

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

TOWN OF RILEY

VIGO COUNTY, INDIANA

January 1, 2011 to December 31, 2012



FILED

08/28/2013

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Accountant's Report.....	3
Financial Statement:	
Statement of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis	7
Notes to Financial Statement.....	8-11
Supplementary Information - Unaudited:	
Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis	14-17
Schedule of Leases and Debt	18
Schedule of Capital Assets.....	19
Exit Conference.....	20

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Wanda Hylton	01-01-08 to 12-31-15
President of the Town Council	Clayton White	01-01-11 to 12-31-13



STATE OF INDIANA
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STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the accompanying financial statement of the Town of Riley (Town), for the period of January 1, 2011 to December 31, 2012. The financial statement is the responsibility of the Town's management. Our responsibility is to express an opinion on the financial statement 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 statement 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 statement 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 effects on the financial statement of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. The basis noted above is a different basis than that used in the prior period.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position and results of operations of the Town for the period of January 1, 2011 to December 31, 2012.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the Town for the period of January 1, 2011 to December 31, 2012, on the basis of accounting described in Note 1.

Our examination was conducted for the purpose of forming an opinion on the Town's financial statement. 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 statement. They have not been subjected to the examination procedures applied to the financial statement and, accordingly, we express no opinion on them.

Bruce Hartman
State Examiner

June 5, 2013

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FINANCIAL STATEMENT

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

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TOWN OF RILEY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Years Ended December 31, 2011 And 2012

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11	Receipts	Disbursements	Cash and Investments 12-31-12
General	\$ 29,314	\$ 29,192	\$ 27,171	\$ 31,335	\$ 33,570	\$ 25,934	\$ 38,971
Motor Vehicle Highway	51,596	6,308	16,321	41,583	7,272	5,650	43,204
Local Road And Street	16,359	1,567	-	17,926	1,807	-	19,733
Cagit Special Revenue	5,913	2,468	-	8,381	3,092	-	11,473
Cumulative Capital Improvement	2,407	459	-	2,866	586	-	3,452
U V Bulb Fund	-	5,000	-	5,000	-	-	5,000
Wastewater Utility-Operating	831	345,239	280,250	65,820	313,143	241,003	137,960
Wastewater Utility-Deprec/Improve	77,665	5,000	1,600	81,065	-	-	81,065
Wastewater Utility-Debt Reserve	20,150	-	20,150	-	-	-	-
Water Utility-Operating	7,292	561,416	522,600	46,108	1,455,832	502,275	999,665
Water Utility-Depreciation/Improve	65,000	-	5,600	59,400	-	-	59,400
Water Utility-Customer Deposit	33,379	2,500	12,349	23,530	2,200	1,525	24,205
Water Utility-Other #1	14,760	-	14,760	-	-	-	-
Totals	<u>\$ 324,666</u>	<u>\$ 959,149</u>	<u>\$ 900,801</u>	<u>\$ 383,014</u>	<u>\$ 1,817,502</u>	<u>\$ 776,387</u>	<u>\$ 1,424,129</u>

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

TOWN OF RILEY
NOTES TO FINANCIAL STATEMENT

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 statement presents the financial information for the Town.

B. Basis of Accounting

The financial statement is 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 statement. The aggregate receipts include 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.

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

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state,

TOWN OF RILEY
NOTES TO FINANCIAL STATEMENT
(Continued)

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: planning commission charges, building department charges, copies of public records, copy machine 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.

Utility fees which are comprised mostly of charges for current services.

Other receipts which include amounts received from various sources which can include, but are 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 statement. The aggregate disbursements include the following uses:

Personal services include 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 include 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 include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Utility operating expenses which include all outflows for operating the utilities.

Other disbursements which include, but are 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, 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 RILEY
NOTES TO FINANCIAL STATEMENT
(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 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, 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 RILEY
NOTES TO FINANCIAL STATEMENT
(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 statement. 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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SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Town's Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Annual Reports of the Town which are 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 approved by management of the Town. It is presented as intended by the Town.

TOWN OF RILEY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011

	General	Motor Vehicle Highway	Local Road And Street	Cagit Special Revenue	Cumulative Capital Improvement	U V Bulb Fund	Wastewater Utility-Operating
Cash and investments - beginning	\$ 29,314	\$ 51,596	\$ 16,359	\$ 5,913	\$ 2,407	\$ -	\$ 831
Receipts:							
Taxes	17,247	-	-	-	-	-	-
Intergovernmental	4,316	6,308	1,567	2,468	459	-	-
Charges for services	1,325	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	326,472
Other receipts	6,304	-	-	-	-	5,000	18,767
Total receipts	<u>29,192</u>	<u>6,308</u>	<u>1,567</u>	<u>2,468</u>	<u>459</u>	<u>5,000</u>	<u>345,239</u>
Disbursements:							
Personal services	17,085	-	-	-	-	-	-
Supplies	4,653	16,321	-	-	-	-	-
Other services and charges	5,433	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	83,423
Other disbursements	-	-	-	-	-	-	196,827
Total disbursements	<u>27,171</u>	<u>16,321</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>280,250</u>
Excess (deficiency) of receipts over disbursements	<u>2,021</u>	<u>(10,013)</u>	<u>1,567</u>	<u>2,468</u>	<u>459</u>	<u>5,000</u>	<u>64,989</u>
Cash and investments - ending	<u>\$ 31,335</u>	<u>\$ 41,583</u>	<u>\$ 17,926</u>	<u>\$ 8,381</u>	<u>\$ 2,866</u>	<u>\$ 5,000</u>	<u>\$ 65,820</u>

