

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

**Paul D. Joyce, CPA  
State Examiner**

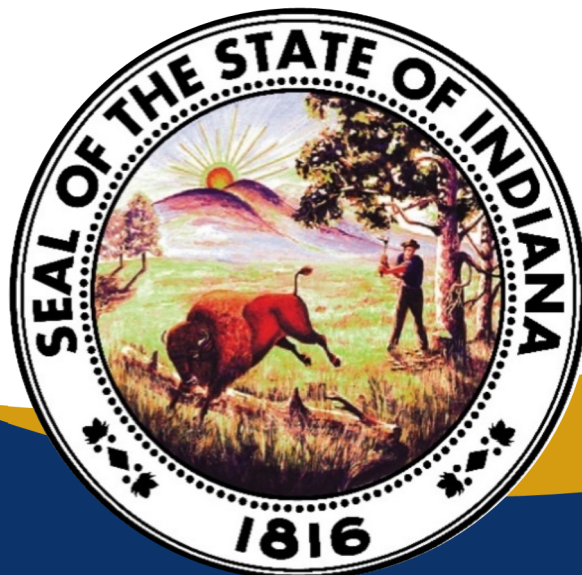
COMPLIANCE ENGAGEMENT REPORT

OF

TOWN OF DUGGER

SULLIVAN COUNTY, INDIANA

January 1, 2020 to December 31, 2024



**FILED**

04/10/2025



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Melinda Smith	01-01-20 to 12-31-25
President of the Town Council	Larry Bedwell	01-01-20 to 12-31-25



Paul D. Joyce, CPA  
State Examiner

## INDIANA STATE BOARD OF ACCOUNTS

302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769  
Telephone: (317) 232-2513  
Fax: (317) 232-4711  
[www.in.gov/sboa](http://www.in.gov/sboa)

TO: THE OFFICIALS OF THE TOWN OF DUGGER, SULLIVAN 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 Dugger (Town), for the period of January 1, 2020 to December 31, 2024. 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 Melinda Smith, Clerk-Treasurer; Kaitlen Allen, Utility Clerk; Larry Bedwell, President of the Town Council; Carolyn R. Gambill, Town Council member; and Terry L. Smith, Town Council member, on March 20, 2025.



Beth Kelley, CPA, CFE  
Deputy State Examiner

March 13, 2025

TOWN OF DUGGER  
COMMENTS

**ANNUAL FINANCIAL REPORT**

A similar comment appeared in a Management Letter addressed to the Clerk-Treasurer and the Town Council of the Town for audit period ending December 31, 2019.

*Condition and Context*

The Annual Financial Report (AFR) is required to be submitted annually via the Indiana Gateway for Government Units financial reporting system, which was the source of the Town's financial statements. It was also used to generate the Schedule of Accounts Payables and Receivables, Schedule of Leases and Debt, Schedule of Capital Assets, and the Investment Schedule. The Town had not established adequate internal controls to determine that information was accurately entered in the AFR. The AFR contained the following errors:

*Accounts Payables and Receivables*

The Town did not report any amounts for accounts payables or receivables for the engagement period. Documentation provided by the Town reflected that there were both accounts payables and accounts receivables during the engagement period that were not reported.

*Debt*

The Town incorrectly reported \$136,000 instead of \$125,000 as the ending principal balance at December 31, 2020, and \$0 instead of \$14,430 as the principal and interest due in 2021.

The Town incorrectly reported \$103,000 instead of \$114,000 as the ending principal balance at December 31, 2021.

*Capital Assets*

The amounts reported as capital assets in the AFR did not agree to the detailed capital asset listing maintained starting in 2021. In 2024, the amount reported in the AFR for wastewater buildings was net of accumulated depreciation instead of the purchase cost. The following variances were noted:

<u>Year</u>	<u>Amount Reported on AFR</u>	<u>Detailed Capital Asset Ledger</u>	<u>Variance Over (Under)</u>
2020	\$ 5,431,606	\$ -	\$ 5,431,606
2021	3,889,350	1,519,299	2,370,051
2022	2,352,831	3,123,685	(770,854)
2023	3,008,331	2,175,815	832,516
2024	3,021,363	3,828,111	(806,748)

TOWN OF DUGGER  
COMMENTS  
(Continued)

*Investments*

The Town did not report each certificate of deposit (CD) separately in 2021 and 2022. In 2020, 2023, and 2024, a CD was omitted from the schedule. In addition, variances were noted in the ending balances due to compounded interest. These errors resulted in the following variances:

Year	Investments Reported on AFR	Certificate of Deposits at December 31	Variances
2020	\$ 73,657	\$ 75,309	\$ 1,652
2021	75,450	75,450	-
2022	75,450	75,478	28
2023	75,487	77,208	1,721
2024	75,487	80,824	5,337

*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. . . ."

