

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

COMPLIANCE ENGAGEMENT REPORT

OF

TOWN OF DAYTON

TIPPECANOE COUNTY, INDIANA

January 1, 2019 to December 31, 2023



FILED
06/20/2024

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Compliance Report	3-4
Comments	5-9
Statements of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis.....	13-15

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
President of the Town Council	Mike Harris	01-01-19 to 12-31-19
	Ron Koehler	01-01-20 to 12-31-20
	Jen Manago	01-01-21 to 12-31-23
	Joy Tischer	01-01-24 to 03-01-24
	(Vacant)	03-02-24 to 03-11-24
	Marc Buhrmester	03-12-24 to 12-31-24
Clerk-Treasurer	Michelle Frewerd	01-01-19 to 02-07-22
	(Vacant)	02-08-22 to 02-22-22
	Ron Koehler (interim)	02-23-22 to 04-23-23
	Bridget Cadwallader	04-24-23 to 12-31-24



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF DAYTON, TIPPECANOE COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of the Town of Dayton (Town), for the period of January 1, 2019 to December 31, 2023. The objective of this engagement was to determine compliance with applicable Indiana laws, regulations, and uniform compliance guidelines (Guidelines) established by the Indiana State Board of Accounts pursuant to Indiana Code 5-11-1-24. The objective of this engagement is not to opine on compliance or financial activity of the Town as this engagement was not conducted in accordance with any standards established by an authoritative standard setting body, and, as such, we do not provide any opinions on compliance or financial activity.

Management is responsible for preparing and maintaining its accounting records and related documents in accordance with applicable Indiana laws, regulations, and Guidelines. Management's responsibility also includes, but is not limited to, complying with other applicable Indiana laws, regulations, and Guidelines concerning how it operates: authorized sources and uses of funds; what reports are required to be prepared and filed; and what depositories and investment types are allowable.

We fulfilled our responsibility as detailed in the first paragraph, using procedures that verified the appropriate accounting for and reporting of cash, receipts, and disbursements; and the appropriate sources and uses of funds in accordance with applicable Indiana laws, regulations, and Guidelines. Expanding the scope and nature of these procedures can and does occur in specific circumstances.

The Comments contained herein, if any, describe the identified reportable instances of noncompliance found during our engagement. Our procedures were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified. Any Official Response to the Comments incorporated within this report was not verified for accuracy.

The Schedule of Officials and Statements of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis (Statements) are informational only. The Statements have not been subjected to any procedures designed to express an opinion or provide any assurance on them, and, accordingly, we do not express an opinion or provide any assurance on them.

This report is intended solely for the information and use of management, governance, and others within the organization. This restriction is not intended to limit the distribution of this report, which is a matter of public record. Reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>, and the Town's Annual Financial Reports filed by management can be found on the Indiana Gateway for Government Units financial reporting system website: <http://www.gateway.ifionline.org>.

The contents of this report were communicated to Bridget Cadwallader, Clerk-Treasurer; Marc Buhrmester, President of the Town Council; Rocky Richards, Town Council member; Carla Snodgrass, Town Council member; and Steve Schuhle, Town Council member, on June 5, 2024.



Beth Kelley, CPA, CFE
Deputy State Examiner

May 6, 2024

TOWN OF DAYTON
COMMENTS

INTERNAL CONTROLS

A similar comment also appeared in prior Report B53522, entitled *INTERNAL CONTROLS*.

Condition and Context

Internal control deficiencies resulted in noncompliance over the Town Council minutes, bank account reconciliations, motor vehicle highway (mvh) - restricted fund, capital assets, claims, utility billing, conflict of interest disclosures, tax remittances, and late fee charges, which are detailed further in the comments below.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

BOARD MINUTES MISSING

Condition and Context

Formal meeting minutes indicating the actions of the Town Council were not presented for examination for December 2021, January 2022, or April 2022. Formal minutes indicating the actions of the Town Utility Board were not presented for examination for April 2020, December 2021, January 2022, or April 2022.

