

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

FINANCIAL STATEMENTS REVIEW REPORT

OF

TOWN OF TROY

PERRY COUNTY, INDIANA

January 1, 2016 to December 31, 2018



FILED
12/23/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Jane Efinger-Hayden	01-01-16 to 12-31-19
President of the Town Council	Kevin Harp	01-01-16 to 06-15-16
	Linda J. Crawford (interim)	06-16-16 to 07-12-16
	Linda J. Crawford	07-13-16 to 12-31-18
	Jay Oliva	01-01-19 to 12-31-19



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

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

We have reviewed the accompanying financial statements of the Town of Troy (Town), for the period of January 1, 2016 to December 31, 2018. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Town's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with a regulatory 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 comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. This includes determining that the basis of accounting the Town uses is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with *Statements on Standards for Accounting and Review Services* promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with the prescribed basis of accounting described in Note 1. We believe that the results of our procedures provide a reasonable basis for our conclusion.


INDEPENDENT ACCOUNTANT'S REVIEW REPORT
(Continued)

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with the prescribed basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with 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 comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our conclusion is not modified with respect to this matter.


Paul D. Joyce, CPA
State Examiner

November 20, 2019

FINANCIAL STATEMENTS AND ACCOMPANYING NOTES

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 TROY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Years Ended December 31, 2016 and 2017

Fund	Cash and Investments			Cash and Investments			Cash and Investments		
	01-01-16	Receipts	Disbursements	12-31-16	Receipts	Disbursements	12-31-17		
General Fund	\$ 66,912	\$ 87,881	\$ 74,930	\$ 79,863	\$ 87,315	\$ 76,646	\$ 90,532		
Motor Vehicle Highway	23,252	18,394	9,175	32,471	17,858	18,819	31,510		
Local Road and Street	4,551	2,008	928	5,631	2,351	3,200	4,782		
Building Standard Fund	189	-	-	189	-	-	189		
Refuse Collection Fund	15,593	33,622	30,964	18,251	33,135	43,993	7,393		
Riverboat Gambling Revenue	14,565	2,281	-	16,846	2,281	-	19,127		
Park and Recreation Operating	200	-	-	200	-	-	200		
Cumulative Capital Improvements Fund	996	-	-	996	-	-	996		
Local Law	247	-	-	247	10	-	257		
Town of Troy Grant	-	-	-	-	31,571	-	31,571		
Economic Development Income Tax	12,037	7,755	2,786	17,006	6,647	2,658	20,995		
Boat Ramp Maintenance	26,437	-	12,554	13,883	-	3,949	9,934		
Payroll	5,624	235,803	234,634	6,793	248,828	252,811	2,810		
Electric Utility Operating	1,256,886	1,285,663	1,322,568	1,219,981	1,228,078	1,280,329	1,167,730		
Electric Depreciation	107,987	97	16,055	92,029	140	-	92,169		
Electric Meter Deposit	46,069	9,200	8,598	46,671	6,400	10,246	42,825		
Sewer Operating Fund	133,701	356,003	411,929	77,775	177,411	184,156	71,030		
Sewage Depreciation Fund	633	-	-	633	-	-	633		
Sewage Works Improvement	35,476	76	-	35,552	84	-	35,636		
Water Operating Fund	82,839	204,968	185,381	102,426	193,427	204,120	91,733		
Water Depreciation Fund	20,061	44	-	20,105	37	-	20,142		
Water Meter Deposit Fund	24,009	3,500	2,960	24,549	3,000	2,760	24,789		
Stormwater Utility	18,241	16,693	16,931	18,003	15,892	-	33,895		
Totals	\$ 1,896,505	\$ 2,263,988	\$ 2,330,393	\$ 1,830,100	\$ 2,054,465	\$ 2,083,687	\$ 1,800,878		

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

TOWN OF TROY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2018

Fund	Cash and Investments 01-01-18	Receipts	Disbursements	Cash and Investments 12-31-18
General Fund	\$ 90,532	\$ 91,131	\$ 74,512	\$ 107,151
Motor Vehicle Highway	31,510	24,373	11,145	44,738
Local Road and Street	4,782	3,238	-	8,020
Building Standard Fund	189	-	-	189
Refuse Collection Fund	7,393	33,469	35,586	5,276
Riverboat Gambling Revenue	19,127	2,281	-	21,408
Park and Recreation Operating	200	-	-	200
Cumulative Capital Improvements Fund	996	-	-	996
Local Law	257	4,098	410	3,945
Town of Troy Grant	31,571	97,575	129,146	-
Economic Development Income Tax	20,995	7,015	2,684	25,326
Boat Ramp Maintenance	9,934	-	-	9,934
Payroll	2,810	251,661	240,655	13,816
Electric Utility Operating	1,167,730	1,271,889	1,242,347	1,197,272
Electric Depreciation	92,169	166	-	92,335
Electric Meter Deposit	42,825	8,400	6,427	44,798
Sewer Operating Fund	71,030	179,199	184,201	66,028
Sewage Depreciation Fund	633	-	-	633
Sewage Works Improvement	35,636	151	-	35,787
Short Lived Asset Reserve/Water	-	30,000	-	30,000
Water Operating Fund	91,733	259,816	238,322	113,227
Water Depreciation Fund	20,142	69	15,002	5,209
Water Meter Deposit Fund	24,789	4,100	2,320	26,569
Stormwater Utility	33,895	14,885	-	48,780
Totals	<u>\$ 1,800,878</u>	<u>\$ 2,283,516</u>	<u>\$ 2,182,757</u>	<u>\$ 1,901,637</u>

