

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

TOWN OF PENNVILLE

JAY COUNTY, INDIANA

January 1, 2009 to December 31, 2010



FILED
11/30/2011

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OFFICIALS

Office

Official

Term

Clerk-Treasurer

Krista M. Scholer

01-01-08 to 12-31-11

President of the Town Council

Patricia Frazee
Rodne E. Penrod

01-01-09 to 12-31-10
01-01-11 to 12-31-11



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial statements of the Town of Pennville (Town), for the period of January 1, 2009 to December 31, 2010. The Town's management is responsible for the financial statements. 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 statements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

As discussed in Note 1, the Town prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the 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. The basis noted above is a different basis than that used in the prior year.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Town for the years ended December 31, 2009 and 2010, on the basis of accounting described in Note 1.

The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis for the year ended December 31, 2010, and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statements. They have not been subjected to the examination procedures applied to the financial statements and, accordingly, we express no opinion on them. The Combining Schedule of Receipts, Disbursements, and Cash and Investments Balances – Regulatory Basis was not presented for the year ended December 31, 2009.

This report is intended solely for the information and use of the Town's management and Town Council, and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

October 17, 2011

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FINANCIAL STATEMENTS

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 PENNVILLE
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended December 31, 2009

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
General	\$ 66,643	\$ 130,365	\$ 148,168	\$ 48,840
Motor Vehicle Highway	887	24,377	20,921	4,343
Local Road and Street	16,464	3,174	-	19,638
Sanitation	9,756	33,424	36,491	6,689
Riverboat	13,324	4,418	-	17,742
Rainy Day	16,409	961	-	17,370
Local Law Enforcement Continuing Education	649	415	-	1,064
Cumulative Capital Improvement	37,164	3,615	-	40,779
Fire Equipment	1,500	-	-	1,500
Economic Development Income Tax	23,290	5,300	23,290	5,300
FEMA	26,668	-	26,668	-
Water Utility - Operating	66,991	131,899	143,092	55,798
Water Utility - Depreciation/Improvement	11,852	1,929	-	13,781
Water Utility - Customer Deposit	18,596	5,014	3,000	20,610
Wastewater Utility - Operating	30,807	76,228	91,616	15,419
Wastewater Utility - Depreciation/Improvement	47,438	6,924	26,575	27,787
Wastewater Utility - Cash Reserve	21,390	-	-	21,390
Totals	<u>\$ 409,828</u>	<u>\$ 428,043</u>	<u>\$ 519,821</u>	<u>\$ 318,050</u>

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

TOWN OF PENNVILLE
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2010

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
General	\$ 48,840	\$ 131,452	\$ 134,590	\$ 45,702
Motor Vehicle Highway	4,343	23,255	17,331	10,267
Local Road and Street	19,638	3,200	-	22,838
Sanitation	6,689	33,379	35,014	5,054
Riverboat	17,742	4,418	-	22,160
Rainy Day	17,370	4,919	-	22,289
Local Law Enforcement Continuing Education	1,064	472	1,528	8
PTRC	-	207	-	207
Public Safety	-	721	-	721
Fire Grant	-	133,055	19,469	113,586
Cumulative Capital Improvement	40,779	2,067	-	42,846
Fire Equipment	1,500	-	-	1,500
Economic Development Income Tax	5,300	10,414	15,373	341
Water Utility - Operating	55,798	252,653	237,942	70,509
Water Utility - Depreciation/Improvement	13,781	1,929	-	15,710
Water Utility - Customer Deposit	20,610	5,342	3,340	22,612
Wastewater Utility - Operating	15,419	72,155	72,715	14,859
Wastewater Utility - Depreciation/Improvement	27,787	6,924	23,275	11,436
Wastewater Utility - Cash Reserve	21,390	-	-	21,390
	<u>318,050</u>	<u>686,562</u>	<u>560,577</u>	<u>444,035</u>
Totals	<u>\$ 318,050</u>	<u>\$ 686,562</u>	<u>\$ 560,577</u>	<u>\$ 444,035</u>

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

TOWN OF PENNVILLE
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, public improvements, general administrative services, water, wastewater, and trash.

The accompanying financial statements present the financial information for the Town (primary government), and does not include financial information for any of the Town's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of the Town (primary government.)

B. Basis of Accounting

The financial statements are reported on a regulatory basis of accounting prescribed by the 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. Receipts are recorded when received and disbursements are recorded when paid.

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 may include, but are not limited to, 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.

Special assessments which include amounts levied against certain properties to defray all or part of the cost of a specific capital improvement or service deemed to benefit primarily those properties.

License and permits which includes amounts received from businesses, occupations, or non-businesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the

TOWN OF PENNVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

permit. Examples of license and permits include: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

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 includes, but is 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.

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.

Fines and forfeits which includes receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

Net proceeds from borrowings include receipts from general obligation bonds, notes and loans.

