

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

EXAMINATION REPORT

OF

TOWN OF TROY

PERRY COUNTY, INDIANA

January 1, 2006 to December 31, 2007



**FILED**  
02/28/2008



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Vicki J. Tuggle	01-01-04 to 12-31-11
President of the Town Council	Michael Parker Edward Sweeney	01-01-06 to 07-31-07 08-01-07 to 12-31-08
President of the Utility Service Board	Roger A. Fella	01-01-06 to 12-31-08
Superintendent of Utilities	Bernard W. Linne	01-01-06 to 12-31-08



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF TROY, PERRY COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Troy (Town), for the period of January 1, 2006 to December 31, 2007. The Town's management is responsible for the financial information presented herein. 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 financial information presented herein 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 financial information referred to above present fairly, in all material respects, the financial information of the Town for the years ended December 31, 2006 and 2007, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

January 29, 2008

TOWN OF TROY  
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL GOVERNMENTAL AND PROPRIETARY FUNDS  
As Of And For The Years Ended December 31, 2006 And 2007

	Cash and Investments			Cash and Investments
	01-01-06	Receipts	Disbursements	
<b>Governmental Funds:</b>				
General	\$ 1,017	\$ 61,286	\$ 58,763	\$ 3,540
Motor Vehicle Highway	5,655	18,823	10,633	13,845
Local Road and Street	3,831	1,778	-	5,609
Park and Recreation	254	-	238	16
Law Enforcement Continuing Education	811	1,136	1,759	188
Riverboat	2,472	2,467	-	4,939
Refuse Collection	1,840	20,790	20,021	2,609
Cemetery	5,812	2,617	5,290	3,139
Boat Ramp	32,080	9,000	13,356	27,724
Special Projects	27,677	-	23,631	4,046
Grant	-	26,968	25,618	1,350
Building Standards	189	-	-	189
Cumulative Capital Improvement	-	1,400	1,400	-
Economic Development Income Tax	7,547	4,321	10,956	912
<b>Proprietary Funds:</b>				
Water Utility - Operating	25,587	167,649	156,451	36,785
Water Utility - Bond and Interest	31,541	9,216	17,413	23,344
Water Utility - Depreciation	15,198	10,189	1,547	23,840
Water Utility - Customer Deposit	15,091	3,500	2,130	16,461
Wastewater Utility - Operating	166,441	174,183	129,774	210,850
Wastewater Utility - Bond and Interest	427	22,800	21,400	1,827
Wastewater Utility - Depreciation	27,362	5,592	-	32,954
Wastewater Utility - Debt Reserve	31,461	526	-	31,987
Wastewater Utility - Cash Reserve	4,400	4,800	4,800	4,400
Electric Utility - Operating	497,563	812,243	886,657	423,149
Electric Utility - Depreciation	66,705	9,357	-	76,062
Electric Utility - Customer Deposit	28,306	8,000	5,625	30,681
<b>Totals</b>	<b>\$ 999,267</b>	<b>\$ 1,378,641</b>	<b>\$ 1,397,462</b>	<b>\$ 980,446</b>

	Cash and Investments			Cash and Investments
	01-01-07	Receipts	Disbursements	
<b>Governmental Funds:</b>				
General	\$ 3,540	\$ 44,074	\$ 45,367	\$ 2,247
Motor Vehicle Highway	13,845	19,397	8,799	24,443
Local Road and Street	5,609	1,798	-	7,407
Park and Recreation	16	6,284	6,300	-
Law Enforcement Continuing Education	188	80	75	193
Riverboat	4,939	2,472	7,000	411
Refuse Collection	2,609	19,689	16,318	5,980
Cemetery	3,139	2,500	5,250	389
Boat Ramp	27,724	3,150	5,878	24,996
Special Projects	4,046	-	-	4,046
Grant	1,350	18,032	19,382	-
Building Standards	189	-	-	189
Cumulative Capital Improvement	-	1,377	1,377	-
Economic Development Income Tax	912	3,883	4,077	718
<b>Proprietary Funds:</b>				
Water Utility - Operating	36,785	188,537	170,554	54,768
Water Utility - Bond and Interest	23,344	8,448	21,400	10,392
Water Utility - Depreciation	23,840	12,065	22	35,883
Water Utility - Customer Deposit	16,461	3,600	1,494	18,567
Wastewater Utility - Operating	210,850	198,995	157,797	252,048
Wastewater Utility - Bond and Interest	1,827	20,900	-	22,727
Wastewater Utility - Depreciation	32,954	5,587	5,534	33,007
Wastewater Utility - Debt Reserve	31,987	841	-	32,828
Wastewater Utility - Cash Reserve	4,400	4,800	4,800	4,400
Electric Utility - Operating	423,149	997,463	937,831	482,781
Electric Utility - Depreciation	76,062	12,140	-	88,202
Electric Utility - Customer Deposit	30,681	8,000	3,375	35,306
<b>Totals</b>	<b>\$ 980,446</b>	<b>\$ 1,584,112</b>	<b>\$ 1,422,630</b>	<b>\$ 1,141,928</b>

The accompanying notes are an integral part of the financial information.