Criteria

Indiana Code 5-14-1.5-4 states in part:

". . . (b) As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.

TOWN OF DAYTON
COMMENTS
(Continued)

- (4) A record of all votes taken by individual members if there is a roll call.
 - (5) Any additional information required under section 3.5 or 3.6 of this chapter or any other statute that authorizes a governing body to conduct a meeting using an electronic means of communication.
- (c) The memoranda are to be available within a reasonable period of time after the meeting for the purpose of informing the public of the governing body's proceedings. The minutes, if any, are to be open for public inspection and copying."

BANK ACCOUNT RECONCILIATIONS

Condition and Context

Year-end depository reconcilements were tested for 2019, 2020, 2021, 2022, and 2023. In 2022, although a Depository Statement and Cash Reconciliation report was generated, a reconciliation of depository amounts to recorded fund balances had not been performed.

Criteria

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND

Condition and Context

In 2019 and 2022, the Town did not allocate 50 percent of its Motor Vehicle Highway distribution to the Motor Vehicle Highway (MVH) - Restricted Fund as required by Indiana Code.

Criteria

Indiana Code 8-14-1-5(c) states: "Except as provided in subsection (d), for funds distributed to a city or town from the motor vehicle highway account, the city or town shall use at least fifty percent (50%) of the money for the construction, reconstruction, and preservation of the city's or town's highways."

CAPITAL ASSETS

Condition and Context

The Town had not adopted a capital asset policy detailing a threshold at which an item is considered to be a capital asset. Additionally, documentation of a physical inventory of assets every two years was not available for audit.

TOWN OF DAYTON
COMMENTS
(Continued)

Criteria

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

ERRORS ON CLAIMS

Condition and Context

During the engagement period, 35 vendor disbursements were tested for compliance.

There were 15 claims that were not audited and certified as true and correct by the Town's fiscal officer and were not approved by the officer or person receiving the goods or services.

Additionally, a claims docket indicating approval by the Town Council was not available for 13 of the claims tested.

Criteria

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

ORDINANCES AND RESOLUTIONS

Condition and Context

There were 25 customer utility bills that were tested for compliance with laws and regulations. Of those customers tested, 23 were not charged the correct amount. Between 2019 and 2023, customer bills were overcharged for wastewater by \$0.42 a month when compared to the Utility Rate Ordinance. For each year examined, the additional charge resulted in an overcharge of \$5.04 on each customer wastewater account.

TOWN OF DAYTON
COMMENTS
(Continued)

Criteria

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CONFLICT OF INTEREST

Condition and Context

During the audit period, the Town paid a company owned by the President of the Town Council for services performed. In 2023, the Town paid the company \$750. Based upon the circumstances, the Indiana State Board of Accounts would have expected to receive a conflict of interest disclosure. There was not one on file during the audit period that covered this matter.

Criteria

Indiana Code 35-44.1-1-4(d) states in part:

"A disclosure must:

- (1) be in writing;
- (2) describe the contract or purchase to be made by the governmental entity;
- (3) describe the pecuniary interest that the public servant has in the contract or purchase;
- (4) be affirmed under penalty of perjury;
- (5) be submitted to the governmental entity and be accepted by the governmental entity in a public meeting of the governmental entity before final action on the contract or purchase;
- (6) be filed within fifteen (15) days after final action on the contract or purchase with:
 - (A) the state board of accounts; and
 - (B) . . . the clerk of the circuit court in the county where the governmental entity takes final action on the contract or purchase . . ."

Conflict of interest disclosures must be completed on Gateway. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

The attorney for the unit or a private attorney must be consulted in regard to whether a conflict of interest disclosure statement must be filed and whether the format of the disclosure is sufficient. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

PENALTIES AND INTEREST

A similar comment also appeared in prior Report B53522, entitled *PENALTIES, INTEREST, AND OTHER CHARGES*.

