

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

TOWN OF ROCKY RIPPLE

MARION COUNTY, INDIANA

January 1, 2009 to December 31, 2010



FILED
11/16/2011

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OFFICIALS

Office

Official

Term

Clerk-Treasurer

Cathy Hurt

12-09-08 to 12-31-11

President of the
Town Council

Robert Tomey

01-01-09 to 12-31-11



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF ROCKY RIPPLE, MARION COUNTY, INDIANA

We have examined the financial statements of the Town of Rocky Ripple (Town), for the period of January 1, 2009 to December 31, 2010. The Town's management is responsible for the financial statements. 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 statements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

As discussed in Note 1, the Town prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the 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. The basis noted above is a different basis than that used in the prior year.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Town for the years ended December 31, 2009 and 2010, on the basis of accounting described in Note 1.

The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, 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 examination procedures applied to the financial statements and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Town's management, Town Council, and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

September 26, 2011

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FINANCIAL STATEMENTS

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 ROCKY RIPPLE
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For The Year Ended December 31, 2009

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
General	\$ 10,794	\$ 78,994	\$ 40,302	\$ 49,486
Motor Vehicle Highway	10,794	25,359	33,328	2,825
Local Road And Street	-	12,186	6,606	5,580
Totals	<u>\$ 21,588</u>	<u>\$ 116,539</u>	<u>\$ 80,236</u>	<u>\$ 57,891</u>

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

TOWN OF ROCKY RIPPLE
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For The Year Ended December 31, 2010

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
General	\$ 49,486	\$ 78,186	\$ 70,298	\$ 57,374
Motor Vehicle Highway	2,825	35,988	34,807	4,006
Local Road And Street	<u>5,580</u>	<u>12,429</u>	<u>4,498</u>	<u>13,511</u>
Totals	<u>\$ 57,891</u>	<u>\$ 126,603</u>	<u>\$ 109,603</u>	<u>\$ 74,891</u>

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

TOWN OF ROCKY RIPPLE
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), highways and streets, culture and recreation, and general administrative services.

The accompanying financial statements present the financial information for the Town (primary government), and does not include financial information for any of the Town's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of the Town (primary government.)

B. Basis of Accounting

The financial statements are reported on a regulatory basis of accounting prescribed by the 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. Receipts are recorded when received and disbursements are recorded when paid.

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 may include, but are not limited to, the following sources:

Taxes, which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers 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.

License and permits which includes 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 license and permits include: peddler licenses; dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits; and gun permits.

TOWN OF ROCKY RIPPLE
NOTES TO FINANCIAL INFORMATION
(Continued)

Intergovernmental receipts which includes receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts includes, but is not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state, local road and street distribution 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 which can include, but are not limited to the following: copies of public records; copy machine charges; accident report copies, gun permit applications, ordinance violations; fines and fees.

Fines and forfeits which includes receipts derived 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).

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statements. The aggregate disbursements may include, but are not limited to, the following uses:

Personal services which includes outflows 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 which includes 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 office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which includes, but is not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance; and rental charges.

Capital outlay which includes all outflows for land, infrastructure, buildings, improvements, machinery and equipment having an appreciable and calculable period of usefulness.

F. Interfund Transfers

The Town may, from time to time, transfer money 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.

TOWN OF ROCKY RIPPLE
NOTES TO FINANCIAL INFORMATION
(Continued)

G. Fund Accounting

Separate funds are established, maintained, and reported by the Town. Each fund is used to account for money 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 money 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.

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 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 ROCKY RIPPLE
NOTES TO FINANCIAL INFORMATION
(Continued)

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. These risks may also be mitigated by the Town by recording as a disbursement and replacement items purchased.

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SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Town's Annual Reports can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

Differences may be noted between the financial information presented in the financial statements contained in this report and the financial information presented in the Annual Reports of the Town which is referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the examination. This is a common occurrence in any financial statement examination. The financial information presented in this report is examined information, and the accuracy of such information can be determined by reading the opinion given in the Independent Accountant's Report.

The supplementary information presented was prepared and/or approved by management of the Town. It is presented as intended by the Town.

