

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

FINANCIAL STATEMENT AUDIT REPORT

OF

TOWN OF ROANN

WABASH COUNTY, INDIANA

January 1, 2017 to December 31, 2017



FILED
07/31/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Robert M. Ferguson, Jr.	01-01-12 to 12-31-19
President of the Town Council	James A. Pell	01-01-17 to 12-31-18



INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE TOWN OF ROANN, WABASH COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the Town of Roann (Town), which comprises the financial position and results of operations for the year ended December 31, 2017, and the related notes to the financial statement as listed in the Table of Contents.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As discussed in Note 1 to the financial statement, the Town prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a 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 the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the Town for the year ended December 31, 2017.


Opinion on Regulatory Basis of Accounting

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 year ended December 31, 2017, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the Town's financial statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis, Schedule of Payables and Receivables, 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 auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.


Paul D. Joyce, CPA
State Examiner

June 20, 2018

FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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.

TOWN OF ROANN
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH
AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2017

Fund	Cash and Investments 01-01-17	Receipts	Disbursements	Cash and Investments 12-31-17
GENERAL	\$ 187,866	\$ 106,766	\$ 116,415	\$ 178,217
MOTOR VEHICLE HIGHWAY	182,328	85,996	68,685	199,639
LOCAL ROAD & STREET	10,037	3,166	-	13,203
SANITATION	3,616	17,369	17,065	3,920
Community Development Block Grant	-	400,000	400,000	-
Playground Donation	5,100	-	-	5,100
RAINY DAY FUND	1,313	-	-	1,313
LOIT Special Dstribution	17,796	-	-	17,796
PUBLIC SAFETY	17,032	9,367	1,770	24,629
CUM FIRE	23,094	3,500	-	26,594
CUM CAPITAL IMPROVEMENT	2,882	1,165	885	3,162
Payroll - Revenue	-	137,372	137,372	-
ECONOMIC DEV-CEDIT	33,140	9,704	9,506	33,338
SEWAGE CASH OPERATING	26,467	138,250	143,587	21,130
SEWAGE DEPRECIATION	17,810	10,002	20,000	7,812
SEWAGE BOND & INTEREST	-	35,554	35,554	-
SEWAGE DEBT SERV RESERVE	44,369	-	-	44,369
WATER CASH OPERATING	121,186	124,672	211,183	34,675
WATER DEPRECIATION	5,562	-	-	5,562
Totals	<u>\$ 699,598</u>	<u>\$ 1,082,883</u>	<u>\$ 1,162,022</u>	<u>\$ 620,459</u>

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

TOWN OF ROANN
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 Indiana 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. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

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. Amounts received from one or more of the following: property tax, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeeper's 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.

Intergovernmental receipts. Amounts received from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of intergovernmental receipts include, but are not limited to, the following: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distributions received from the state, local road and street distributions 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.

TOWN OF ROANN
NOTES TO FINANCIAL STATEMENT
(Continued)

Charges for services. Amounts received for services including, but not limited to, the following: planning commission charges, building department charges, copies of public records, copy machines 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. Amounts received from charges for current services.

Penalties. Amounts received from late payment fees.

Other receipts. Amounts received from various sources, including, but 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. Amounts disbursed 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.

Other services and charges. Amounts disbursed for services including, but not limited to, the following: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service - principal and interest. Amounts disbursed for fixed obligations resulting from financial transactions previously entered into by the Town. It includes all expenditures for the reduction of the principal and interest of the Town's general obligation indebtedness.

Capital outlay. Amounts disbursed for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Utility operating expenses. Amounts disbursed for operating the utilities.

Other disbursements. Amounts disbursed for various other purposes including, but 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, make transfers 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 ROANN
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 amounts 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 amounts 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 lien date (March 1 in a year ending before January 1, 2016 and January 1 in a year beginning after December 31, 2015) 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, the following: 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 ROANN
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.

OTHER INFORMATION - UNAUDITED

The Town's Annual Financial Report information can be found on the Indiana Gateway for Government Units 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 Town's Annual Financial Report referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The other information presented was approved by management of the Town. It is presented as intended by the Town.

TOWN OF ROANN
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2017

	GENERAL	MOTOR VEHICLE HIGHWAY	LOCAL ROAD & STREET	SANITATION	Community Development Block Grant
Cash and investments - beginning	\$ 187,866	\$ 182,328	\$ 10,037	\$ 3,616	\$ -
Receipts:					
Taxes	89,119	35,705	-	-	-
Intergovernmental receipts	14,618	20,213	3,166	-	400,000
Charges for services	-	-	-	17,369	-
Utility fees	-	-	-	-	-
Penalties	-	-	-	-	-
Other receipts	3,029	30,078	-	-	-
Total receipts	<u>106,766</u>	<u>85,996</u>	<u>3,166</u>	<u>17,369</u>	<u>400,000</u>
Disbursements:					
Personal services	38,699	24,469	-	-	-
Other services and charges	25,224	2,356	-	-	-
Debt service - principal and interest	239	-	-	-	-
Capital outlay	2,100	2,504	-	-	400,000
Utility operating expenses	-	-	-	-	-
Other disbursements	50,153	39,356	-	17,065	-
Total disbursements	<u>116,415</u>	<u>68,685</u>	<u>-</u>	<u>17,065</u>	<u>400,000</u>
Excess (deficiency) of receipts over disbursements	<u>(9,649)</u>	<u>17,311</u>	<u>3,166</u>	<u>304</u>	<u>-</u>
Cash and investments - ending	<u>\$ 178,217</u>	<u>\$ 199,639</u>	<u>\$ 13,203</u>	<u>\$ 3,920</u>	<u>\$ -</u>