TOWN OF DAYTON
COMMENTS
(Continued)

Condition and Context

Between 2019 to 2023, the Town did not remit tax payments to the Indiana Department of Revenue in a timely manner. As a result of these late payments, interest totaling \$813 was paid by the Town.

Additionally, in 2020 the Town did not remit tax payments to the Internal Revenue Service in a timely manner. As a result of these late payments, penalties and interest totaling \$935 were paid by the Town.

Criteria

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the unit. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the unit. Any penalties, interest, or other charges paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

COLLECTION OF AMOUNTS DUE

Condition and Context

During the engagement period, utility customer accounts were examined for compliance with laws and regulations. According to the Town's Code of Ordinances, a 10 percent penalty is to be assessed on all utility bills unpaid within 15 days of the billing date. From January 2019 to March 2020, the former Clerk-Treasurer, Michelle Frewerd, made four payments on her water utility account, three payments on her wastewater and sanitation utility accounts, and one payment on her storm water utility account. During that period, penalties in the amount of \$133 were not applied to the former Clerk-Treasurer's utility account.

The Town Council suspended late penalties on customer accounts from March 2020 to August 2021 in response to the COVID-19 pandemic. Once late penalties were resumed, the prior Clerk-Treasurer's utility account was properly billed penalties when appropriate.

Criteria

Units have a responsibility to collect amounts owed to the unit pursuant to procedures authorized by law. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CASH
AND INVESTMENT BALANCES - REGULATORY BASIS

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TOWN OF DAYTON
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Years Ended December 31, 2019 and 2020

Fund	Cash and Investments			Cash and Investments			Cash and Investments		
	01-01-19	Receipts	Disbursements	12-31-19	Receipts	Disbursements	12-31-20		
GENERAL FUND	\$ 187,789	\$ 480,273	\$ 321,710	\$ 346,352	\$ 381,105	\$ 332,723	\$ 394,734		
MOTOR VEHICLE HIGHWAY	206,142	67,903	62,683	211,362	61,408	148,639	124,131		
LOCAL ROAD AND STREET	69,017	37,260	11,352	94,925	22,883	15,681	102,127		
CIVIL DEFENSE/SIREN FUND	5,211	-	-	5,211	-	-	5,211		
LOCAL LAW ENFORCEMENT CONTINUING EDUCATION FUND	6,534	2,698	475	8,757	1,844	430	10,171		
RIVERBOAT (UNLESS RESTRICTED TO INFRASTRUCTURE USE	67,165	8,412	-	75,577	8,412	-	83,989		
RAINY DAY	47,375	-	-	47,375	-	-	47,375		
COUNTY ECONOMIC DEVELOPMENT INCOME TAX (CEDIT)	235,890	55,142	7,981	283,051	54,218	55,117	282,152		
LEVY EXCESS FUND	283	49,677	-	49,960	-	-	49,960		
CUMULATIVE CAPITAL IMPROVEMENT - CIGARETTE TAX	33,226	5,472	-	38,698	3,079	-	41,777		
CUMULATIVE CAPITAL DEVELOPMENT	5,706	14,985	10,245	10,446	6,472	-	16,918		
LIT - PUBLIC SAFETY	-	-	-	-	21,953	-	21,953		
MVH RESTRICTED (SUBFUND OF MOTOR VEHICLE HIGHWAY)	-	30,559	-	30,559	26,951	-	57,510		
CABLE FRANCHISE FEE	16,571	10,204	-	26,775	9,858	25,283	11,350		
DONATION SIGN/FLAG	(227)	765	212	326	50	-	376		
PAYROLL	11,680	317,665	328,936	409	324,945	322,579	2,775		
LOCAL ROAD & BRIDGE MATCHING GRANT	-	-	-	-	166,875	146,358	20,517		
STORM WATER	218,715	48,336	75,582	191,469	56,645	37,258	210,856		
SANITATION	48,707	90,804	89,435	50,076	82,375	88,269	44,182		
WASTEWATER OPERATING	163,764	307,016	338,262	132,518	321,513	379,094	74,937		
WASTEWATER IMPROVEMENT	5,128	2,796	-	7,924	57,781	-	65,705		
WASTEWATER DEBT RESERVE	28,185	-	-	28,185	-	-	28,185		
WATER OPERATING FUND	261,904	295,793	354,101	203,596	310,273	210,838	303,031		
WATER UTL BOND & INTEREST	(40,688)	159,390	118,702	-	-	-	-		
WATER UTL IMPROVEMENT	5,407	2,796	-	8,203	104,775	-	112,978		
WATER UTL METER DEPOSIT	70,447	7,029	711	76,765	6,665	1,730	81,700		
Totals	\$ 1,653,931	\$ 1,994,975	\$ 1,720,387	\$ 1,928,519	\$ 2,030,080	\$ 1,763,999	\$ 2,194,600		

