

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

FINANCIAL STATEMENTS REVIEW REPORT

OF

TOWN OF MOUNT AYR

NEWTON COUNTY, INDIANA

January 1, 2015 to December 31, 2018



FILED
10/28/2019

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Accountant's Review Report.....	3-4
Financial Statements and Accompanying Notes:	
Statements of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis	6-7
Notes to Financial Statements.....	8-11
Review Results and Comments:	
Town Council:	
Salary Ordinance	14
Budget	14
Clerk-Treasurer:	
Investments.....	16
Payroll	16
Budget.....	16-17
Overdrawn Cash Balance	17
Certified Report of Names, Addresses, Duties and Compensation of Public Employees (Form 100R)	17-18
Exit Conference.....	19

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Dudley D. Vaughn	01-01-15 to 03-08-15
	(Vacant)	03-09-15 to 04-05-15
	Karen Warne	04-06-15 to 12-31-19
President of the Town Council	Larry Berenda	01-01-15 to 12-31-19



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

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

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

We have reviewed the accompanying financial statements of the Town of Mount Ayr (Town), for the period of January 1, 2015 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

September 12, 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 MOUNT AYR
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Years Ended December 31, 2015 and 2016

Fund	Cash and Investments 01-01-15	Receipts	Disbursements	Cash and Investments 12-31-15	Receipts	Disbursements	Cash and Investments 12-31-16
GENERAL FUND	\$ 18,008	\$ 20,823	\$ 21,749	\$ 17,082	\$ 3,894	\$ 46,721	\$ (25,745)
MOTOR VEHICLE HIGHWAY	1,000	5,194	137	6,057	4,287	-	10,344
LOCAL ROAD & STREET	2,442	1,200	341	3,301	10,730	-	14,031
RAINY DAY	865	-	-	865	-	-	865
CUM CAP IMP - CIG TAX	6,875	306	-	7,181	164	327	7,018
BUILDING	735,322	149,637	72,289	812,670	140,083	74,275	878,478
POSTAL	61,454	4,450	73	65,831	4,000	-	69,831
Totals	<u>\$ 825,966</u>	<u>\$ 181,610</u>	<u>\$ 94,589</u>	<u>\$ 912,987</u>	<u>\$ 163,158</u>	<u>\$ 121,323</u>	<u>\$ 954,822</u>

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

TOWN OF MOUNT AYR
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Years Ended December 31, 2017 and 2018

Fund	Cash and Investments 01-01-17	Receipts	Disbursements	Cash and Investments 12-31-17	Receipts	Disbursements	Cash and Investments 12-31-18
GENERAL FUND	\$ (25,745)	\$ 65,380	\$ 35,147	\$ 4,488	\$ 128,813	\$ 43,371	\$ 89,930
MOTOR VEHICLE HIGHWAY	10,344	4,620	-	14,964	5,692	-	20,656
LOCAL ROAD & STREET	14,031	928	224	14,735	1,267	-	16,002
RAINY DAY	865	-	-	865	-	-	865
CUM CAP IMP - CIG TAX	7,018	156	-	7,174	135	-	7,309
BUILDING	878,478	96,843	50,008	925,313	37,225	50,275	912,263
POSTAL	69,831	5,120	500	74,451	5,760	-	80,211
Totals	<u>\$ 954,822</u>	<u>\$ 173,047</u>	<u>\$ 85,879</u>	<u>\$ 1,041,990</u>	<u>\$ 178,892</u>	<u>\$ 93,646</u>	<u>\$ 1,127,236</u>

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

TOWN OF MOUNT AYR
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: highways and streets, culture and recreation, public improvements, planning and zoning, and general administrative services.

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.

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.

TOWN OF MOUNT AYR
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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.

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.

TOWN OF MOUNT AYR
NOTES TO FINANCIAL STATEMENTS
(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 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.

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.

TOWN OF MOUNT AYR
NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 6. Cash Balance Deficits

The financial statements contain the General Fund with a deficit in cash as of December 31, 2016. This is a result of disbursements exceeding the receipts. By December 31, 2017, the General Fund had a positive cash balance.

Note 7. Subsequent Event

In February 2019, it was announced that a local resident had left \$200,000 to the Town for water and sewer installation. However, it is to be used within five years or the funds will go to a charity. Discussions for how the money will be spent are ongoing.

(This page intentionally left blank.)

