

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

TOWN OF MOUNT AYR

NEWTON COUNTY, INDIANA

January 1, 2013 to December 31, 2014



**FILED**  
04/08/2016



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Independent Accountant's Report.....	3
Financial Statement and Accompanying Notes:	
Statement of Receipts, Disbursements, and Cash and Investment	
Balances - Regulatory Basis .....	7
Notes to Financial Statement .....	8-11
Other Information - Unaudited:	
Combining Schedules of Receipts, Disbursements, and Cash and	
Investment Balances - Regulatory Basis .....	14-15
Other Report .....	16

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Dudley D. Vaughn	01-01-12 to 03-07-15
	Vacant	03-08-15 to 04-05-15
	Karen S. Warne	04-06-15 to 12-31-19
President of the Town Council	Larry Berenda	01-01-13 to 12-31-15



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

INDEPENDENT ACCOUNTANT'S REPORT

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

We were engaged to examine the accompanying financial statement of the Town of Mount Ayr (Town), for the period of January 1, 2013 to December 31, 2014. The financial statement is the responsibility of the Town's management.

The Town did not properly maintain the accounting records relating to the disbursements. The Town did not maintain documentation to support a significant amount of disbursements of the Town funds. Without adequate documentation, we could not verify that the disbursements of the Town funds were all related to the operation of the Town. The Town's records do not permit the application of other examination procedures to ascertain if the financial statement is fairly stated.

Since the Town did not properly maintain accounting records and we were not able to apply other examination procedures to satisfy ourselves as to whether the financial statement is fairly stated, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on this financial statement.

Our examination was conducted for the purpose of forming an opinion on the Town's financial statement. The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis, 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 examination procedures and, accordingly, we express no opinion on them.

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

November 9, 2015

(This page intentionally left blank.)

## 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.

(This page intentionally left blank.)

TOWN OF MOUNT AYR  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Years Ended December 31, 2013 and 2014

Fund	Cash and Investments 01-01-13	Receipts	Disbursements	Cash and Investments 12-31-13	Receipts	Disbursements	Cash and Investments 12-31-14
General	\$ 4,061	\$ 21,734	\$ 19,834	\$ 5,961	\$ 31,610	\$ 19,563	\$ 18,008
Motor Vehicle Highway	(756)	1,795	843	196	1,404	600	1,000
Local Road And Street	2,749	402	-	3,151	201	910	2,442
Rainy Day	865	-	-	865	-	-	865
Cumulative Capital Improvement	7,802	439	1,540	6,701	174	-	6,875
Postal	51,854	4,800	-	56,654	4,800	-	61,454
Building (Landfill)	585,680	152,460	70,757	667,383	155,776	87,837	735,322
Totals	<u>\$ 652,255</u>	<u>\$ 181,630</u>	<u>\$ 92,974</u>	<u>\$ 740,911</u>	<u>\$ 193,965</u>	<u>\$ 108,910</u>	<u>\$ 825,966</u>

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

TOWN OF MOUNT AYR  
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: highways and streets, public improvements, and general administrative services

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 which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers 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 which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state, local road and street distribution 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 MOUNT AYR  
NOTES TO FINANCIAL STATEMENT  
(Continued)

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine 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.

Other receipts which include amounts received from various sources which can include, but are 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 include outflows 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 which include 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 office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

*F. Interfund Transfers*

The Town may, from time to time, transfer money 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 money 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 money 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.

TOWN OF MOUNT AYR  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**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 March 1 (lien date) 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, 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.

TOWN OF MOUNT AYR  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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.

**Note 6. Cash Balance Deficits**

The financial statement contains the Motor Vehicle Highway fund with a beginning deficit in cash. This is a result of disbursements exceeding the receipts in prior years.

(This page intentionally left blank.)

#### OTHER INFORMATION - UNAUDITED

The Town's Annual Report information can be found on the Gateway 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 Annual Reports of the Town which are referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the examination. This is a common occurrence in any financial statement examination. The financial information presented in this report is examined information, and the accuracy of such information can be determined by reading the opinion given in the Independent Accountant's Report.