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner as set forth in the uniform compliance guidelines. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

TOWN OF DUGGER  
COMMENTS  
(Continued)

**CAPITAL ASSETS**

The same comment also appeared in the prior Reports B49700, B54081, and B55473.

*Condition and Context*

Internal controls were not in place to ensure that the Town complied with laws and regulations related to capital assets. The Town maintained a detailed capital asset listing, but it was incomplete. The Town reported capital assets of \$3,021,363 which were not supported by the detailed capital asset listing. In addition, the Town did not provide evidence that a physical inventory had been taken at least every two years.

*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:

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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. . . ."

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)

**ADVANCE PAYMENTS**

*Condition and Context*

Internal controls were not in place to ensure that advance payments were not being made. The Town paid all employees in advance of services during the engagement period. The Clerk-Treasurer completed the payroll process and issued payroll checks on the last day of the pay period.

TOWN OF DUGGER  
COMMENTS  
(Continued)

*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. . . ."

Compensation and any other payments for goods and services must not be paid in advance of receipt of the goods or services unless specifically authorized by law. 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 1)

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



TOWN OF DUGGER  
 STATEMENT OF RECEIPTS, DISBURSEMENTS,  
 AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Years Ended December 31, 2020 and 2021

Fund	Cash and Investments 01-01-20	Receipts	Disbursements	Cash and Investments 12-31-20	Receipts	Disbursements	Cash and Investments 12-31-21
GENERAL FUND	\$ 141,672	\$ 196,503	\$ 140,506	\$ 197,669	\$ 166,428	\$ 130,627	\$ 233,470
MOTOR VEHICLE HIGHWAY	171,743	25,369	38,172	158,940	26,821	15,727	170,034
LOCAL ROAD & STREET	22,021	5,623	214	27,430	6,159	5,992	27,597
MVH RESTRICTED	19,799	17,461	-	37,260	19,298	-	56,558
(EDIT) ECON DEV FUND	101,371	243,863	77,810	267,424	311,919	128,526	450,817
LOCAL LAW ENF CONT ED	2,673	829	-	3,502	150	-	3,652
RIVERBOAT	6,602	5,450	5,217	6,835	3,639	4,964	5,510
RAINY DAY	(943)	943	-	-	-	-	-
CUM CAP IMP - CIG TAX	10,400	1,995	3,374	9,021	1,890	2,633	8,278
CARES ACT FUND	-	28,680	28,680	-	-	-	-
ARP CORONAVIRUS LOCAL FISCAL RECOVERY FUND	-	-	-	-	98,437	-	98,437
CEMETERY	84,374	31,916	23,064	93,226	25,901	17,657	101,470
LOCAL ROAD & BRIDGE MATCH	6,527	84,765	84,765	6,527	100	100	6,527
PAYROLL	-	241,672	241,672	-	233,930	233,930	-
SEWAGE UTILITY OPERATIN	62,796	194,904	198,043	59,657	193,606	193,949	59,314
BONY WW BOND & INTEREST	13,267	14,644	14,745	13,166	14,272	14,430	13,008
BONY WW DEBT SERV RES	15,997	78	-	16,075	1	-	16,076
WATER UTILITY OPERATING	160,407	407,478	446,634	121,251	435,385	341,373	215,263
WATER UTILITY CASH	100	-	-	100	-	-	100
WATER UTL DEPRECIATION	22,000	12,000	-	34,000	12,000	-	46,000
WATER UTL METER DEPOSIT	33,404	5,867	9,151	30,120	7,579	2,620	35,079
STORM WATER OPERATING	24,777	13,728	16,000	22,505	13,647	30,000	6,152
<b>Totals</b>	<b>\$ 898,987</b>	<b>\$ 1,533,768</b>	<b>\$ 1,328,047</b>	<b>\$ 1,104,708</b>	<b>\$ 1,571,162</b>	<b>\$ 1,122,528</b>	<b>\$ 1,553,342</b>

TOWN OF DUGGER  
 STATEMENT OF RECEIPTS, DISBURSEMENTS,  
 AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Years Ended December 31, 2022 and 2023

