

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

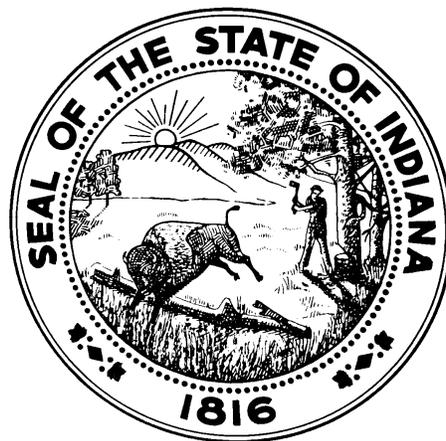
EXAMINATION REPORT

OF

TOWN OF PENNVILLE

JAY COUNTY, INDIANA

January 1, 2007 to December 31, 2008



FILED
11/04/2009

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Accountant's Report.....	3
Financial Information:	
Schedules of Receipts, Disbursements, and Cash and Investment Balances	4
Notes to Financial Information	5
Supplementary Information:	
Schedule of Long-Term Debt	6
Examination Results and Comments:	
Bank Account Reconciliations	7
Transaction Recording	7
Annual City and Town Reports.....	7
Utility Rate Ordinances.....	7
Overpayment Collections	8
Overpaid Salaries	8
Clothing and Equipment Allowances	8
Penalties, Interest, and Other Charges	8
Deposits.....	9
Overdrawn Fund Balance.....	9
Appropriations.....	9
Capital Assets.....	10
Marshal's Receipt Forms	10
Exit Conference.....	11

OFFICIALS

Office

Official

Term

Clerk-Treasurer

Krista M. Scholer

01-01-06 to 12-31-11

President of the Town Council

Kathy K. Corwin
Patricia Frazee

01-01-07 to 12-31-07
01-01-08 to 12-31-09



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 REPORT

TO: THE OFFICIALS OF THE TOWN OF PENNVILLE, JAY COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Pennville (Town), for the period of January 1, 2007 to December 31, 2008. The Town's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the Town for the years ended December 31, 2007 and 2008, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Long-Term Debt, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the basic financial information. It has not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

September 14, 2009

TOWN OF PENNVILLE
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
As Of And For The Years Ended December 31, 2007 And 2008

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 18,966	\$ 130,951	\$ 137,530	\$ 12,387
Motor Vehicle Highway	4,813	30,527	35,941	(601)
Local Road and Street	13,607	3,616	4,164	13,059
Law Enforcement Continuing Education	-	360	105	255
Riverboat	4,443	4,452	-	8,895
Rainy Day	18,986	13,299	-	32,285
Fire Equipment Donation	1,500	-	-	1,500
Cumulative Capital Improvement	32,088	2,480	-	34,568
Levy Excess	1,403	-	1,403	-
Proprietary Funds:				
Water Utility - Operating	102,795	128,459	157,216	74,038
Water Utility - Depreciation	7,994	1,929	-	9,923
Water Utility - Customer Deposit	20,339	4,700	8,042	16,997
Wastewater Utility - Operating	32,055	71,773	70,032	33,796
Wastewater Utility - Improvement	33,590	6,924	-	40,514
Wastewater Utility - Cash Reserve	15,790	4,200	-	19,990
Trash Utility - Operating	15,230	32,534	32,793	14,971
Totals	<u>\$ 323,599</u>	<u>\$ 436,204</u>	<u>\$ 447,226</u>	<u>\$ 312,577</u>

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 12,387	\$ 137,674	\$ 83,418	\$ 66,643
Motor Vehicle Highway	(601)	24,530	23,042	887
Local Road and Street	13,059	3,405	-	16,464
Law Enforcement Continuing Education	255	394	-	649
Riverboat	8,895	4,429	-	13,324
Rainy Day	32,285	270	16,146	16,409
Fire Equipment Donation	1,500	-	-	1,500
Cumulative Capital Improvement	34,568	2,596	-	37,164
FEMA Grant	-	75,524	48,856	26,668
Proprietary Funds:				
Water Utility - Operating	74,038	116,210	123,257	66,991
Water Utility - Depreciation	9,923	1,929	-	11,852
Water Utility - Customer Deposit	16,997	3,200	1,601	18,596
Wastewater Utility - Operating	33,796	78,015	81,004	30,807
Wastewater Utility - Improvement	40,514	6,924	-	47,438
Wastewater Utility - Cash Reserve	19,990	1,400	-	21,390
Trash Utility - Operating	14,971	31,809	37,024	9,756
Fiduciary Fund:				
EDIT Clearing	-	23,290	-	23,290
Totals	<u>\$ 312,577</u>	<u>\$ 511,599</u>	<u>\$ 414,348</u>	<u>\$ 409,828</u>

The accompanying notes are an integral part of the financial information.

