

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

FINANCIAL STATEMENTS REVIEW REPORT

OF

TOWN OF DUNREITH

HENRY COUNTY, INDIANA

January 1, 2016 to December 31, 2020



**FILED**

12/08/2021



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Robin Rose	01-01-16 to 12-31-21
President of the Town Council	Tim Martin Oren Jarvis	01-01-16 to 12-31-19 01-01-20 to 12-31-21



## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

TO: THE OFFICIALS OF THE TOWN OF DUNREITH, HENRY COUNTY, INDIANA

We have reviewed the accompanying financial statements of the Town of Dunreith (Town), for the period of January 1, 2016 to December 30, 2020. 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 the 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

December 1, 2020

## 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.

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TOWN OF DUNREITH  
STATEMENT OF RECEIPTS, DISBURSEMENTS,  
AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Years Ended December 31, 2016 and 2017

Fund	Cash and Investments 01-01-16	Receipts	Disbursements	Cash and Investments 12-31-16	Receipts	Disbursements	Cash and Investments 12-31-17
GENERAL FUND	\$ 86,879	\$ 62,702	\$ 53,902	\$ 95,679	\$ 60,234	\$ 51,427	\$ 104,486
MOTOR VEHICLE HIGHWAY	65,383	10,596	2,894	73,085	10,047	-	83,132
LOCAL ROAD & STREET	10,761	1,661	1,695	10,727	1,318	-	12,045
TRASH PICKUP	6,940	11,770	9,560	9,150	11,695	10,181	10,664
RIVERBOAT REVENUE SHARING	2,002	1,048	-	3,050	1,049	-	4,099
CEMETERY	6,725	900	64	7,561	600	12	8,149
RAINY DAY FUND	26,891	6,199	-	33,090	5,000	-	38,090
CUM CAP IMP - CIG TAX	4,672	451	-	5,123	1,053	994	5,182
BUILDINGS	3,503	-	-	3,503	-	-	3,503
LOIT - PUBLIC SAFETY	-	3,609	-	3,609	4,136	1,186	6,559
ELECTRIC UTL OPERATING	169,435	209,566	228,200	150,801	183,835	193,715	140,921
ELECTRIC UTL METER DEP	3,000	800	600	3,200	1,600	100	4,700
ELECTRIC UTL DEPRECIATI	37,051	-	-	37,051	-	-	37,051
Totals	<u>\$ 423,242</u>	<u>\$ 309,302</u>	<u>\$ 296,915</u>	<u>\$ 435,629</u>	<u>\$ 280,567</u>	<u>\$ 257,615</u>	<u>\$ 458,581</u>

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

TOWN OF DUNREITH  
STATEMENT OF RECEIPTS, DISBURSEMENTS,  
AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Years Ended December 31, 2018 and 2019

Fund	Cash and Investments 01-01-18	Receipts	Disbursements	Cash and Investments 12-31-18	Receipts	Disbursements	Cash and Investments 12-31-19
GENERAL FUND	\$ 104,486	\$ 65,676	\$ 53,524	\$ 116,638	\$ 63,374	\$ 53,274	\$ 126,738
MOTOR VEHICLE HIGHWAY	83,132	6,342	-	89,474	17,817	13,000	94,291
LOCAL ROAD & STREET	12,045	528	1,294	11,279	3,464	1,842	12,901
TRASH PICKUP	10,664	11,976	10,428	12,212	11,799	10,931	13,080
RIVERBOAT REVENUE SHARING	4,099	1,049	1,280	3,868	1,049	-	4,917
CEMETERY	8,149	600	-	8,749	-	130	8,619
RAINY DAY FUND	38,090	-	-	38,090	4,500	-	42,590
CUM CAP IMP - CIG TAX	5,182	-	1,000	4,182	609	-	4,791
BUILDINGS	3,503	-	-	3,503	-	-	3,503
LOIT - PUBLIC SAFETY	6,559	4,480	2,094	8,945	5,281	4,504	9,722
ELECTRIC UTL OPERATING	140,921	221,667	214,167	148,421	202,386	194,315	156,492
ELECTRIC UTL METER DEP	4,700	800	1,600	3,900	1,200	-	5,100
ELECTRIC UTL DEPRECIATI	37,051	-	-	37,051	-	-	37,051
Totals	<u>\$ 458,581</u>	<u>\$ 313,118</u>	<u>\$ 285,387</u>	<u>\$ 486,312</u>	<u>\$ 311,479</u>	<u>\$ 277,996</u>	<u>\$ 519,795</u>

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

TOWN OF DUNREITH  
 STATEMENT OF RECEIPTS, DISBURSEMENTS,  
 AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended December 31, 2020