Fund	Cash and Investments			Cash and Investments			Cash and Investments		
	01-01-22	Receipts	Disbursements	12-31-22	Receipts	Disbursements	12-31-23		
GENERAL FUND	\$ 233,470	\$ 316,783	\$ 286,813	\$ 263,440	\$ 166,756	\$ 142,010	\$ 288,186		
MOTOR VEHICLE HIGHWAY	170,034	24,673	41,384	153,323	23,282	5,520	171,085		
LOCAL ROAD & STREET	27,597	6,206	6,273	27,530	6,307	183	33,654		
MVH RESTRICTED	56,558	17,792	-	74,350	17,162	-	91,512		
(EDIT) ECON DEV FUND	450,817	277,820	168,864	559,773	256,693	135,079	681,387		
LOCAL LAW ENF CONT ED	3,652	-	-	3,652	-	-	3,652		
RIVERBOAT	5,510	4,479	7,765	2,224	4,482	4,897	1,809		
RAINY DAY	-	153,995	103,632	50,363	300	-	50,663		
OPIOID SETTLEMENT	-	377	-	377	265	-	642		
CUM CAP IMP - CIG TAX	8,278	1,447	3,409	6,316	1,447	3,717	4,046		
ARP CORONAVIRUS LOCAL FISCAL RECOVERY FUND	98,437	99,182	93,818	103,801	-	103,801	-		
CEMETERY	101,470	16,122	16,837	100,755	19,935	20,681	100,009		
GRANT FUND	-	-	-	-	90,074	48,602	41,472		
LOCAL ROAD & BRIDGE MATCH	6,527	103,894	103,894	6,527	-	-	6,527		
PAYROLL	-	265,565	265,565	-	301,485	301,099	386		
SEWAGE UTILITY OPERATIN	59,314	215,749	184,897	90,166	218,095	175,370	132,891		
BONY WW BOND & INTEREST	13,008	3,739	16,747	-	-	-	-		
BONY WW DEBT SERVICES	16,076	-	16,076	-	-	-	-		
WATER UTILITY OPERATING	215,263	400,150	406,485	208,928	420,076	419,491	209,513		
WATER UTILITY CASH	100	-	-	100	-	-	100		
WATER UTL DEPRECIATION	46,000	12,000	-	58,000	12,000	-	70,000		
WATER UTL METER DEPOSIT	35,079	6,250	3,376	37,953	5,960	4,964	38,949		
STORM WATER OPERATING	6,152	13,697	6,464	13,385	16,034	2,822	26,597		
Totals	<u>\$ 1,553,342</u>	<u>\$ 1,939,920</u>	<u>\$ 1,732,299</u>	<u>\$ 1,760,963</u>	<u>\$ 1,560,353</u>	<u>\$ 1,368,236</u>	<u>\$ 1,953,080</u>		

TOWN OF DUGGER  
 STATEMENT OF RECEIPTS, DISBURSEMENTS,  
 AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended December 31, 2024

Fund	Cash and Investments 01-01-24	Receipts	Disbursements	Cash and Investments 12-31-24
GENERAL FUND	\$ 288,186	\$ 168,063	\$ 141,410	\$ 314,839
MOTOR VEHICLE HIGHWAY	171,085	26,815	14,041	183,859
LOCAL ROAD & STREET	33,654	6,399	65	39,988
MVH RESTRICTED	91,512	16,668	-	108,180
(EDIT) ECON DEV FUND	681,387	311,209	213,503	779,093
LOCAL LAW ENF CONT ED	3,652	-	-	3,652
RIVERBOAT	1,809	4,564	5,177	1,196
RAINY DAY	50,663	-	-	50,663
OPIOID SETTLEMENT	642	548	-	1,190
CUM CAP IMP - CIG TAX	4,046	1,289	1,124	4,211
CEMETERY	100,009	17,285	17,068	100,226
GRANT FUND	41,472	6,526	47,998	-
LOCAL ROAD & BRIDGE MATCH	6,527	-	6,527	-
PAYROLL	386	305,918	305,918	386
SEWAGE UTILITY OPERATIN	132,891	239,087	180,619	191,359
WATER UTILITY OPERATING	209,513	475,319	443,590	241,242
WATER UTILITY CASH	100	-	-	100
WATER UTL DEPRECIATION	70,000	12,000	-	82,000
WATER UTL METER DEPOSIT	38,949	5,854	3,734	41,069
STORM WATER OPERATING	26,597	14,734	7,150	34,181
COOKSEY TRUST ACCOUNT	-	1,818	-	1,818
Totals	<u>\$ 1,953,080</u>	<u>\$ 1,614,096</u>	<u>\$ 1,387,924</u>	<u>\$ 2,179,252</u>