

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

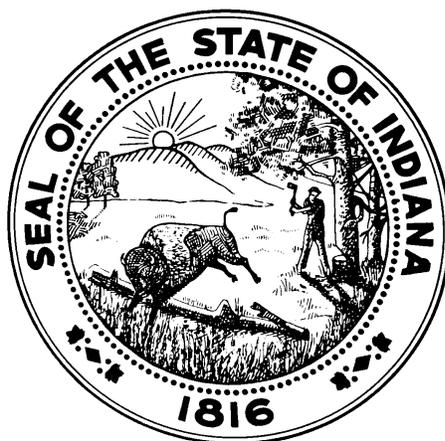
EXAMINATION REPORT

OF

TOWN OF MOUNT AYR

NEWTON COUNTY, INDIANA

January 1, 2006 to December 31, 2007



FILED
10/07/2008

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Rebecca M. Long Dudley D. Vaughn	01-01-04 to 12-31-07 01-01-08 to 12-31-10
President of the Town Council	Robert Zenor Larry Berenda	01-01-06 to 12-31-07 01-01-08 to 12-31-08



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF MOUNT AYR, NEWTON COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Mount Ayr (Town), for the period of January 1, 2006 to December 31, 2007. The Town's management is responsible for the financial information presented herein. 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 information presented herein 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 financial information referred to above presents fairly, in all material respects, the financial information of the Town for the years ended December 31, 2006 and 2007, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

July 21, 2008

TOWN OF MOUNT AYR
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL FUND TYPES
As Of And For The Years Ended December 31, 2006 And 2007

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 2,898	\$ 15,723	\$ 13,638	\$ 4,983
Motor Vehicle Highway	5,687	5,406	5,094	5,999
Local Road and Street	1,685	892	-	2,577
City and Town Court Costs	2,818	-	-	2,818
Cumulative Capital Improvement	9,449	525	-	9,974
Building (Landfill)	185,887	149,829	42,156	293,560
Postal	18,600	4,800	-	23,400
Totals	<u>\$ 227,024</u>	<u>\$ 177,175</u>	<u>\$ 60,888</u>	<u>\$ 343,311</u>

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 4,983	\$ 16,453	\$ 15,135	\$ 6,301
Motor Vehicle Highway	5,999	5,298	3,927	7,370
Local Road and Street	2,577	905	-	3,482
City and Town Court Costs	2,818	-	-	2,818
Cumulative Capital Improvement	9,974	516	-	10,490
Building (Landfill)	293,560	187,780	184,087	297,253
Postal	23,400	4,800	-	28,200
Totals	<u>\$ 343,311</u>	<u>\$ 215,752</u>	<u>\$ 203,149</u>	<u>\$ 355,914</u>

The accompanying notes are an integral part of the financial information.

TOWN OF MOUNT AYR
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The Town was established under the laws of the State of Indiana. The Town provides the following services: public safety, health and social services, culture and recreation, and general administrative 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 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 MOUNT AYR
EXAMINATION RESULTS AND COMMENTS

OFFICIAL BONDS

The following official bonds were not filed in the Office of the County Recorder:

Rebecca M. Long, Clerk-Treasurer 01-01-06 to 01-01-07
Rebecca M. Long, Clerk-Treasurer 01-01-07 to 01-01-08

A similar comment was included in the prior Report B28300.

Indiana code 5-4-1-5.1(b) states in part: "Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder . . ."

CAPITAL ASSET RECORDS

The Town does not maintain a listing of its capital assets. A similar comment was included in the prior Report B28300.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded in the Capital Assets 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)

POSTING ERRORS

In January 2007, the Newton County Auditor made a supplemental distribution of CAGIT funds. This was deposited and receipted in the Town's General Fund. The Town Council should have established a Rainy Day Fund and the Clerk-Treasurer should have receipted it into that fund. A similar comment was included in the prior Report B28300.