TOWN OF PENNVILLE
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The Town was established under the laws of the State of Indiana. The Town provides the following services: public safety, general administrative services, and water, wastewater, and trash utilities.

Note 2. Fund Accounting

The Town uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Town in June and December. 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% 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 become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the Town on or prior to December 31 of the year collected.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were 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 statute (IC 5-13-9) authorizes 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.

TOWN OF PENNVILLE
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2008

The Town has entered into the following long-term debt:

Description of Asset	Ending Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Police Vehicle Loan	\$ <u>2,745</u>	\$ <u>2,766</u>
Business-type Activities:		
Water Utility:		
Loan for Water Tower	\$ 40,200	\$ 2,000
Revenue Bonds	<u>287,926</u>	<u>35,721</u>
Total business-type activities long-term debt	<u>\$ 328,126</u>	<u>\$ 37,721</u>

TOWN OF PENNVILLE
EXAMINATION RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were not presented for examination.

IC 5-13-6-1(e) states in part: "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."

TRANSACTION RECORDING

Hundreds of errors were made in posting transactions to the ledgers. These errors included:

- (1) posting checks more than once,
- (2) posting checks for wrong amounts,
- (3) posting utility billings as cash receipts, and
- (4) not posting deposits and interest.

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ANNUAL CITY AND TOWN REPORTS

The Annual City and Town Financial Reports required numerous adjustments in order to fairly present the financial position of the Town.

Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

UTILITY RATE ORDINANCES

Billings for the Town's Water and Wastewater Utilities were miscalculated for all customers except those with minimum bills. The incorrect billings were caused by confusion in entering incremental rates into the computerized billing system. While the effect on most Wastewater bills was small, most Water Utility customers were significantly undercharged.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF PENNVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

OVERPAYMENT COLLECTIONS

The Town pays sales tax collected from its Water Utility customers to the Indiana Department of Revenue (IDOR) monthly. In both 2007 and 2008, the new Clerk-Treasurer also paid the preceding year's sales tax as an annual payment. IDOR did not realize that the taxes had already been paid, so they charged penalties and interest on the annual payments, which were of course paid after the monthly due dates. Town officials were unaware of the double payments, and therefore had not contacted IDOR about receiving refunds. The total amount of the double payments, plus payments of penalties and interest charged on them, is \$13,304.08.

Governmental units should collect any overpayments made. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OVERPAID SALARIES

Unlike previous years, the extra \$588 paid at each year-end to the Deputy Utility Superintendent was not deducted from his salaries paid twice monthly in 2007 and 2008. In order to repay this \$1,176, his last 10 gross pays of 2009 (starting with the paycheck issued August 15) are being reduced by \$117.60 each. The Clerk-Treasurer now knows not to issue any more of the extra year-end checks.

Governmental units should collect any overpayments made. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CLOTHING AND EQUIPMENT ALLOWANCES

The Town paid each of its three police reserve officers \$1,600 per year in clothing and equipment allowances. The Town had no documentation of amounts of expenditures that the officers actually incurred. These allowances were reported to the Internal Revenue Service for 2007 but not for 2008.

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PENALTIES, INTEREST, AND OTHER CHARGES

Penalties and interest totaling \$171.88 were paid to the Indiana Department of Revenue and the Internal Revenue Service during 2007 and 2008. The Clerk-Treasurer reimbursed the Town on August 17, 2009, for the \$42.53 of these late fees which were incurred after our prior examination.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion . . . Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF PENNVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

DEPOSITS

Many collections, especially those received by mail, were not deposited timely. The time lapse between the check date and the deposit date per the Town's bank statements averaged 13 days for state distributions and 9 days for County distributions.

IC 5-13-6-1(d) states:

"A city (other than a consolidated city) or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and (2) approved as depositories of state funds."

OVERDRAWN FUND BALANCE

The cash and investment balance of the Motor Vehicle Highway Fund was overdrawn by \$600 at December 31, 2007.

The fund balance of any fund may not be reduced below zero. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

APPROPRIATIONS

The following expenditures were in excess of budgeted appropriations:

Fund	Years	Excess Amount Expended
Motor Vehicle Highway	2007	\$ 214
Local Road and Streets	2007	4,164
Law Enforcement Continuing Education	2007	105
General	2008	141
Rainy Day	2008	16,146

IC 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."

TOWN OF PENNVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

CAPITAL ASSETS

Records of the Town's capital assets have not been maintained, nor have physical inventories been taken, for several years.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded on the Capital Assets Ledger. A complete inventory should be taken at least every two years for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

MARSHAL'S RECEIPT FORMS

The Marshal issued generic receipt forms, many of which were not prenumbered, instead of prescribed or approved receipt forms.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF PENNVILLE
EXIT CONFERENCE

The contents of this report were discussed on October 1, 2009, with Krista M. Scholer, Clerk-Treasurer; and Patricia Frazee, President of the Town Council. The officials concurred with our findings.