Intergovernmental loan activity which includes amounts received from other funds as loans on a temporary basis.

Transfers in which includes funds authorized by statute, ordinance, resolution or court order to be transferred in from another fund.

Utility receipts which are comprised mostly of charges for current services.

Internal service receipts which are comprised mostly of fees received for services performed for other funds.

Fiduciary receipts which are comprised mostly of contributions to the pensions funds from state and local sources.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statements. The aggregate disbursements may include, but are not limited to, 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.

TOWN OF PENNVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Supplies which includes 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 includes, but is not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service principal and interest which includes fixed obligations resulting from financial transactions previously entered into by the Town. It includes all expenditures for the reduction of the principal and interest of the Town's general obligation indebtedness.

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

Interfund loan payments and loans made which includes amounts that are owed to a particular fund by another fund.

Transfers out which includes funds authorized by statute, ordinance, resolution or court order to be transferred to another fund.

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.

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.

TOWN OF PENNVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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% 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 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.

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. These risks may also be mitigated by the Town by recording as a disbursement and replacement items purchased.

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SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Town's 2010 Annual Report can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

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 Report of the Town which is 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 supplementary information presented was prepared and/or approved by management of the Town. It is presented as intended by the Town.

TOWN OF PENNVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010

	General	Motor Vehicle Highway	Local Road and Street	Sanitation	Riverboat
Cash and investments - beginning	\$ 48,840	\$ 4,343	\$ 19,638	\$ 6,689	\$ 17,742
Receipts:					
Taxes	69,349	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental	29,251	23,255	3,200	-	4,418
Charges for services	23,731	-	-	33,379	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	-	-
Other receipts	9,121	-	-	-	-
Total receipts	<u>131,452</u>	<u>23,255</u>	<u>3,200</u>	<u>33,379</u>	<u>4,418</u>
Disbursements:					
Personal services	30,501	4,049	-	-	-
Supplies	4,485	3,421	-	-	-
Other services and charges	91,803	9,861	-	-	-
Debt service - principal and interest	-	-	-	-	-
Capital outlay	7,801	-	-	-	-
Utility operating expenses	-	-	-	-	-
Other disbursements	-	-	-	35,014	-
Total disbursements	<u>134,590</u>	<u>17,331</u>	<u>-</u>	<u>35,014</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(3,138)</u>	<u>5,924</u>	<u>3,200</u>	<u>(1,635)</u>	<u>4,418</u>
Cash and investments - ending	<u>\$ 45,702</u>	<u>\$ 10,267</u>	<u>\$ 22,838</u>	<u>\$ 5,054</u>	<u>\$ 22,160</u>

TOWN OF PENNVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Rainy Day	Local Law Enforcement Continuing Education	PTRC	Public Safety	Fire Grant
Cash and investments - beginning	\$ 17,370	\$ 1,064	\$ -	\$ -	\$ -
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	380	-	-	-
Intergovernmental	4,919	-	-	-	133,055
Charges for services	-	65	-	-	-
Fines and forfeits	-	27	-	-	-
Utility fees	-	-	-	-	-
Other receipts	-	-	207	721	-
Total receipts	<u>4,919</u>	<u>472</u>	<u>207</u>	<u>721</u>	<u>133,055</u>
Disbursements:					
Personal services	-	-	-	-	-
Supplies	-	-	-	-	-
Other services and charges	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-
Capital outlay	-	-	-	-	-
Utility operating expenses	-	-	-	-	-
Other disbursements	-	1,528	-	-	19,469
Total disbursements	<u>-</u>	<u>1,528</u>	<u>-</u>	<u>-</u>	<u>19,469</u>
Excess (deficiency) of receipts over disbursements	<u>4,919</u>	<u>(1,056)</u>	<u>207</u>	<u>721</u>	<u>113,586</u>
Cash and investments - ending	<u>\$ 22,289</u>	<u>\$ 8</u>	<u>\$ 207</u>	<u>\$ 721</u>	<u>\$ 113,586</u>

TOWN OF PENNVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Cumulative Capital Improvement	Fire Equipment	Economic Development Income Tax	Water Utility - Operating	Water Utility - Depreciation/ Improvement
Cash and investments - beginning	\$ 40,779	\$ 1,500	\$ 5,300	\$ 55,798	\$ 13,781
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental	2,067	-	-	132,414	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	110,239	-
Other receipts	-	-	10,414	10,000	1,929
Total receipts	<u>2,067</u>	<u>-</u>	<u>10,414</u>	<u>252,653</u>	<u>1,929</u>
Disbursements:					
Personal services	-	-	-	-	-
Supplies	-	-	-	-	-
Other services and charges	-	-	-	-	-
Debt service - principal and interest	-	-	-	10,125	-
Capital outlay	-	-	-	-	-
Utility operating expenses	-	-	-	216,897	-
Other disbursements	-	-	15,373	10,920	-
Total disbursements	<u>-</u>	<u>-</u>	<u>15,373</u>	<u>237,942</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>2,067</u>	<u>-</u>	<u>(4,959)</u>	<u>14,711</u>	<u>1,929</u>
Cash and investments - ending	<u>\$ 42,846</u>	<u>\$ 1,500</u>	<u>\$ 341</u>	<u>\$ 70,509</u>	<u>\$ 15,710</u>

