Total disbursements	47,708	4,419	50,276	-	-	27,085	129,488
Excess (deficiency) of receipts over disbursements	3,909	6,073	214	-	28	27,594	37,818
Cash and investments - ending	\$ 216,364	\$ 47,546	\$ 73,037	\$ 10,404	\$ 8,595	\$ 28,313	\$ 384,259

PALMYRA TOWNSHIP, KNOX COUNTY
 SCHEDULE OF LEASES AND DEBT
 December 31, 2017

Description of Debt		Ending	Principal and
Type	Purpose	Principal	Interest Due
		Balance	Within One
			Year
Governmental activities:			
Notes and loans payable	2015 International 7400 tanker	\$ 52,531	\$ 54,170
Totals		<u>\$ 52,531</u>	<u>\$ 54,170</u>

PALMYRA TOWNSHIP, KNOX COUNTY
 SCHEDULE OF CAPITAL ASSETS
 December 31, 2017

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.

	<u>Ending Balance</u>
Governmental activities:	
Land	\$ 7,500
Infrastructure	4,500
Buildings	181,000
Improvements other than buildings	2,000
Machinery, equipment, and vehicles	709,850
Books and other	<u>1,500</u>
Total governmental activities	<u>906,350</u>
Total capital assets	<u><u>\$ 906,350</u></u>

OTHER REPORTS

In addition to this report, other reports may have been issued for the Township. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.