TOWN COUNCIL
TOWN OF MOUNT AYR

TOWN COUNCIL
TOWN OF MOUNT AYR
REVIEW RESULTS AND COMMENTS

SALARY ORDINANCE

Condition and Context

The Town Council did not adopt a salary ordinance establishing the salaries and pay rates for Town employees for 2015 and 2016. For 2015 and 2016, the Town employees were paid \$9,994 and \$16,606, respectively.

The Town Council did adopt a salary ordinance establishing the salaries and pay rates for Town employees for 2017 and 2018.

Criteria

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

BUDGET

Condition and Context

The Town did not have a budget approved by the Department of Local Government Finance for 2015 and 2016.

For 2017 and 2018, the General Fund, Motor Vehicle Highway, Local Road & Street, and Cum Cap Imp - Cig Tax funds were provided with a certified budget approved by the Department of Local Government Finance. However, the 2017 and 2018 General Fund expenditures were in excess of certified budgeted appropriations by \$21,147 and \$23,371, respectively.

Criteria

The law requires the adoption of a balanced budget which shall include all anticipated revenues and expenses of every organizational unit with the exception of utilities. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 2)

Appropriations as stated in the budget, or as modified by additional appropriations, shall constitute the limitation of disbursements. No disbursement shall be made without an appropriation therefore unless specifically authorized by law. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 2)

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."

CLERK-TREASURER
TOWN OF MOUNT AYR

CLERK-TREASURER
TOWN OF MOUNT AYR
REVIEW RESULTS AND COMMENTS

INVESTMENTS

Condition and Context

The Town had investments in Certificate of Deposits (CD's). A Register of Investments, General Form No. 350, was not maintained to record the investment transactions nor were the investments included in the Town's ledgers. Interest earned on the CD's was automatically added to the principal.

Criteria

Interest on investments should not be automatically added into the investment. Instead, interest on investments should be paid to the governmental unit at each maturity date and posted to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Officials and employees are required to use prescribed and approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

PAYROLL

Condition and Context

The Town employees consist of the Town Board members, the Clerk-Treasurer, the Building Commissioner, a custodian/janitor, and a groundskeeper. The following deficiencies were noted concerning payroll transactions:

1. Internal Revenue Service (IRS) Wage and Tax Statements - Form W-2 were not issued to employees.
2. Employees were paid without federal, state, or local taxes being withheld.

The Town did issue IRS Miscellaneous Income Form 1099 - MISC to the employees.

Criteria

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

BUDGET

Condition and Context

The Town did not have a budget approved by the Department of Local Government Finance for 2015 and 2016.

CLERK-TREASURER
TOWN OF MOUNT AYR
REVIEW RESULTS AND COMMENTS
(Continued)

For 2017 and 2018, the General Fund, Motor Vehicle Highway, Local Road & Street, and Cum Cap Imp - Cig Tax funds were provided with a certified budget approved by the Department of Local Government Finance. However, the 2017 and 2018 General Fund expenditures were in excess of certified budgeted appropriations by \$21,147 and \$23,371, respectively.

Criteria

The law requires the adoption of a balanced budget which shall include all anticipated revenues and expenses of every organizational unit with the exception of utilities. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 2)

Appropriations as stated in the budget, or as modified by additional appropriations, shall constitute the limitation of disbursements. No disbursement shall be made without an appropriation therefore unless specifically authorized by law. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 2)

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."

OVERDRAWN CASH BALANCE

Condition and Context

The Town's General Fund had a \$25,745 overdrawn cash balance at December 31, 2016. By the end of the following year, the General Fund had a positive cash balance.

Criteria

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

**CERTIFIED REPORT OF NAMES, ADDRESSES, DUTIES AND
COMPENSATION OF PUBLIC EMPLOYEES (FORM 100R)**

Condition and Context

The 2018 Certified Report of Names, Addresses, Duties and Compensation of Public Employees (Form 100R) failed to report all compensation paid to public employees. The compensation paid to the Town Board members as well as the Building Commissioner were not reported.

CLERK-TREASURER
TOWN OF MOUNT AYR
REVIEW RESULTS AND COMMENTS
(Continued)

Criteria

Indiana Code 5-11-13-1 states in part:

"Every state, county, city, town, township, or school official . . . shall during the month of January of each year prepare, make, and sign a certified report, correctly and completely showing the names and business addresses of each and all officers, employees, and agents . . . and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts."

TOWN OF MOUNT AYR
EXIT CONFERENCE

The contents of this report were discussed on September 12, 2019, with Karen Warne, Clerk-Treasurer, and Larry Berenda, President of the Town Council.