

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2765

EXAMINATION REPORT

OF

TOWN OF RILEY

VIGO COUNTY, INDIANA

January 1, 2004 to December 31, 2005



FILED
10/31/2006

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Wanda L. Hylton	01-01-04 to 12-31-07
President of the Town Council	Harry Wilson	01-01-04 to 12-31-06



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF RILEY, VIGO COUNTY, INDIANA

We have examined the schedules of receipts, disbursements, and cash balances of the Town of Riley (Town), for the period of January 1, 2004 to December 31, 2005. The Town's management is responsible for the schedules. Our responsibility is to express an opinion 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 schedule of receipts, disbursements, and cash balances and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the schedules referred to above present fairly, in all material respects, the cash transactions of the Town for the years ended December 31, 2004 and 2005, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

October 2, 2006

TOWN OF RILEY
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH BALANCES
ALL GOVERNMENTAL AND PROPRIETARY FUND TYPES
As Of And For The Years Ended December 31, 2004 And 2005

	Cash and Investments 01-01-04	Receipts	Disbursements	Cash and Investments 12-31-04
Governmental Funds:				
General	\$ 16,854	\$ 38,810	\$ 44,353	\$ 11,311
Motor Vehicle Highway	24,817	10,192	7,572	27,437
Local Road and Street	11,222	1,688	-	12,910
Donation	1,193	-	-	1,193
Cumulative Capital Improvement	1,338	5,598	487	6,449
Levy Excess	928	-	-	928
Proprietary Funds:				
Water Utility - Operating	1,558	484,800	471,413	14,945
Water Utility - Bond and Interest	103	10,000	9,814	289
Water Utility - Customer Deposit	23,174	1,950	1,060	24,064
Wastewater Utility - Operating	-	327,896	319,154	8,742
Wastewater Utility - Bond and Interest	5,290	149,400	138,054	16,636
Wastewater Utility - Depreciation	20,264	18,786	7,000	32,050
Wastewater Utility - Improvement	2,697	-	-	2,697
Totals	\$ 109,438	\$ 1,049,120	\$ 998,907	\$ 159,651

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General	\$ 11,311	\$ 27,314	\$ 27,006	\$ 11,619
Motor Vehicle Highway	27,437	6,946	3,058	31,325
Local Road and Street	12,910	1,857	-	14,767
Donation	1,193	-	-	1,193
Cumulative Capital Improvement	6,449	495	949	5,995
Levy Excess	928	-	928	-
Proprietary Funds:				
Water Utility - Operating	14,945	613,219	553,696	74,468
Water Utility - Bond and Interest	289	29,000	-	29,289
Water Utility - Depreciation	-	33,000	-	33,000
Water Utility - Customer Deposit	24,064	3,600	1,170	26,494
Wastewater Utility - Operating	8,742	412,183	417,157	3,768
Wastewater Utility - Bond and Interest	16,636	134,800	135,091	16,345
Wastewater Utility - Depreciation	32,050	19,500	-	51,550
Wastewater Utility - Improvement	2,697	-	-	2,697
Totals	\$ 159,651	\$ 1,281,914	\$ 1,139,055	\$ 302,510

The accompanying notes are an integral part of the schedules.

TOWN OF RILEY
NOTES TO SCHEDULES

Note 1. Introduction

The Town was established under the laws of the State of Indiana. The Town provides the following services: public safety, health and social services, culture and recreation, and general administrative services.

Note 2. Fund Accounting

The Town uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Town in June and December. 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% 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 become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the Town on or prior to December 31 of the year collected.

Note 5. Deposits

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were 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.

Note 6. Long-Term Debt

The Town has entered into various debts such as a bond issue and two loans for Wastewater Utility improvements. The outstanding principal at December 31, 2005 was \$61,000, \$1,046,600, and \$185,000, respectively.

TOWN OF RILEY
EXAMINATION RESULTS AND COMMENTS

CAPITAL ASSET RECORDS (Applies to and Town and Utilities)

As noted in prior audit reports, the most current being B22665, the Town and Utilities do not maintain capital asset records. A recent inventory of capital assets has not been performed.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded in the Capital Assets Ledger. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

COMPENSATION AND BENEFITS (Applies to and Town and Utilities)

As reported in prior Audit Report B22665, salaries were approved by the Town Council; however, salary ordinances were not adopted.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CONFLICT OF INTEREST (Applies to and Town and Utilities)

The Utilities Superintendent, Robert Flesher, owner of Flesher's Plumbing and Heating, conducted business with the Town and Utilities. A Uniform Conflict of Interest Disclosure Statement was not filed with the State Board of Accounts or with the Vigo County Clerk of the Circuit Court.

Indiana Code 35-44-1-3 states in part:

"(a) A public servant who knowingly or intentionally: (1) has a pecuniary interest in; or (2) derives a profit from; a contract or purchase connected with an action by the governmental entity served by the public servant commits conflict of interest, a Class D felony. . . ."

"(c) This section does not prohibit a public servant from having a pecuniary interest in or deriving a profit from a contract or purchase connected with the governmental entity served . . . (3) if the public servant; (A) is an elected public servant. . . . and (B) makes a disclosure under subsection (d)(1) through (d)(6)."