TOWN OF TROY  
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The Town was established under the laws of the State of Indiana. The Town provides the following services: public safety, highways and streets, culture and recreation, general administrative services, water, wastewater and electric 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.

Note 5. Deposits and Investments

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.

State statute (IC 5-13-9) authorizes 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.

TOWN OF TROY  
NOTES TO FINANCIAL INFORMATION  
(Continued)

Note 6. Pension Plan

Defined Contribution Pension Plan

SIMPLE Pension

Plan Description

The Town has a defined contribution pension plan administered by SunAmerican Securities as authorized by Indiana Code 8-1.5-3-7. The plan provides retirement benefits to plan members and beneficiaries. The plan was established by written agreement between the Town and the Plan Administrator in 2000. All assets of the plan are held by and invested by Oppenheimer Pension Fund. The assets of the plan consist of individual mutual fund investments as reported by the trustee. All full-time employees are eligible to participate. Benefits are based solely upon contributions plus net earnings. That report may be obtained by contacting:

Oppenheimer Funds ATTN Retirement Plan  
P. O. Box 5390  
Denver CO 80217-5390  
Ph. (800)-835-7305

Funding Policy and Annual Pension Cost

The contribution requirements of plan members are established by the written agreement between the Town and the Plan Administrator. Each individual employee is given the choice of a salary deduction to be withheld each pay period and contributed to the plan. Each employee may choose the Oppenheimer Funds in which they want their contribution to be invested. The employer is required to contribute up to 3% of each employee's compensation for each year. Payroll for employees covered by the plan for the years ended December 31, 2007, 2006, and 2005, was \$98,779, \$78,253, and \$90,341. The employer's contribution to the plan for the years ended December 31, 2007, 2006, and 2005 were \$2,986, \$2,315, and \$2,428, respectively.

Note 7. Loans from Electric Utility to the Water Utility

On June 15, 2004, the Town Council passed a resolution authorizing the Water Utility to borrow \$40,000 interest-free from the Electric Utility. On October 13, 2004, the Town Council passed another resolution authorizing the Water Utility to borrow an additional \$20,000 interest-free from the Electric Utility. The balance of these loans as of December 31, 2007, is \$40,000.

TOWN OF TROY  
NOTES TO FINANCIAL INFORMATION  
(Continued)

Note 8. Operating Lease – Water Utility

The Water Utility has entered into an operating lease having initial or remaining noncancelable terms exceeding one year for a tract of land on which a water well was constructed. Rental expenditures for this lease were \$3,500 yearly. The following is a schedule by years, as of December 31, 2007, for the years ended December 31, of future minimum rental payments:

Year	Amount
2008	\$ 3,500
2009	3,500
2010	3,500
2011	3,500
2012	3,500
Thereafter	273,000
Total minimum payments required	\$ 290,500

Note 9. Compensated Absences

A. Sick Leave

Town employees earn sick leave at the rate of 5 days per year. Unused sick leave may be accumulated to a maximum of 10 weeks. Accumulated sick leave is paid to employees through cash payments upon termination.

B. Vacation Leave

Town employees earn vacation leave at rates from 5 days to 15 days per year based upon the number of years of service. Vacation leave does not accumulate from year to year.

Note 10. Rate Structure – Enterprise Funds

Water Utility

The current rate structure was approved by the Indiana Utility Regulatory Commission on June 23, 2005.

Wastewater Utility

The current rate structure was approved by the Town Council on December 11, 1989.

TOWN OF TROY  
NOTES TO FINANCIAL INFORMATION  
(Continued)

Electric Utility

The current rate structure was approved by the Indiana Regulatory Commission on July 11, 2001.

Note 11. Removal of Water Utility from Indiana Regulatory Commission

On November 16, 2005, the Town Council adopted Ordinance 2005-6, which removed the Water Utility from the jurisdiction of the Indiana Regulatory Commission effective January 18, 2006.

TOWN OF TROY  
EXAMINATION RESULTS AND COMMENTS

COMPENSATION AND BENEFITS (Applies to the Town)

The following payments were made which were not included in the salary ordinance or resolution:

Town Council President - \$200 in 2006 for mowing  
Town Council President - \$300 in 2007 for mowing  
Town Marshal - \$286 in 2007 for cell phone usage

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)

ADVANCE PAYMENTS (Applies to the Town)

A payment was made to a vendor prior to the receipt of goods or services. A check for \$760.50 was written to All Steel Carports in August 2007 for a carport which had not been received as of December 31, 2007.

Compensation and any other payments for goods and services should not be paid in advance of receipt of the goods or services unless specifically authorized by statute. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ERRORS ON CLAIMS (Applies to the Town and Utilities)

The following deficiencies were noted on claims during the audit period:

- (1) Four of the twenty-two claims reviewed for audit for the Town and sixteen of the twenty-five claims reviewed for the Utilities were not certified by the fiscal officer.
- (2) Two of the twenty-five claims reviewed for the Utilities showed no proof goods or services received.

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."

"(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;

TOWN OF TROY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

- (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."