TOWN OF RILEY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Wastewater Utility-Deprec/Improve	Wastewater Utility-Debt Reserve	Water Utility-Operating	Water Utility-Depreciation/Improve	Water Utility-Customer Deposit	Water Utility-Other #1	Totals
Cash and investments - beginning	\$ 77,665	\$ 20,150	\$ 7,292	\$ 65,000	\$ 33,379	\$ 14,760	\$ 324,666
Receipts:							
Taxes	-	-	-	-	-	-	17,247
Intergovernmental	-	-	-	-	-	-	15,118
Charges for services	-	-	-	-	-	-	1,325
Utility fees	-	-	510,902	-	-	-	837,374
Other receipts	5,000	-	50,514	-	2,500	-	88,085
Total receipts	5,000	-	561,416	-	2,500	-	959,149
Disbursements:							
Personal services	-	-	-	-	-	-	17,085
Supplies	-	-	-	-	-	-	20,974
Other services and charges	-	-	-	-	-	-	5,433
Utility operating expenses	-	-	151,673	-	-	-	235,096
Other disbursements	1,600	20,150	370,927	5,600	12,349	14,760	622,213
Total disbursements	1,600	20,150	522,600	5,600	12,349	14,760	900,801
Excess (deficiency) of receipts over disbursements	3,400	(20,150)	38,816	(5,600)	(9,849)	(14,760)	58,348
Cash and investments - ending	\$ 81,065	\$ -	\$ 46,108	\$ 59,400	\$ 23,530	\$ -	\$ 383,014

TOWN OF RILEY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012

	General	Motor Vehicle Highway	Local Road And Street	Cagit Special Revenue	Cumulative Capital Improvement	U V Bulb Fund	Wastewater Utility-Operating
Cash and investments - beginning	\$ 31,335	\$ 41,583	\$ 17,926	\$ 8,381	\$ 2,866	\$ 5,000	\$ 65,820
Receipts:							
Taxes	19,262	-	-	-	-	-	-
Licenses and permits	6,126	-	-	-	-	-	-
Intergovernmental	5,421	7,272	1,807	3,092	586	-	-
Charges for services	1,200	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	312,526
Other receipts	1,561	-	-	-	-	-	617
Total receipts	<u>33,570</u>	<u>7,272</u>	<u>1,807</u>	<u>3,092</u>	<u>586</u>	<u>-</u>	<u>313,143</u>
Disbursements:							
Personal services	16,252	-	-	-	-	-	-
Supplies	804	-	-	-	-	-	-
Other services and charges	8,878	5,650	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	105,941
Other disbursements	-	-	-	-	-	-	135,062
Total disbursements	<u>25,934</u>	<u>5,650</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>241,003</u>
Excess of receipts over disbursements	<u>7,636</u>	<u>1,622</u>	<u>1,807</u>	<u>3,092</u>	<u>586</u>	<u>-</u>	<u>72,140</u>
Cash and investments - ending	<u>\$ 38,971</u>	<u>\$ 43,205</u>	<u>\$ 19,733</u>	<u>\$ 11,473</u>	<u>\$ 3,452</u>	<u>\$ 5,000</u>	<u>\$ 137,960</u>

TOWN OF RILEY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Wastewater Utility-Deprec/Improve	Wastewater Utility-Debt Reserve	Water Utility-Operating	Water Utility-Depreciation/Improve	Water Utility-Customer Deposit	Water Utility-Other #1	Totals
Cash and investments - beginning	\$ 81,065	\$ -	\$ 46,108	\$ 59,400	\$ 23,530	\$ -	\$ 383,014
Receipts:							
Taxes	-	-	-	-	-	-	19,262
Licenses and permits	-	-	-	-	-	-	6,126
Intergovernmental	-	-	-	-	-	-	18,178
Charges for services	-	-	-	-	-	-	1,200
Utility fees	-	-	502,192	-	2,200	-	816,918
Other receipts	-	-	953,640	-	-	-	955,818
Total receipts	-	-	1,455,832	-	2,200	-	1,817,502
Disbursements:							
Personal services	-	-	-	-	-	-	16,252
Supplies	-	-	-	-	-	-	804
Other services and charges	-	-	-	-	-	-	14,528
Utility operating expenses	-	-	196,068	-	-	-	302,009
Other disbursements	-	-	306,207	-	1,525	-	442,794
Total disbursements	-	-	502,275	-	1,525	-	776,387
Excess of receipts over disbursements	-	-	953,557	-	675	-	1,041,115
Cash and investments - ending	\$ 81,065	\$ -	\$ 999,665	\$ 59,400	\$ 24,205	\$ -	\$ 1,424,129

TOWN OF RILEY
 SCHEDULE OF LEASES AND DEBT
 December 31, 2012

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Wastewater:			
Notes and loans payable	Wastewater Utility Improvements #WWW08013202	\$ 218,186	\$ 12,281
Notes and loans payable	Wastewater Utility Improvements #CS 182161 01	571,600	106,576
Notes and loans payable	Wastewater Utility Improvements #CS 182046 01	<u>65,000</u>	<u>23,800</u>
Total Wastewater		<u>854,786</u>	<u>142,657</u>
Totals		<u>\$ 854,786</u>	<u>\$ 142,657</u>

TOWN OF RILEY
 SCHEDULE OF CAPITAL ASSETS
 December 31, 2012

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.

	Ending Balance
Governmental activities:	
Land	\$ 56,000
Buildings	207,950
Total governmental activities	263,950
Wastewater:	
Land	30,000
Infrastructure	725,000
Buildings	25,000
Improvements other than buildings	15,000
Total Wastewater	795,000
Water:	
Total Water	-
Total capital assets	\$ 1,058,950

TOWN OF RILEY
EXIT CONFERENCE

The contents of this report were discussed on June 5, 2013, with Wanda Hylton, Clerk-Treasurer. Our examination disclosed no material items that warrant comment at this time.