

**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, 2004 to December 31, 2005



**FILED**

12/27/2006



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OFFICIALS

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



**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 schedules of receipts, disbursements, and cash and investment balances of the Town of Troy (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 and investment 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

November 8, 2006

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

	Cash and Investments			Cash and Investments
	01-01-04	Receipts	Disbursements	
<b>Governmental Funds:</b>				
General	\$ 18,333	\$ 60,010	\$ 70,310	\$ 8,033
Motor Vehicle Highway	6,658	29,525	28,162	8,021
Local Road and Street	5,945	8,485	10,610	3,820
Park and Recreation	4,296	10,910	11,182	4,024
Law Enforcement Continuing Education	182	242	267	157
Riverboat	2,479	4,951	7,430	-
Refuse Collection	1,108	16,373	16,337	1,144
Cemetery	-	11,615	4,512	7,103
Boat Ramp	-	33,579	-	33,579
Building Standards	189	-	-	189
Cumulative Capital Improvement	-	1,463	1,463	-
Economic Development Income Tax	8,993	10,070	11,342	7,721
Grant	33,579	-	33,579	-
<b>Proprietary Funds:</b>				
Water Utility - Operating	18,929	197,584	186,970	29,543
Water Utility - Bond and Interest	31,542	19,404	19,400	31,546
Water Utility - Depreciation	7,046	8,110	8,877	6,279
Water Utility - Customer Deposit	14,528	4,481	2,846	16,163
Wastewater Utility - Operating	148,730	129,001	116,018	161,713
Wastewater Utility - Bond and Interest	26,023	24,204	25,600	24,627
Wastewater Utility - Depreciation	16,374	5,444	-	21,818
Wastewater Utility - Debt Service Reserve	30,972	98	-	31,070
Wastewater Utility - Cash Reserve	4,400	4,800	4,800	4,400
Electric Utility - Operating	472,766	701,506	672,216	502,056
Electric Utility - Bond and Interest	14,771	22,260	22,253	14,778
Electric Utility - Depreciation	57,173	7,201	5,670	58,704
Electric Utility - Customer Deposit	29,772	10,311	6,440	33,643
Electric Utility - Cash Reserve	5,000	-	5,000	-
<b>Fiduciary Fund:</b>				
Levy Excess	568	-	-	568
<b>Totals</b>	<b>\$ 960,356</b>	<b>\$ 1,321,627</b>	<b>\$ 1,271,284</b>	<b>\$ 1,010,699</b>
	Cash and Investments			Cash and Investments
	01-01-05	Receipts	Disbursements	
<b>Governmental Funds:</b>				
General	\$ 8,033	\$ 41,488	\$ 48,504	\$ 1,017
Motor Vehicle Highway	8,021	18,926	21,292	5,655
Local Road and Street	3,820	1,862	1,851	3,831
Park and Recreation	4,024	560	4,330	254
Law Enforcement Continuing Education	157	3,115	2,461	811
Riverboat	-	2,472	-	2,472
Refuse Collection	1,144	15,879	15,183	1,840
Cemetery	7,103	3,776	5,067	5,812
Boat Ramp	33,579	-	1,499	32,080
Special Projects	-	51,350	23,673	27,677
Building Standards	189	-	-	189
Cumulative Capital Improvement	-	1,211	1,211	-
Economic Development Income Tax	7,721	3,486	3,660	7,547
<b>Proprietary Funds:</b>				
Water Utility - Operating	29,543	228,604	232,560	25,587
Water Utility - Bond and Interest	31,546	18,420	18,425	31,541
Water Utility - Depreciation	6,279	8,919	-	15,198
Water Utility - Customer Deposit	16,163	2,700	3,772	15,091
Wastewater Utility - Operating	161,713	220,794	216,066	166,441
Wastewater Utility - Bond and Interest	24,627	22,800	47,000	427
Wastewater Utility - Depreciation	21,818	5,544	-	27,362
Wastewater Utility - Debt Service Reserve	31,070	391	-	31,461
Wastewater Utility - Cash Reserve	4,400	4,800	4,800	4,400
Electric Utility - Operating	502,056	739,524	744,017	497,563
Electric Utility - Bond and Interest	14,778	106,844	121,622	-
Electric Utility - Depreciation	58,704	8,001	-	66,705
Electric Utility - Customer Deposit	33,643	5,800	11,137	28,306
<b>Fiduciary Fund:</b>				
Levy Excess	568	-	568	-
<b>Totals</b>	<b>\$ 1,010,699</b>	<b>\$ 1,517,266</b>	<b>\$ 1,528,698</b>	<b>\$ 999,267</b>

The accompanying notes are an integral part of the schedules.

TOWN OF TROY  
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, 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. 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 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 SCHEDULES  
(Continued)

Note 6. Pension Plan

Defined Contribution Pension Plan

SIMPLE Pension

Plan Description

The Town has a defined contribution pension plan administered by SunAmerica 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 after one year of continuous employment. 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 contributions 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, 2005, 2004, and 2003, was \$90,341, \$102,419, and \$106,188. The employer's contributions to the plan for the years ended December 31, 2005, 2004, and 2003, were \$2,428, \$3,162, and \$3,033, respectively.

Note 7. Long-Term Debt

The Town has entered into various debts such as revenue bonds for the Water and Wastewater Utilities. The outstanding principal at December 31, 2005, was \$35,000 and \$20,000, respectively.

Note 8. Early Extinguishment of Debt – 1996 Electric Utility Bonds

The Troy Electric Utility issued \$200,000 in revenue bonds in 1996 to acquire and reconstruct a sub-station. On April 1, 2005, the Utility paid the outstanding principal balance of \$120,000 and \$1,621.88 in accrued interest to retire all debt service requirements associated with the 1996 bond issue.

TOWN OF TROY  
NOTES TO SCHEDULES  
(Continued)

Note 9. 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.

Note 10. 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, 2005, for the years ended December 31, of future minimum rental payments:

Year	<u>Amount</u>
2006	\$ 3,500
2007	3,500
2008	3,500
2009	3,500
2010	3,500
Thereafter	<u>280,000</u>
Total minimum payments required	<u><u>\$ 297,500</u></u>

Note 11. 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 12. Rate Structure – Enterprise Funds

Water Utility

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

TOWN OF TROY  
NOTES TO SCHEDULES  
(Continued)

Wastewater Utility

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

Electric Utility

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

Note 13. Removal of Water Utility from Indiana Utility Regulatory Commission

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

TOWN OF TROY  
EXAMINATION RESULTS AND COMMENTS

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 and to repay the loan in 12 months. This loan remains outstanding as of December 31, 2005.

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)

ORDINANCES AND RESOLUTIONS-Salary Ordinance (Applies to the Utilities)

The Town has an ordinance (2003-2) concerning salaries and wages to be paid for the year 2004. However, the Deputy Clerk-Treasurer, Betty Linne, was not paid \$600 from the Utilities as stipulated in the ordinance.

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)

EXCESSIVE OR UNREASONABLE COSTS (Applies to the Town)

The Town Marshall was paid a flat monthly fee for costs related to a cell phone he used while on Town business. The cell phone was not owned by the Town Marshall or the Town but by a private individual who was not an employee of the Town.

Every effort should be made by the governmental unit to avoid unreasonable or excessive costs. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF TROY  
EXIT CONFERENCE

The contents of this report were discussed on November 8, 2006, with Vicki J. Tuggle, Clerk-Treasurer; Michael Parker, President of the Town Council; and Roger A. Fella, President of the Utility Service Board. The officials concurred with our findings.