LIST OF EMPLOYEES NOT FILED WITH COUNTY TREASURER (Applies to the Town)

A list of Town employees was not certified to the County Treasurer.

Indiana Code 6-1.1-22-14(a) states in part: "On or before June 1 and December 1 of each year . . . the disbursing officer of each political subdivision . . . shall certify the names and addresses of each person who has money due from the political subdivision to the treasurer of each county in which the political subdivision is located."

APPROPRIATIONS (Applies to the Town)

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

<u>Fund</u>	<u>Years</u>	<u>Excess Amount Expended</u>
General	2006	\$ 10,685
General	2007	6,300

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."

REPAYMENTS AND TRANSFERS (Applies to the Town)

Transfer amounts of \$21,200 in 2006 and \$12,236 in 2007 were made without authorization by statute, ordinance or resolution.

Payments or transfers which are not authorized by statute, ordinance, resolution, or court order must be reimbursed or transferred to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ANNUAL REPORT (Applies to the Town)

No proof of publication of the 2006 Annual Report was presented for audit.

TOWN OF TROY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

Indiana Code 5-3-1-3(a) states in part: "Within sixty (60) days after the expiration of each calendar year, the fiscal officer of each civil city and town in Indiana shall publish an annual report of the receipts and expenditures of the city or town . . ."

CUSTOMER DEPOSIT REGISTER (Applies to the Water and Electric Utilities)

The detailed customer deposit register does not reconcile with the customer deposit amount recorded on the general ledger.

At all times, the manual and 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)

PENALTIES, INTEREST AND OTHER CHARGES (Applies to the Water and Electric Utilities)

Penalties and interest totaling \$193.03 were paid by the Clerk-Treasurer to the Spencer County Sheriff for a tax warrant from the Indiana Department of Revenue for utility sales tax for the tax period of July 31, 2006. As of January 7, 2008, the Indiana Department of Revenue states that there is \$148.80 in penalties and interest due for late payment of utility sales tax for the period of June 30, 2006. The Clerk-Treasurer wrote a check on January 24, 2008, to pay the penalties and interest due from June 30, 2006.

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 governmental 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 governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee.

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OFFICIAL BOND (Applies to the Town)

The following official bonds were not filed in the Office of the County Recorder: Public Officials Blanket Bond, Clerk-Treasurer, Deputy Clerk-Treasurer, and Utilities Bookkeeper.

Indiana Code 5-4-1-5.1(b) states in part: "Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder. . . ."

TOWN OF TROY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS (Applies to the Town)

The Clerk-Treasurer did not comply with directives of Indiana Department of Revenue by filing W-2's for 2006 in a timely manner. A penalty of \$240 dollars was assessed and paid by the Clerk-Treasurer.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PUBLIC NOTICE ADVERTISING - BUDGET (Applies to the Town)

The Town did not publish their budget for 2007.

The law provides for a public hearing and for a ten day notice by publication advising the taxpayers of such public hearing. Statutes relating to the budget require two insertions be made at least one week apart, with the second publication made at least three days before such public hearing. (IC 6-1.1-17-3; IC 6-1.1-17-5) (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

ORDINANCES AND RESOLUTIONS - Loan Between Utilities (Applies to the Electric and Water Utilities)

The Troy Utility Service Board passed a resolution on June 15, 2004, to lend \$40,000 to the Water Utility from the Electric Utility to be repaid in 12 months. On October 13, 2004, a resolution was passed to lend an additional \$20,000 to the Water Utility from the Electric Utility to be repaid in 60 months. The Water Utility repaid \$20,000 of the original loan to the Electric Utility on December 31, 2006. The balance due from the Water Utility to the Electric Utility as of December 31, 2007, is \$40,000.

A similar comment was included in the prior report.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CAPITAL ASSET RECORDS (Applies to Town and Utilities)

The Town and Utilities do not maintain sufficient detailed records of capital assets. Records classifying and summarizing the Town's and Utilities' capital assets are incomplete.

TOWN OF TROY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

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 form. 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)

ORDINANCES AND RESOLUTIONS - Salary Ordinance (Applies to Utilities)

The Town passed an ordinance (12-06) concerning salaries and wages to be paid for the year 2007. However, one Utility board member was underpaid by \$37.50 and one Utility board member was overpaid by \$8.25.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

FILING OF BUDGET WITH COUNTY AUDITOR (Applies to the Town)

Copies of the 2007 budget were not filed with the County Auditor until September 26, 2006, resulting in their budget order from the Indiana Department of Local Government Finance being zero for all funds.

At least two days prior to September 22 of each year, two copies of the budget on which tax levies are based shall be filed with the County Auditor for use of the county tax adjustment board. [IC 6-1.1-17-5(b)] (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

TOWN OF TROY  
EXIT CONFERENCE

The contents of this report were discussed on January 29, 2008, with Vicki J. Tuggle, Clerk-Treasurer; Edward Sweeney, President of the Town Council; Martha Fortwendel, Town Board Member, Mark Conner and Bob Thiery, Utility Service Board Members. The officials concurred with our findings.