Fund	Cash and Investments 01-01-20	Receipts	Disbursements	Cash and Investments 12-31-20
GENERAL FUND	\$ 126,738	\$ 65,452	\$ 47,503	\$ 144,687
MOTOR VEHICLE HIGHWAY	94,291	11,136	51,891	53,536
LOCAL ROAD & STREET	12,901	2,239	1,584	13,556
MVH Restricted	-	53,538	22,367	31,171
TRASH PICKUP	13,080	11,581	10,830	13,831
MVH GRANT	-	85,201	85,201	-
RIVERBOAT REVENUE SHARING	4,917	1,049	-	5,966
CEMETERY	8,619	-	1	8,618
RAINY DAY FUND	42,590	-	-	42,590
CUM CAP IMP - CIG TAX	4,791	593	-	5,384
BUILDINGS	3,503	-	-	3,503
LOIT - PUBLIC SAFETY	9,722	4,796	3,650	10,868
ELECTRIC UTL OPERATING	156,492	195,852	183,235	169,109
ELECTRIC UTL METER DEP	5,100	1,100	204	5,996
ELECTRIC UTL DEPRECIATI	37,051	-	-	37,051
Totals	<u>\$ 519,795</u>	<u>\$ 432,537</u>	<u>\$ 406,466</u>	<u>\$ 545,866</u>

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

TOWN OF DUNREITH  
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: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, electric, gas, storm water, trash, aviation, and urban redevelopment and housing.

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.

*Licenses and permits.* Amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction, or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include the following: peddler licenses, animal licenses, auctioneer licenses, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

TOWN OF DUNREITH  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

*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.

*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.

*Utility fees.* Amounts received from charges for current services.

*Penalties.* Amounts received from late payment fees.

*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.

*Utility operating expenses.* Amounts disbursed for operating the utilities.

*Other disbursements.* Amounts disbursed for various other purposes including, but not limited to, the following: interfund loan payments; loans made to other funds; internal service disbursements; and transfers out that are authorized by statute, ordinance, resolution, or court order.

TOWN OF DUNREITH  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

*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.

**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.

TOWN OF DUNREITH  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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 DUNREITH  
REVIEW RESULTS AND COMMENTS

**CERTIFICATION ON INTERNAL CONTROL STANDARDS**

*Condition and Context*

The Town's certifications of training on internal control standards made on the Annual Financial Reports were not made correctly for 2016, 2017, 2018, 2019, and 2020. The certification asserts that training on internal control standards was received by all applicable personnel; however, utility personnel had not received this training.

*Criteria*

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 not later than sixty (60) days after the close of each fiscal year. 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](#)."

**TRAINING ON INTERNAL CONTROL STANDARDS**

*Condition and Context*

All applicable personnel had not received training over internal control standards. Utility personnel had not received training over internal control standards that were developed or approved by the Indiana State Board of Accounts.

*Criteria*

Indiana Code 5-11-1-27(g) states in part:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that: . . .

- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

TOWN OF DUNREITH  
REVIEW RESULTS AND COMMENTS  
(Continued)

**MVH RESTRICTED FUND**

*Condition and Context*

The Town did not follow State Examiner Directive 2018-2 regarding the Motor Vehicle Highway (MVH) fund and MVH sub-fund. The Town did not create the required MVH Restricted fund within its financial records, nor did they post 50 percent of the MVH distributions directly to the sub-fund in 2019.

In 2020, the Town created the MVH Restricted fund, but receipted \$50,179 more than the required 50 percent of the MVH distributions into the MVH Restricted fund. A Town Council approved ordinance or resolution electing to allocate more than 50 percent to the MVH Restricted fund was not provided as required.

*Criteria*

Indiana Code 8-14-1-5(c) states: "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."

On the chart of accounts, the MVH Fund and MVH Restricted sub-fund shall be shown as follows:

...

Cities and Towns

Fund 201	MVH
Fund 203	MVH Restricted.

**Together, MVH and MVH Restricted shall constitute the total MVH Fund.** MVH and MVH Restricted will be shown separately on the Annual Financial Report and Annual Operational Report.

Starting on January 1, 2019, the political subdivision must post at the time of receipt of the distribution from the State Motor Vehicle Highway Account fifty percent (50%) of the distribution to MVH Restricted.

The political subdivision, by ordinance or resolution, may elect to allocate more than fifty percent (50%) of the distributions to the MVH Restricted. . . . (State Examiner Directive 2018-2)

TOWN OF DUNREITH  
EXIT CONFERENCE

The contents of this report were discussed on December 1, 2020, with Robin Rose, Clerk-Treasurer; Oren Jarvis, President of the Town Council; and Tim Martin, Town Council member.