

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

FINANCIAL STATEMENTS REVIEW REPORT

OF

TOWN OF MARKLE

HUNTINGTON COUNTY, INDIANA

January 1, 2015 to December 31, 2018



FILED
11/19/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Heather Monticue Carolyn Hamilton	01-01-12 to 12-31-15 01-01-16 to 12-31-19
President of the Town Council	Jeffery Humbarger Mark Hamilton	01-01-15 to 05-08-19 05-09-19 to 12-31-19
Town Supervisor	Richard Asher	01-01-15 to 12-31-19
Superintendent of Water Utility	Stephen Jeffers	01-01-15 to 12-31-19
Superintendent of Wastewater Utility	Scott Spahr	01-01-15 to 12-31-19



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

TO: THE OFFICIALS OF THE TOWN OF MARKLE, HUNTINGTON COUNTY, INDIANA

We have reviewed the accompanying financial statements of the Town of Markle (Town), for the period of January 1, 2015 to December 31, 2018. 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
Paul D. Joyce, CPA
State Examiner

October 23, 2019

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.

TOWN OF MARKLE
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Years Ended December 31, 2015 and 2016

Fund	Cash and Investments 01-01-15	Receipts	Disbursements	Cash and Investments 12-31-15	Receipts	Disbursements	Cash and Investments 12-31-16
General Fund	\$ 477,670	\$ 698,413	\$ 633,928	\$ 542,155	\$ 709,581	\$ 600,207	\$ 651,529
Motor Vehicle Highway	94,303	46,856	84,291	56,868	42,322	1,809	97,381
Local Road & Street	18,639	6,650	13,000	12,289	6,128	7,267	11,150
Local Law Enf Cont Ed	863	1,863	443	2,283	1,545	1,262	2,566
Riverboat	10,686	9,141	10,987	8,840	6,478	9,722	5,596
Park & Recreation	44,909	13,145	28,548	29,506	12,893	12,210	30,189
Rainy Day	539,487	103,908	206,320	437,075	74,294	107,229	404,140
LOIT Special Distribution SEA	-	-	-	-	91,292	-	91,292
Levy Excess Fund	34	-	-	34	-	-	34
Tracy Street Construction	-	164,905	9,573	155,332	422,736	479,504	98,564
Cum Cap Imp	16,177	2,750	5,328	13,599	2,791	8,183	8,207
Cum Cap Development	49,805	9,127	21,225	37,707	8,755	-	46,462
CEDIT Special Disbursement	50,000	-	50,000	-	-	-	-
Fire Eq (Not Debt Serv)	5,000	7,833	5,000	7,833	-	-	7,833
CEDIT	337,645	85,794	263,330	160,109	76,458	56,780	179,787
LOIT	73,623	29,552	23,361	79,814	28,355	15,142	93,027
Markle Area Historical Society	-	-	-	-	5,769	109	5,660
TIF	337,832	63,817	388	401,261	143,641	3,288	541,614
Tree Board Fund	3	-	-	3	-	-	3
Police Dept Community Safety Fund	176	-	-	176	-	-	176
Payroll	1,093	389,066	388,115	2,044	412,757	410,160	4,641
Wastewater Utility Operating	177,114	237,185	235,125	179,174	257,023	245,399	190,798
Wastewater Utl Depreciation	2,387	-	-	2,387	-	-	2,387
Wastewater Plant Depreciation	1,572	-	-	1,572	-	-	1,572
Water Utility Operating	138,230	175,031	200,896	112,365	222,220	202,428	132,157
Water Utl Meter Deposit	2,832	500	1,075	2,257	500	475	2,282
Water Utl Depreciation	19,213	-	1,704	17,509	-	-	17,509
Water Utl Bond & Interest	1,266	62,311	56,433	7,144	47,553	49,832	4,865
Wastewater Utility Clearing	18,666	205,855	226,494	(1,973)	249,393	228,735	18,685
Totals	<u>\$ 2,419,225</u>	<u>\$ 2,313,702</u>	<u>\$ 2,465,564</u>	<u>\$ 2,267,363</u>	<u>\$ 2,822,484</u>	<u>\$ 2,439,741</u>	<u>\$ 2,650,106</u>

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

TOWN OF MARKLE
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Years Ended December 31, 2017 and 2018