"(d) A disclosure required by this section must: (1) be in writing; (2) describe the contract or purchase to be made by the governmental entity; (3) describe the pecuniary interest that the public servant has in the contract or purchase; (4) be affirmed under penalty of perjury; (5) be submitted to the governmental entity and be accepted by the governmental entity in a public meeting of the governmental entity prior to final action on the contract or purchase; (6) be filed within fifteen (15) days after final action on the contract or purchase with: (A) the state board of accounts; and (B) . . . the clerk of the circuit court in the county where the governmental entity takes final action on the contract or purchase. . . ."

TOWN OF RILEY
EXAMINATION RESULTS AND COMMENTS
(Continued)

"(g) A public servant has a pecuniary interest in a contract or purchase if the contract or purchase will result or is intended to result in an ascertainable increase in the income or net worth of: (1) the public servant; or (2) a dependent of the public servant who: (A) is under the direct or indirect administrative control of the public servant; or (B) receives a contract or purchase order that is reviewed, approved, or directly or indirectly administered by the public servant. . . ."

DELINQUENT WASTEWATER ACCOUNTS (Applies to Wastewater Utility)

Delinquent wastewater fees and penalties had not been recorded with the County Recorder nor were they certified to the County Auditor which would result in a lien against the property.

Indiana Code 36-9-23-33 states in part:

"(b) Except as provided in subsection (l), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:

- (1) a list of the delinquent fees and penalties that are enforceable under this section, which must include the following:
 - (A) the name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent;
 - (B) a description of the premises, as shown by the records of the county auditor; and
 - (C) the amount of the delinquent fees, together with the penalty; or
- (2) an individual instrument for each lot or parcel of real property on which the fees are delinquent."

"(c) The officer shall record a copy of each list or each individual instrument with the county recorder . . ."

"(e) Using the lists and instruments prepared under subsection (b) and recorded under subsection (c), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (c), certify to the county auditor a list of the liens that remain unpaid for collection in the next May. . . ."

RECORDS OF HOURS WORKED (Applies to and Town and Utilities)

The Utilities Superintendent, Robert Flesher, owner of Flesher's Plumbing and Heating, conducted business with the Town and Utilities. Invoices indicated 297.5 billed hours in 2004 and 279 billed hours in 2005, with labor charges of \$7,291 and \$5,580, respectively.

No documentation was provided to indicate that the hours billed by Robert Flesher for plumbing and heating work were separate and distinct from the hours for which he was compensated for his duties as Utilities Superintendent.

TOWN OF RILEY
EXAMINATION RESULTS AND COMMENTS
(Continued)

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

"(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."

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

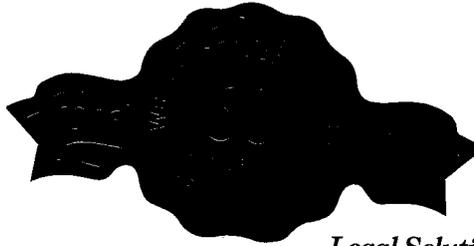
SUPPORTING DOCUMENTATION (Applies to Utilities)

Several payments were observed which did not contain adequate supporting documentation, such as receipts, invoices, and other public records. Due to the lack of supporting information, the validity and accountability for some money disbursed could not be established.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF RILEY
EXIT CONFERENCE

The contents of this report were discussed on October 5, 2006, with Wanda L. Hylton, Clerk-Treasurer. The official response has been made a part of this report and may be found on pages 10 and 11.



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October 17, 2006

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Re: Official Option Four Response for Town of Riley

To Whom It May Concern:

Please be advised that we represent the Town of Riley, Indiana. The purpose of this correspondence is to provide an official response for the Town of Riley (Riley) with regards to the records of hours worked.

It was brought to the Town's attention during their most recent audit there was an issue with the hours worked of Riley's Water Supervisor. As a result, Riley will begin to correct the problem and should have it resolved by January 1, 2007.

To begin, Riley will be creating a clear written, job description for the Water Supervisor to include all duties Riley expects from said position. This job description shall be placed of record and shall serve as guidance for Riley's current Water Supervisor as well as in the future.

Along with the Job description, the Water Supervisor shall be required to keep a log of hours worked and a miles log for the Water Supervisor's vehicle. Included in the Hours Log shall be a brief description of the work performed; this will help to insure that the work being performed is within the job description and necessary. The Miles Log will help determine how many miles are used for the Water Supervisor position and that of personal time.

The Town Board for Riley believes the above actions will resolve the issues that were noted during the audit. As stated above, Riley hopes to have everything in place so that beginning January 1, 2007, the job description of the Water Supervisor and what is to be expected of that person, will be clearly defined.

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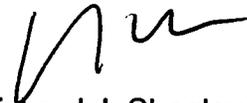
*Registered Civil Mediator

Indiana State Board of Accounts
October 17, 2006
Page two

Thank you for your attention to this matter, if you have any questions, regarding this or any other matter, please do not hesitate to contact me.

Sincerely yours,

Wright, Shagley & Lowery



Richard J. Shagley II

RJSII:agb

c: Town of Riley
Bob Flesher

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