

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF PETERSBURG

PIKE COUNTY, INDIANA

January 1, 2022 to December 31, 2022



FILED

08/21/2023

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Tammy Selby	01-01-22 to 12-31-23
Mayor	R.C. Klipsch	01-01-22 to 12-31-23
President of the Board of Public Works and Safety	R.C. Klipsch	01-01-22 to 12-31-23
President Pro Tempore of the Common Council	Scott Jenkins	01-01-22 to 12-31-23
President of the Water Board	R.C. Klipsch	01-01-22 to 12-31-23



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CITY OF PETERSBURG, PIKE COUNTY, INDIANA

This report is supplemental to the audit report of the City of Petersburg (City), for the period from January 1, 2022 to December 31, 2022. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the City. It should be read in conjunction with the Financial Statement Audit Report of the City, which provides our opinions on the City's financial statement. This report may be found at www.in.gov/sboa/.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Result and Comment contained herein describes the identified reportable instance of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Official Response to the Audit Result and Comment, incorporated within this report, was not verified for accuracy.

Beth Kelley, CPA, CFE
Deputy State Examiner

August 9, 2023

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CLERK-TREASURER
CITY OF PETERSBURG

CLERK-TREASURER
CITY OF PETERSBURG
AUDIT RESULT AND COMMENT

ANNUAL FINANCIAL REPORT

A similar comment appeared in prior Report B60397, entitled *INTERNAL CONTROLS*.

Condition and Context

Financial, supplemental, and other information are required to be entered annually into the Annual Financial Report (AFR) via the Indiana Gateway for Government Units (Gateway) financial reporting system. The City had not established effective internal controls over the AFR information entered into Gateway which resulted in the following errors:

Financial Data

- The RD Federal Grant Construction fund had an understatement of both receipts and disbursements in the amount of \$1,235,801.

Adjustments were proposed, accepted by the City, and made to the financial statement and to the Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis presented as Required Supplementary Information in the Financial Statement Audit Report for the City.

Grants

1. The Water and Waste Disposal System for Rural Communities expenditures were understated by \$1,272,408.
2. Amounts passed through to subrecipients was overstated by \$10,502,886 due to incorrectly reporting eight grants as having amounts passed through to subrecipients, when in fact they did not.
3. Other errors included incorrect program names, pass-through identifying numbers, and pass-through entities.

Audit adjustments were proposed, accepted by the City, and made to the Schedule of Expenditures of Federal Awards presented in the Federal Compliance Audit Report for the City.

Leases and Debt

1. The Waterworks Revenue Bonds, Series 2022 was omitted. This caused an understatement of debt and principal due within one year, in the amount of \$9,230,000 and \$184,000, respectively.

CLERK-TREASURER
CITY OF PETERSBURG
AUDIT RESULT AND COMMENT
(Continued)

2. The Notes and Loans Payable for Waterworks Revenue Bond Anticipation Note, Series 2022A were omitted. This caused an understatement of debt and principal due within one year, in the amount of \$7,954,000 and \$7,954,000, respectively.
3. Other errors included immaterial errors that resulted in a misstatement of debt and principal due within one year, in the amounts of \$1,488,457 and \$755,968, respectively.

Adjustments were proposed, accepted by the City, and made to the Schedule of Leases and Debt presented as Other Information in the Financial Statement Audit Report.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

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](#)."

CLERK-TREASURER
CITY OF PETERSBURG
EXIT CONFERENCE

The contents of this report were discussed on August 9, 2023, with Tammy Selby, Clerk-Treasurer; R.C. Klipsch, Mayor; Scott Jenkins; President Pro Tempore of the Common Council; and John Melhiser, Common Council member.