Fund	Cash and Investments 01-01-17	Receipts	Disbursements	Cash and Investments 12-31-17	Receipts	Disbursements	Cash and Investments 12-31-18
General Fund	\$ 651,529	\$ 769,340	\$ 740,206	\$ 680,663	\$ 779,260	\$ 744,535	\$ 715,388
Motor Vehicle Highway	97,381	54,133	18,079	133,435	72,163	69,205	136,393
Local Road & Street	11,150	7,781	-	18,931	10,519	1,554	27,896
Tracy Street Construction	98,564	88,498	91,420	95,642	153	77	95,718
Local Law Enf Cont Ed	2,566	1,279	2,361	1,484	2,107	2,901	690
Riverboat	5,596	6,487	1,000	11,083	6,485	8,285	9,283
Park & Recreation	30,189	18,057	18,301	29,945	14,711	7,813	36,843
Rainy Day	404,140	84,620	11,470	477,290	90,539	138,588	429,241
LOIT Special Distribution SEA	91,292	-	10,926	80,366	-	-	80,366
Levy Excess Fund	34	-	-	34	-	-	34
Cum Cap Imp	8,207	2,663	2,584	8,286	2,560	1,140	9,706
Cum Cap Development	46,462	9,401	-	55,863	8,911	-	64,774
Fire Eq (Not Debt Serv)	7,833	-	-	7,833	-	-	7,833
CEDIT	179,787	120,674	39,690	260,771	77,736	15,773	322,734
LOIT	93,027	29,380	27,006	95,401	31,760	52,141	75,020
TIF	541,614	143,395	342,395	342,614	242,367	2,505	582,476
Markle Area Historical Society	5,660	8,045	8,200	5,505	1,148	2,415	4,238
Tree Board Fund	3	-	-	3	-	-	3
Police Dept Community Safety Fund	176	-	-	176	-	-	176
Police Dept Grant Fund	-	395	-	395	1,133	1,528	-
Restricted Rainy Day/TIF Fund	-	335,680	335,680	-	-	-	-
Local Road And Bridge Matching Grant	-	693,212	455,310	237,902	108,191	346,093	-
Payroll	4,641	469,305	469,305	4,641	506,893	506,802	4,732
Wastewater Utility Operating	190,798	236,167	239,639	187,326	267,498	280,840	173,984
Wastewater Utl Depreciation	2,387	-	-	2,387	-	-	2,387
Wastewater Plant Depreciation	1,572	-	-	1,572	-	-	1,572
Water Utility Operating	132,157	198,808	169,682	161,283	233,146	206,377	188,052
Water Utl Meter Deposit	2,282	400	432	2,250	1,000	475	2,775
Water Utl Depreciation	17,509	-	-	17,509	-	-	17,509
Water Utl Bond & Interest	4,865	-	-	4,865	-	-	4,865
Wastewater Utility Clearing	18,685	231,665	231,608	18,742	263,529	263,529	18,742
Totals	<u>\$ 2,650,106</u>	<u>\$ 3,509,385</u>	<u>\$ 3,215,294</u>	<u>\$ 2,944,197</u>	<u>\$ 2,721,809</u>	<u>\$ 2,652,576</u>	<u>\$ 3,013,430</u>

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

TOWN OF MARKLE
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 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 the following: peddler licenses, animal licenses, auctioneer licenses, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

TOWN OF MARKLE
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).

Utility fees. Amounts received from charges for current services.

Penalties. Amounts received from late payment fees.

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.

TOWN OF MARKLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Capital outlay. Amounts disbursed for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

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 December 31 of the year preceding the budget year or January 15 of the budget year if the Town is issuing debt after December 1 or intends on filing a shortfall appeal. These rates were based upon the assessed valuations adjusted for various tax credits from the preceding year's lien date of January 1. 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 MARKLE
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 Defined Benefit Plan (PERF DB) is a cost-sharing multiple-employer defined benefit plan and provides retirement, disability, and survivor benefits to plan members. PERF DB is administered through the Indiana Public Retirement System (INPRS) Board in accordance with state statutes (IC 5-10.2 and IC 5-10.3) and administrative code (35 IAC 1.2), which govern most requirements of the system and give the Town authority to contribute to the plan.

The Public Employees' Hybrid Plan (PERF Hybrid) consists of two components: PERF DB, the employer-funded monthly defined benefit component, and the Public Employees' Hybrid Members Defined Contribution Account, the defined contribution component.

The Retirement Savings Plan for Public Employees (My Choice) is a multiple-employer defined contribution plan. It is administered through the INPRS Board in accordance with state statutes (IC 5-10.2 and IC 5-10.3) and administrative code (35 IAC 1.2), which govern most requirements of the system and give the Town authority to contribute to the plan.

New employees hired have a one-time election to join either the PERF Hybrid or the My Choice.

TOWN OF MARKLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Financial Report

INPRS 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. (844) 464-6777

Contributions

Members' contributions are set by state statute at 3 percent of compensation for both the defined contribution component of PERF Hybrid and My Choice. The employer may elect to make the contribution on behalf of the member of the defined contribution component of PERF Hybrid and My Choice members may receive additional employer contribution in lieu of the PERF DB. Contributions to the PERF DB are determined by INPRS Board based on actuarial valuation.

Note 7. Cash Balance Deficit

The financial statements contain a fund with a deficit in cash. This is a result of disbursing more funds than were received.

TOWN OF MARKLE
REVIEW RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

Condition and Context

A similar comment appeared in prior Report B45850, entitled *BANK ACCOUNT RECONCILIATIONS*.

Depository reconciliations of the fund balances to the bank account balances were conducted; however, the reconciliations did not balance to the ledger during the review period. At December 31, 2018, the bank reconciliation balance was \$9,142 more than the ledger balance.

Criteria

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."

PENALTIES, INTEREST, AND OTHER CHARGES

Condition and Context

In 2013, the Town failed to file required forms correctly as required by the Internal Revenue Code, Section 6721. This resulted in penalties of \$2,880, which were paid on August 22, 2016.

Criteria

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the unit.

Any penalties, interest, or other charges paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

TOWN OF MARKLE
EXIT CONFERENCE

The contents of this report were discussed on October 23, 2019, with Carolyn Hamilton, Clerk-Treasurer; Mark Hamilton, President of the Town Council; Matthew Doss, Town Council member; and Aaron McClary, Town Council member.