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

TOWN OF TROY
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 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 statements present the financial information for the Town.

B. Basis of Accounting

The financial statements are 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 statements. 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.

Licenses and permits. 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 the following: peddler licenses, animal licenses, auctioneer licenses, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

TOWN OF TROY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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.

Fines and forfeits. Amounts received 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).

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 statements. 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.

Supplies. Amounts disbursed for 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, but are not limited to, the following: office supplies, operating supplies, and repair and maintenance supplies.

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.

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

TOWN OF TROY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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 December 31 of the year preceding the budget year or January 15 of the budget year if the Town is issuing debt after December 1 or intends on filing a shortfall appeal. These rates were based upon the assessed valuations adjusted for various tax credits from the preceding year's lien date of January 1. 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.

TOWN OF TROY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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.

Note 6. Pension Plan

The Town contributes to a pension plan unique to the Town for its Utility employees. Information regarding this plan may be obtained from the Town.

Note 7. Subsequent Events

The Town accepted bids on December 12, 2018, for water system improvements. The Division I - Water Treatment Plant project was awarded to C & H/M Excavating, Inc. in the amount of \$1,643,368 and the Division II - Service Meters project was awarded to E. J. Prescott, Inc. in the amount of \$120,608.

The Town signed a Loan Resolution on January 16, 2019, for \$2,104,000 and increased the loan on February 4, 2019, in the amount of \$182,000 for a total of \$2,286,000. The total project costs are being funded by a loan through the USDA - Rural Development Loan Program and it has a repayment term of 40 years once the project is complete. Project completion is estimated for early 2020.

TOWN OF TROY
REVIEW RESULTS AND COMMENTS

COLLECTIONS OF MOVING TRAFFIC VIOLATIONS

The same comment also appeared in prior Report B47099.

Condition and Context

Ordinance No. 2010-4 established fines for violation of speed limits within the Town limits. The Town had not been established as a traffic violations bureau, yet collected fines for moving traffic violations. The Clerk-Treasurer collected fines for moving traffic violations during September, October, and November 2018 in the amount of \$1,220. The Town subsequently stopped collecting moving traffic violations and remitted the full amount to the State of Indiana on January 16, 2019.

Criteria

Indiana Code 36-1-6-3(c) states: "An ordinance defining a moving traffic violation may not be enforced under [IC 33-36](#) and must be enforced in accordance with [IC 34-28-5](#)."

The accounts of each public official and public office should reflect the proper treatment of fines collected for moving traffic violations as required by Indiana Code § 36-1-6-3(c), Indiana Code Ch. 34-28-5, and this Directive. Failure to do so will result in a civil action against those public officials who are responsible for the improper enforcement and collection of fines for moving traffic violations as allowable by law. (State Examiner Directive 2015-1)

TRANSFER OF FUNDS

A similar comment also appeared in prior Report B47099.

Condition and Context

For the years 2016, 2017, and 2018, transfers of \$34,564, \$636, and \$4,800 were made each year from the Electric Utility Operating fund, Water Operating Fund, and Sewer Operating Fund, respectively, to the General Fund for payment in lieu of taxes. Cash Reserve funds have been included on the Town's funds ledger for the Electric Utility and the Water Utility, but there was no activity in those funds during the review period.

Criteria

Indiana Code 8-1.5-3-11(d) states:

"After creation of the cash reserve fund, the legislative body may include in the municipal general fund budget, as revenue in lieu of taxes, an amount equal to the actual balance in the cash reserve fund as of June 30 of the current year. However, the available cash reserve fund balance may be transferred to the municipal general fund only during the calendar year for which the budget was adopted, and transfers may not be made from any utility fund to the general fund except from the cash reserve fund."

TOWN OF TROY
EXIT CONFERENCE

The contents of this report were discussed on November 20, 2019, with Jane Efinger-Hayden, Clerk-Treasurer; Jay Oliva, President of the Town Council; Sharman Jarboe, Town Council member; and Linda J. Crawford, Town Council member.