Public Law 267, Acts of 2003, changed the method of distributing CAGIT, COIT and CEDIT revenue. Indiana Code 6-3.5-1.1-21.1, Indiana Code 6-3.5-6-17.3 and Indiana Code 6-3.5-7-17.3 state that if the Department of Revenue Determines that an excess of the amounts required to make distributions of CAGIT, COIT or CEDIT exists, such excess shall be distributed in a supplemental distribution in January of the ensuing budget year. Any supplemental distributions received shall be deposited in the city or town's rainy day fund. (Cities and Towns Bulletin and Uniform Compliance Guidelines, Issued by the State Board of Accounts, December 2003)

DEPOSITS

Receipts were deposited later than the next business day. A similar comment was included in prior Reports B23744 and 28300.

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 MOUNT AYR
EXAMINATION RESULTS AND COMMENTS
(Continued)

SUPPORTING DOCUMENTATION

Two accounts payable vouchers of the twenty-five selected for examination did not contain adequate supporting documentation, such as receipts, invoices, and other public records. Due to the lack of supporting information, the validity and accountability for some money disbursed could not be established.

Supporting documentation such as receipts, cancelled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

DONATIONS

The Town donated monies to some community service organizations.

Governmental funds should not be donated or given to other organizations, individuals, or governmental units unless specifically authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PUBLIC WORKS PROJECT

The Town of Mount Ayr, during 2007, hired various contractors for the construction of the Community Center addition. The total cost of the addition exceeded \$78,000. There was no evidence presented for examination that sealed bids were requested or received.

Indiana Code 36-1-12-4(a) states in part: "This section applies whenever the cost of a public work project will be: (1) at least seventy-five thousand dollars (\$75,000) in: (A) a consolidated city or second class city; (B) a county containing a consolidated city or second class city; or (C) a regional water or sewage district established under Indiana Code 13-26; (2) at least fifty thousand dollars (\$50,000) in: (A) a third class city or town with a population of more than five thousand (5,000), or (B) a county containing a third class city or town with a population of more than five thousand (5,000); or (3) at least twenty-five thousand dollars (\$25,000) in a political subdivision or an agency not described in subdivision (1) or (2)."

Indiana Code 36-1-12-4(b) states in part: "The board must comply with the following procedure: (1) The board shall prepare general plans and specifications describing the kind of public work required, but shall avoid specifications which might unduly limit competition . . . (2) The board shall file the plans and specifications in a place reasonably accessible to the public, which shall be specified in the notice required by subdivision (3). (3) Upon the filing of the plans and specifications, the board shall publish notice in accordance with Indiana Code 5-3-1 calling for sealed proposals for the public work needed..."

Indiana Code 36-1-12-19 states in part: "(a) For purposes of this section, the cost of a public work project includes the cost of material, labor, equipment rental, and all other expenses incidental to the performance of the project . . . (b) The cost of a single public work project may not be divided in two (2) or more projects for the purpose of avoiding the requirement to solicit bids.

TOWN OF MOUNT AYR
EXAMINATION RESULTS AND COMMENTS
(Continued)

APPROPRIATIONS

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

<u>Funds</u>	<u>Years</u>	<u>Excess Amount Expended</u>
Building (Landfill)	2006	\$ 42,156
General	2007	486
Building (Landfill)	2007	184,087

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."

FEDERAL AND STATE AGENCIES – COMPLIANCE REQUIREMENTS

We noted payments to officials and employees were made without payroll deductions for taxes. However, 1099's were issued to those who received more than \$600 during the year. A similar comment was included in prior Reports B23744 and B28300.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletin, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Non-compliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Series and the Indian Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ADVANCE PAYMENTS

Payment for the second half of 2007 salary for the Clerk-Treasurer was made in July prior to the receipt of services.

Compensation and any other payments for goods and services should not be paid in advance of receipt of the goods or services unless specifically authorized by statute. Payments made for goods or services which are not received 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 MOUNT AYR
EXAMINATION RESULTS AND COMMENTS
(Continued)

RECORDS NOT AVAILABLE FOR REVIEW

The approved budget order by the Indiana Department of Local Government Finance was not available for review.

Supporting documentation such as receipts, cancelled checks, invoices, bills, contracts, etc., must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation 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 MOUNT AYR
EXIT CONFERENCE

The contents of this report were discussed on July 21, 2008, with Dudley D. Vaughn, Clerk-Treasurer; and Larry Berenda, President of the Town Council. The officials concurred with our findings.