TOWN OF ROANN
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2017

	Playground Donation	RAINY DAY FUND	LOIT Special Dtribution	PUBLIC SAFETY	CUM FIRE
Cash and investments - beginning	\$ 5,100	\$ 1,313	\$ 17,796	\$ 17,032	\$ 23,094
Receipts:					
Taxes	-	-	-	-	-
Intergovernmental receipts	-	-	-	9,367	-
Charges for services	-	-	-	-	-
Utility fees	-	-	-	-	-
Penalties	-	-	-	-	-
Other receipts	-	-	-	-	3,500
Total receipts	-	-	-	9,367	3,500
Disbursements:					
Personal services	-	-	-	-	-
Other services and charges	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-
Capital outlay	-	-	-	1,770	-
Utility operating expenses	-	-	-	-	-
Other disbursements	-	-	-	-	-
Total disbursements	-	-	-	1,770	-
Excess (deficiency) of receipts over disbursements	-	-	-	7,597	3,500
Cash and investments - ending	<u>\$ 5,100</u>	<u>\$ 1,313</u>	<u>\$ 17,796</u>	<u>\$ 24,629</u>	<u>\$ 26,594</u>

TOWN OF ROANN
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2017

	CUM CAPITAL IMPROVEMENT	Payroll - Revenue	ECONOMIC DEV-CEDIT	SEWAGE CASH OPERATING	SEWAGE DEPRECIATION
Cash and investments - beginning	\$ 2,882	\$ -	\$ 33,140	\$ 26,467	\$ 17,810
Receipts:					
Taxes	-	-	9,704	-	-
Intergovernmental receipts	1,165	-	-	-	-
Charges for services	-	-	-	-	-
Utility fees	-	-	-	114,204	-
Penalties	-	-	-	3,524	-
Other receipts	-	137,372	-	20,522	10,002
Total receipts	<u>1,165</u>	<u>137,372</u>	<u>9,704</u>	<u>138,250</u>	<u>10,002</u>
Disbursements:					
Personal services	-	-	-	45,539	-
Other services and charges	-	-	-	1,910	-
Debt service - principal and interest	-	-	-	-	-
Capital outlay	885	-	-	12,532	-
Utility operating expenses	-	-	-	48,052	-
Other disbursements	-	137,372	9,506	35,554	20,000
Total disbursements	<u>885</u>	<u>137,372</u>	<u>9,506</u>	<u>143,587</u>	<u>20,000</u>
Excess (deficiency) of receipts over disbursements	<u>280</u>	<u>-</u>	<u>198</u>	<u>(5,337)</u>	<u>(9,998)</u>
Cash and investments - ending	<u>\$ 3,162</u>	<u>\$ -</u>	<u>\$ 33,338</u>	<u>\$ 21,130</u>	<u>\$ 7,812</u>

TOWN OF ROANN
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2017

	SEWAGE BOND & INTEREST	SEWAGE DEBT SERV RESERVE	WATER CASH OPERATING	WATER DEPRECIATION	Totals
Cash and investments - beginning	\$ -	\$ 44,369	\$ 121,186	\$ 5,562	\$ 699,598
Receipts:					
Taxes	-	-	-	-	134,528
Intergovernmental receipts	-	-	4,022	-	452,551
Charges for services	-	-	-	-	17,369
Utility fees	-	-	66,507	-	180,711
Penalties	-	-	500	-	4,024
Other receipts	35,554	-	53,643	-	293,700
Total receipts	35,554	-	124,672	-	1,082,883
Disbursements:					
Personal services	-	-	32,109	-	140,816
Other services and charges	-	-	3,899	-	33,389
Debt service - principal and interest	35,554	-	-	-	35,793
Capital outlay	-	-	12,849	-	432,640
Utility operating expenses	-	-	39,188	-	87,240
Other disbursements	-	-	123,138	-	432,144
Total disbursements	35,554	-	211,183	-	1,162,022
Excess (deficiency) of receipts over disbursements	-	-	(86,511)	-	(79,139)
Cash and investments - ending	\$ -	\$ 44,369	\$ 34,675	\$ 5,562	\$ 620,459

TOWN OF ROANN
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2017

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Wastewater Utility	\$ -	\$ 15,213
Water Utility	-	5,333
Governmental activities	<u>-</u>	<u>1,660</u>
Totals	<u>\$ -</u>	<u>\$ 22,206</u>

TOWN OF ROANN
 SCHEDULE OF LEASES AND DEBT
 December 31, 2017

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Wastewater Utility:			
General obligation bonds	SRF Sewer Upgrades	\$ 169,000	\$ 36,670
Totals		\$ 169,000	\$ 36,670

TOWN OF ROANN
 SCHEDULE OF CAPITAL ASSETS
 December 31, 2017

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:	
Infrastructure	\$ 208,383
Buildings	333,251
Improvements other than buildings	158,998
Machinery, equipment, and vehicles	<u>227,012</u>
Total governmental activities	<u>927,644</u>
Wastewater Utility:	
Land	8,223
Infrastructure	351,065
Buildings	312,935
Improvements other than buildings	512,080
Machinery, equipment, and vehicles	<u>581,027</u>
Total Wastewater Utility	<u>1,765,330</u>
Water Utility:	
Land	894
Infrastructure	434,725
Buildings	122,478
Improvements other than buildings	9,596
Machinery, equipment, and vehicles	<u>189,264</u>
Total Water Utility	<u>756,957</u>
Total capital assets	<u><u>\$ 3,449,931</u></u>

OTHER REPORTS

In addition to this report, other reports may have been issued for the Town. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.