

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

**Paul D. Joyce, CPA
State Examiner**

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF PERRYSVILLE

VERMILLION COUNTY, INDIANA

January 1, 2023 to December 31, 2024



FILED

05/20/2025

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Misty Sandlin	01-01-23 to 12-31-25
President of the Town Council	Tony Jacobs	01-01-23 to 12-31-25



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INDIANA STATE BOARD OF ACCOUNTS

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TO: THE OFFICIALS OF THE TOWN OF PERRYSVILLE, VERMILLION COUNTY, INDIANA

This report is supplemental to the audit report of the Town of Perrysville (Town), for the period from January 1, 2023 to December 31, 2024. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the Town. It should be read in conjunction with the Financial Statement Audit Report of the Town, which provides our opinions on the Town'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 Results and Comments contained herein describe the identified reportable instances 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 Results and Comments, incorporated within this report, was not verified for accuracy.

Beth Kelley, CPA, CFE
Deputy State Examiner

May 13, 2025



CLERK-TREASURER
TOWN OF PERRYSVILLE

CLERK-TREASURER
TOWN OF PERRYSVILLE
AUDIT RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT

The same comment also appeared in prior Report 000000240A.

Condition and Context

The Annual Financial Report (AFR) is required to be submitted annually via the Indiana Gateway for Government Units financial reporting system. The Town had not established effective internal controls over the information submitted in the AFR, which resulted in the following errors:

Schedule of Payables and Receivables

The Clerk-Treasurer did not report payables and receivables as defined by the AFR User Guide. Accounts payable and accounts receivable amounts reported in 2023 were \$45,226 and \$269,078, respectively. Accounts payable and accounts receivable amounts reported in 2024 were \$321,897 and \$375,415, respectively. These amounts were not supported by subsidiary or detailed records of the Town.

Schedule of Capital Assets

The Town did not provide detailed, subsidiary records to support the \$767,000 and \$769,273 in capital assets reported in its 2023 and 2024 AFRs, respectively.

Grant Schedule

The Town expended \$24,113 in Coronavirus State and Local Fiscal Recovery funds (ALN #21.027) in 2023 that was not reported in the federal grant section of the AFR.

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 as set forth in the uniform compliance guidelines. 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](#)."

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. . . .

CLERK-TREASURER
TOWN OF PERRYSVILLE
AUDIT RESULTS AND COMMENTS
(Continued)

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. . . ."

BANK ACCOUNT RECONCILIATIONS

Condition and Context

The Town generated a reconciliation report from the Banyon financial accounting software (Banyon) for its operating accounts on a monthly basis; however, internal controls were not in place to ensure the timely and accurate reconciliation of Town bank balances to the corresponding fund balances.

We tested 6 of 24 months (25%) of the audit period to determine if the Town was reconciling its bank accounts monthly. In all 6 months tested, the operating account reconciliation reports run in Banyon identified variances (cash short), and the errors noted on the reconciliation reports were not investigated and corrected in a timely manner.

The lack of timely and accurate bank account reconciliations led to variances in the combined December 31, 2023 and December 31, 2024 year-end bank account reconciliations performed during audit. As a result, the financial statement ending cash and investments balance was \$8,065 and \$6,050 more than the adjusted bank balances (cash short).

Additionally, there were unsupported reconciling items (caused by errors such as double posting) noted in each year-end bank reconciliation as follows:

- 2023 Deposits in Transit - \$3,989
- 2023 Outstanding Checks - \$100
- 2024 Deposits in Transit - \$4,924
- 2024 Outstanding Checks - \$3,642

Criteria

Indiana Code 5-13-6-1(e) states: "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."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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TOWN OF PERRYSVILLE
AUDIT RESULTS AND COMMENTS
(Continued)

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CAPITAL ASSETS

This same comment appeared in Management Letters addressed to the Officials of the Town for the engagement periods ending December 31, 2017, and December 31, 2022.

Condition and Context

Internal controls were not in place over capital asset requirements. The Town had not conducted a physical inventory or kept a detailed listing of capital assets owned by the Town.

Criteria

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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CLERK-TREASURER
TOWN OF PERRYSVILLE
AUDIT RESULTS AND COMMENTS
(Continued)

CERTIFICATION ON INTERNAL CONTROL STANDARDS

The same comment also appeared in prior Report 000000240A.