TOWN OF PENNVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Water Utility - Customer Deposit	Wastewater Utility - Operating	Wastewater Utility - Depreciation/ Improvement	Wastewater Utility - Cash Reserve	Totals
Cash and investments - beginning	\$ 20,610	\$ 15,419	\$ 27,787	\$ 21,390	\$ 318,050
Receipts:					
Taxes	-	-	-	-	69,349
Licenses and permits	-	-	-	-	380
Intergovernmental	-	-	-	-	332,579
Charges for services	-	-	-	-	57,175
Fines and forfeits	-	-	-	-	27
Utility fees	5,342	72,155	-	-	187,736
Other receipts	-	-	6,924	-	39,316
Total receipts	<u>5,342</u>	<u>72,155</u>	<u>6,924</u>	<u>-</u>	<u>686,562</u>
Disbursements:					
Personal services	-	-	-	-	34,550
Supplies	-	-	-	-	7,906
Other services and charges	-	-	-	-	101,664
Debt service - principal and interest	-	-	-	-	10,125
Capital outlay	-	-	-	-	7,801
Utility operating expenses	-	62,527	23,275	-	302,699
Other disbursements	3,340	10,188	-	-	95,832
Total disbursements	<u>3,340</u>	<u>72,715</u>	<u>23,275</u>	<u>-</u>	<u>560,577</u>
Excess (deficiency) of receipts over disbursements	<u>2,002</u>	<u>(560)</u>	<u>(16,351)</u>	<u>-</u>	<u>125,985</u>
Cash and investments - ending	<u>\$ 22,612</u>	<u>\$ 14,859</u>	<u>\$ 11,436</u>	<u>\$ 21,390</u>	<u>\$ 444,035</u>

TOWN OF PENNVILLE
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2010

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

Description of Asset	Ending Balance	Principal and Interest Due Within One Year
Governmental activities:		
Truck Loan	\$ 19,199	\$ 6,414
Business-type activities:		
Water Utility:		
Loan for Water Tower	\$ 34,200	\$ 2,000
Revenue Bonds	238,339	35,271
Total business-type activities long-term debt	\$ 272,539	\$ 37,271

TOWN OF PENNVILLE
EXAMINATION RESULTS AND COMMENTS

UTILITY RECEIPTS TAX

The Water Utility did not pay Utility Receipts Tax to the Indiana Department of Revenue for the year ended December 31, 2009. Additionally, the Indiana Utility Receipts Tax Return (Form URT-1) was not filed as required for the years ended December 31, 2009 or 2010.

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 \$312 was paid to the Indiana Department of Revenue during 2009 and 2010. A similar comment appeared in prior Report B35044.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit. Additionally officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit. 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)

GUARANTEE DEPOSIT REGISTER

The Guarantee Deposit Register did not reconcile with the Customer Deposit Fund cash balance at December 31, 2010. The Guarantee Deposit Register balance was less than the Customer Deposit Fund cash balance by \$1,212 at December 31, 2010.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CAPITAL ASSET RECORDS

Capital assets records have not been properly maintained. A similar comment appeared in prior Report B35044.

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 applicable Capital Assets Ledger. A complete inventory should be taken every year 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)

TOWN OF PENNVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

ANNUAL REPORT - ELECTRONIC FILING

The Town's Annual Report for the year 2009 was not filed electronically with the Indiana State Board of Accounts as required.

Indiana Code 5-11-1-4 states in part:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality 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 filed electronically, in a manner prescribed by the state examiner . . ."

SALES TAX

The Clerk-Treasurer improperly calculated sales tax remitted to the Indiana Department of Revenue for the Water Utility by including non-taxable items and sales tax collected in the base to which the sales tax was calculated. This resulted in overpayments of sales tax by \$890 for 2009 and \$806 for 2010.

All questions concerning the law or procedure for paying and collecting sales tax should be directed to the Indiana Department of Revenue, Sales Tax Division. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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

OVERPAYMENT COLLECTIONS

The Water Utility remits sales tax collections to the Indiana Department of Revenue (IDOR) monthly. In both 2007 and 2008, the 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. The total amount of the double payments, plus payments of penalties and interest charged on them, is \$13,304.08. As of the date of this report the overpayment has not been refunded.

Governmental units should collect any overpayments made. (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 17, 2011, with Krista M. Scholer, Clerk-Treasurer, and Rodne E. Penrod, President of the Town Council. The officials concurred with our findings.