TOWN OF ROCKY RIPPLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2009

	General	Motor Vehicle Highway	Local Road And Street	Totals
Cash and investments - beginning	\$ 10,794	\$ 10,794	\$ -	\$ 21,588
Receipts:				
Taxes	25,028	-	-	25,028
Licenses and permits	240	-	-	240
Intergovernmental	12,771	25,359	12,186	50,316
Charges for services	1,230	-	-	1,230
Fines and forfeits	2,777	-	-	2,777
Other receipts	36,948	-	-	36,948
Total receipts	<u>78,994</u>	<u>25,359</u>	<u>12,186</u>	<u>116,539</u>
Disbursements:				
Personal services	24,662	19,386	-	44,048
Supplies	692	5,063	-	5,755
Other services and charges	14,948	8,879	-	23,827
Capital outlay	-	-	184	184
Other disbursements	-	-	6,422	6,422
Total disbursements	<u>40,302</u>	<u>33,328</u>	<u>6,606</u>	<u>80,236</u>
Excess (deficiency) of receipts over disbursements	<u>38,692</u>	<u>(7,969)</u>	<u>5,580</u>	<u>36,303</u>
Cash and investments - ending	<u>\$ 49,486</u>	<u>\$ 2,825</u>	<u>\$ 5,580</u>	<u>\$ 57,891</u>

TOWN OF ROCKY RIPPLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010

	General	Motor Vehicle Highway	Local Road And Street	Totals
Cash and investments - beginning	\$ 49,486	\$ 2,825	\$ 5,580	\$ 57,891
Receipts:				
Taxes	28,628	8,284	-	36,912
Licenses and permits	240	-	-	240
Intergovernmental	37,820	25,826	12,429	76,075
Charges for services	6,802	976	-	7,778
Fines and forfeits	2,325	-	-	2,325
Other receipts	2,371	902	-	3,273
Total receipts	<u>78,186</u>	<u>35,988</u>	<u>12,429</u>	<u>126,603</u>
Disbursements:				
Personal services	23,571	21,778	-	45,349
Supplies	27,472	4,194	-	31,666
Other services and charges	19,255	8,835	-	28,090
Capital outlay	-	-	4,498	4,498
Total disbursements	<u>70,298</u>	<u>34,807</u>	<u>4,498</u>	<u>109,603</u>
Excess of receipts over disbursements	<u>7,888</u>	<u>1,181</u>	<u>7,931</u>	<u>17,000</u>
Cash and investments - ending	<u>\$ 57,374</u>	<u>\$ 4,006</u>	<u>\$ 13,511</u>	<u>\$ 74,891</u>

TOWN OF ROCKY RIPPLE
EXAMINATION RESULTS AND COMMENTS

CAPITAL ASSET RECORDS

The Town is not maintaining capital asset records. Similar comments appeared in the last several reports, most recently B37326.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded on the applicable Capital Asset 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)

APPROPRIATIONS

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

<u>Fund</u>	<u>Years</u>	<u>Excess Amount Expended</u>
Motor Vehicle Highway Fund	2009	\$ 11,143
General Fund	2010	1,209

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."

PENALTIES

Penalties totaling \$256.49 were paid to the Internal Revenue Service on April 6, 2010, for the period between October and December 2009. The penalties were assessed for filing taxes late. The taxes should have been paid monthly and were due by the 15th of the following month. The federal taxes for October through December 2009 were paid together and were not received by the Internal Revenue Service until January 18, 2010. The Town began making monthly electronic transfers to the Internal Revenue Service in April 2010.

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)

TOWN OF ROCKY RIPPLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

RECEIPT ISSUANCE

As stated in the prior Report B34227, receipts were not issued for collections made by the Town Marshal for state and local monies, which were deposited electronically. These collections were posted and deposited but no official Town Receipt was issued.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

DEPOSITS

In numerous instances, receipts were deposited later than the next business day. Our testing identified that in some instances twelve days lapsed between the date of collection and the deposit date.

Indiana Code 5-13-6-1(d) states: "A city (other than a consolidated city) or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and (2) approved as depositories of state funds."

TOWN OF ROCKY RIPPLE
EXIT CONFERENCE

The contents of this report were discussed on September 26, 2011, with Cathy Hurt, Clerk-Treasurer, and Angela Herrmann, Town Board member. The officials concurred with our findings.