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

TOWN OF MOUNT AYR  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2013

	General	Motor Vehicle Highway	Local Road And Street	Rainy Day	Cumulative Capital Improvement	Postal	Building (Landfill)	Totals
Cash and investments - beginning	\$ 4,061	\$ (756)	\$ 2,749	\$ 865	\$ 7,802	\$ 51,854	\$ 585,680	\$ 652,255
Receipts:								
Taxes	17,475	-	-	-	-	-	-	17,475
Intergovernmental	4,137	1,795	402	-	439	-	-	6,773
Charges for services	-	-	-	-	-	4,800	140,605	145,405
Fines and forfeits	122	-	-	-	-	-	-	122
Other receipts	-	-	-	-	-	-	11,855	11,855
Total receipts	<u>21,734</u>	<u>1,795</u>	<u>402</u>	<u>-</u>	<u>439</u>	<u>4,800</u>	<u>152,460</u>	<u>181,630</u>
Disbursements:								
Personal services	9,000	600	-	-	-	-	-	9,600
Supplies	463	243	-	-	-	-	3,440	4,146
Other services and charges	10,371	-	-	-	1,540	-	63,267	75,178
Capital outlay	-	-	-	-	-	-	4,050	4,050
Total disbursements	<u>19,834</u>	<u>843</u>	<u>-</u>	<u>-</u>	<u>1,540</u>	<u>-</u>	<u>70,757</u>	<u>92,974</u>
Excess (deficiency) of receipts over disbursements	<u>1,900</u>	<u>952</u>	<u>402</u>	<u>-</u>	<u>(1,101)</u>	<u>4,800</u>	<u>81,703</u>	<u>88,656</u>
Cash and investments - ending	<u>\$ 5,961</u>	<u>\$ 196</u>	<u>\$ 3,151</u>	<u>\$ 865</u>	<u>\$ 6,701</u>	<u>\$ 56,654</u>	<u>\$ 667,383</u>	<u>\$ 740,911</u>

TOWN OF MOUNT AYR  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2014

	General	Motor Vehicle Highway	Local Road And Street	Rainy Day	Cumulative Capital Improvement	Postal	Building (Landfill)	Totals
Cash and investments - beginning	\$ 5,961	\$ 196	\$ 3,151	\$ 865	\$ 6,701	\$ 56,654	\$ 667,383	\$ 740,911
Receipts:								
Taxes	25,166	-	-	-	-	-	-	25,166
Intergovernmental	6,407	1,404	201	-	174	-	-	8,186
Charges for services	37	-	-	-	-	4,800	154,250	159,087
Other receipts	-	-	-	-	-	-	1,526	1,526
Total receipts	<u>31,610</u>	<u>1,404</u>	<u>201</u>	<u>-</u>	<u>174</u>	<u>4,800</u>	<u>155,776</u>	<u>193,965</u>
Disbursements:								
Personal services	8,400	-	-	-	-	-	600	9,000
Supplies	565	-	910	-	-	-	6,225	7,700
Other services and charges	10,598	600	-	-	-	-	72,136	83,334
Capital outlay	-	-	-	-	-	-	8,876	8,876
Total disbursements	<u>19,563</u>	<u>600</u>	<u>910</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>87,837</u>	<u>108,910</u>
Excess (deficiency) of receipts over disbursements	<u>12,047</u>	<u>804</u>	<u>(709)</u>	<u>-</u>	<u>174</u>	<u>4,800</u>	<u>67,939</u>	<u>85,055</u>
Cash and investments - ending	<u>\$ 18,008</u>	<u>\$ 1,000</u>	<u>\$ 2,442</u>	<u>\$ 865</u>	<u>\$ 6,875</u>	<u>\$ 61,454</u>	<u>\$ 735,322</u>	<u>\$ 825,966</u>

#### OTHER REPORT

In addition to this report, a Supplemental Compliance Report has been issued for the Town. That report can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.