Condition and Context

Internal controls were not in place over the "Unit Questions" section of the Town's Annual Financial Reports (AFRs). The Town certified on its 2023 and 2024 AFRs that all personnel defined by Indiana Code 5-11-1-27(c) had received training concerning the internal control standards adopted by the Town; however, during the engagement, the Clerk-Treasurer indicated that all personnel had not received training concerning the internal control standards until subsequent to the audit period.

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 as set forth in the uniform compliance guidelines. 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](#)."

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CONDITION OF RECORDS - TRANSFERS

Condition and Context

Internal controls were not in place over the transition of fund balances and related Town financial activity to the Banyon financial accounting software (Banyon) in March 2023. The Town consolidated multiple existing water utility funds from its manual ledger into the Water Operating fund in Banyon; however, the Town did not properly show the consolidation as transfer activity to close the other funds. In addition, while fund activity was consolidated, corresponding bank account activity remained unchanged; therefore, bank accounts were not being reconciled to the corresponding fund balances as indicated in the *Bank Account Reconciliations* comment noted above.

CLERK-TREASURER
TOWN OF PERRYSVILLE
AUDIT RESULTS AND COMMENTS
(Continued)

Additionally, the consolidation included the Water Utility Customer Deposit fund, which should be accounted for separately as the fund's sources and uses vary from that of the Water Utility Operating fund. Due to the unique nature of the Water Utility Customer Deposit fund, an adjustment was made, and it continues to be reported on the financial statement and the Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis presented as Other Information in the Financial Statement Audit Report of the Town.

The following funds were consolidated to the Water Operating fund without recording a "transfer out" of the existing funds:

Fund	Amount
Water Utility-Improvements Fund	\$ 84,346
Water Utility-Customer Deposit	12,341
Water Utility-Debt Service	26,347
Water Utility-Debt Reserve	54,536
Total	\$ 177,570

Criteria

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Sources and uses of funds must be limited to those authorized by the enabling law, ordinance/ resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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CLERK-TREASURER
TOWN OF PERRYSVILLE
AUDIT RESULTS AND COMMENTS
(Continued)

INTERNAL CONTROLS

Condition and Context

There were deficiencies in the risk assessment and monitoring procedures of the internal control system of the Town related to financial transactions and reporting. The Town had not separated incompatible activities related to cash and investments, receipts (including customer billings), and financial close and reporting. The failure to establish internal controls enabled material misstatements to occur and remain undetected. In addition, there was an overall deficiency in the risk assessment and monitoring activities of the Town's internal control system.

Cash and Investments

There was not a documented oversight, review, or approval process in place to ensure depository reconciliations were performed timely and accurately throughout the audit period.

Receipts

The Clerk-Treasurer was responsible for collecting money, making deposits, posting receipt transactions to the ledger, and reconciling the Town's bank accounts. There was not a documented oversight, review, or approval process to ensure proper receipt and deposit of utility billings and other receipts made by the Town during the audit period.

Financial Close and Reporting

The Clerk-Treasurer prepared and submitted the Town's Annual Financial Reports in the Indiana Gateway for Government Units financial reporting system throughout the audit period without a documented oversight, review, or approval process in place to ensure their accuracy and timely submission.

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:

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AUDIT RESULTS AND COMMENTS
(Continued)

MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND

The same comment also appeared in prior Report 000000240A.

Condition and Context

The Town did not have adequate internal controls in place to ensure compliance with the State Examiner Directive 2018-2. The Town receipted less than the required 50 percent of its State MVH tax distributions into its MVH Restricted sub-fund during the audit period. In 2023 and 2024, the Town receipted 34 percent and 43 percent of its MVH distributions, respectively, into the MVH - Restricted fund.

Criteria

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. (State Examiner Directive 2018-2)

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must 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 1)

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CLERK-TREASURER
TOWN OF PERRYSVILLE
EXIT CONFERENCE

The contents of this report were discussed on May 13, 2025, with Misty Sandlin, Clerk-Treasurer, and Tony Jacobs, President of the Town Council.



TOWN COUNCIL
TOWN OF PERRYSVILLE

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AUDIT RESULTS AND COMMENTS

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AUDIT RESULTS AND COMMENTS
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