TOWN OF DAYTON
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Years Ended December 31, 2021 and 2022

Fund	Cash and Investments			Cash and Investments			Cash and Investments
	01-01-21	Receipts	Disbursements	12-31-21	Receipts	Disbursements	
GENERAL FUND	\$ 394,734	\$ 478,668	\$ 339,723	\$ 533,679	\$ 537,233	\$ 358,938	\$ 711,974
MOTOR VEHICLE HIGHWAY	124,131	52,296	59,942	116,485	54,033	139,890	30,628
LOCAL ROAD AND STREET	102,127	35,087	6,606	130,608	24,353	19,224	135,737
Redevelopment TIF Allocation 38@65 Economic Devel	-	-	-	-	24,051	-	24,051
CIVIL DEFENSE/SIREN FUND	5,211	-	-	5,211	-	-	5,211
LOCAL LAW ENFORCEMENT CONTINUING EDUCATION FUND	10,171	1,448	905	10,714	746	4,925	6,535
RIVERBOAT (UNLESS RESTRICTED TO INFRASTRUCTURE USE	83,989	8,402	-	92,391	7,489	10,889	88,991
RAINY DAY	47,375	-	-	47,375	-	-	47,375
COUNTY ECONOMIC DEVELOPMENT INCOME TAX (CEDIT)	282,152	42,796	1,461	323,487	40,702	7,378	356,811
LEVY EXCESS FUND	49,960	-	-	49,960	-	49,960	-
CUMULATIVE CAPITAL IMPROVEMENT - CIGARETTE TAX	41,777	2,918	-	44,695	2,414	-	47,109
CUMULATIVE CAPITAL DEVELOPMENT	16,918	12,891	-	29,809	11,619	-	41,428
LIT - PUBLIC SAFETY	21,953	19,428	-	41,381	18,644	10,146	49,879
CARES ACT-COVID 19	-	53,856	53,856	-	-	-	-
ARP-AMERICAN RECOVERY FUND	-	188,294	-	188,294	189,720	-	378,014
MVH RESTRICTED (SUBFUND OF MOTOR VEHICLE HIGHWAY)	57,510	29,786	-	87,296	24,859	53,400	58,755
CABLE FRANCHISE FEE	11,350	9,251	-	20,601	7,018	-	27,619
DONATION SIGN/FLAG	376	10	120	266	2,649	224	2,691
OPIOID UNRESTRICTED	-	-	-	-	1,848	-	1,848
OPIOID RESTRICTED	-	-	-	-	4,312	-	4,312
PAYROLL	2,775	303,883	304,156	2,502	284,036	286,538	-
LOCAL ROAD & BRIDGE MATCHING GRANT	20,517	211,265	221,405	10,377	433,471	420,667	23,181
STORM WATER UTILITY OPERATING	210,856	60,139	23,735	247,260	45,727	18,087	274,900
SANITATION (IF OPERATING MOSTLY FROM USER FEES)	44,182	82,616	83,719	43,079	86,775	96,451	33,403
SEWAGE UTILITY OPERATING	74,937	302,199	284,395	92,741	319,332	276,428	135,645
WASTEWATER IMPROVEMENT	65,705	6,825	-	72,530	3,900	332	76,098
WASTEWATER DEBT RESERVE	28,185	-	-	28,185	-	-	28,185
WATER UTILITY OPERATING	303,031	297,037	178,916	421,152	348,249	297,822	471,579
WATER UTILITY DEPRECIATION	112,978	9,350	-	122,328	5,100	6	127,422
WATER UTILITY METER DEPOSIT	81,700	7,150	1,856	86,994	10,450	2,517	94,927
Totals	\$ 2,194,600	\$ 2,215,595	\$ 1,560,795	\$ 2,849,400	\$ 2,488,730	\$ 2,053,822	\$ 3,284,308

TOWN OF DAYTON
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended December 31, 2023

Fund	Cash and Investments 01-01-23	Receipts	Disbursements	Cash and Investments 12-31-23
GENERAL FUND	\$ 711,974	\$ 577,079	\$ 350,120	\$ 938,933
MOTOR VEHICLE HIGHWAY	30,628	49,183	74,504	5,307
LOCAL ROAD AND STREET	135,737	25,230	9,790	151,177
Redevelopment TIF Allocation 38@65 Economic Devel	24,051	96,184	-	120,235
CIVIL DEFENSE/SIREN FUND	5,211	-	-	5,211
LOCAL LAW ENFORCEMENT CONTINUING EDUCATION FUND	6,535	870	4,786	2,619
RIVERBOAT (UNLESS RESTRICTED TO INFRASTRUCTURE USE	88,991	7,479	11,850	84,620
RAINY DAY	47,375	-	-	47,375
COUNTY ECONOMIC DEVELOPMENT INCOME TAX (CEDIT)	356,811	56,884	348,507	65,188
CUMULATIVE CAPITAL IMPROVEMENT - CIGARETTE TAX	47,109	2,414	13,907	35,616
CUMULATIVE CAPITAL DEVELOPMENT	41,428	-	-	41,428
LIT - PUBLIC SAFETY	49,879	25,345	13,703	61,521
ARP-AMERICAN RECOVERY FUND	378,014	-	-	378,014
MVH RESTRICTED (SUBFUND OF MOTOR VEHICLE HIGHWAY)	58,755	28,639	-	87,394
CABLE FRANCHISE FEE	27,619	6,411	-	34,030
DONATION SIGN/FLAG	2,691	1,779	-	4,470
OPIOID UNRESTRICTED	1,848	331	-	2,179
OPIOID RESTRICTED	4,312	966	966	4,312
COMMUNITY ENRICHMENT DONATION FUND	-	17,914	-	17,914
OCRA GRANT	-	50,000	50,000	-
PAYROLL	-	307,761	306,773	988
LOCAL ROAD & BRIDGE MATCHING GRANT	23,181	256,291	294,280	(14,808)
STORM WATER UTILITY OPERATING	274,900	50,451	25,508	299,843
SANITATION (IF OPERATING MOSTLY FROM USER FEES)	33,403	93,060	86,358	40,105
SEWAGE UTILITY OPERATING	135,645	362,395	377,173	120,867
WASTEWATER IMPROVEMENT	76,098	6,448	126	82,420
WASTEWATER DEBT RESERVE	28,185	-	-	28,185
WATER UTILITY OPERATING	471,579	588,578	625,949	434,208
WATER UTILITY DEPRECIATION	127,422	9,448	7,961	128,909
WATER UTILITY METER DEPOSIT	94,927	8,875	5,991	97,811
Totals	<u>\$ 3,284,308</u>	<u>\$ 2,630,015</u>	<u>\$ 2,608,252</u>	<u>\$ 3,306,071</u>