

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

COMPLIANCE ENGAGEMENT REPORT

OF

TOWN OF PLAINVILLE

DAVISS COUNTY, INDIANA

January 1, 2019 to December 31, 2022



**FILED**  
04/15/2024



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Angelia Shake	01-01-19 to 12-31-24
President of the Town Council	Kevin Shake	01-01-19 to 12-31-24
Wastewater Superintendent	Rex Thompson Kelly Stedman	01-01-19 to 10-12-22 10-13-22 to 12-31-24



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF PLAINVILLE, DAVIESS COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of the Town of Plainville (Town), Daviess County, for the period of January 1, 2019 to December 31, 2022. The objective of this engagement was to determine compliance with applicable Indiana laws, regulations, and uniform compliance guidelines (Guidelines) established by the Indiana State Board of Accounts pursuant to Indiana Code 5-11-1-24. The objective of this engagement is not to opine on compliance or financial activity of the Town as this engagement was not conducted in accordance with any standards established by an authoritative standard setting body, and, as such, we do not provide any opinions on compliance or financial activity.

Management is responsible for preparing and maintaining its accounting records and related documents in accordance with applicable Indiana laws, regulations, and Guidelines. Management's responsibility also includes, but is not limited to, complying with other applicable Indiana laws, regulations, and Guidelines concerning how it operates: authorized sources and uses of funds; what reports are required to be prepared and filed; and what depositories and investment types are allowable.

We fulfilled our responsibility as detailed in the first paragraph, using procedures that verified the appropriate accounting for and reporting of cash, receipts, and disbursements; and the appropriate sources and uses of funds in accordance with applicable Indiana laws, regulations, and Guidelines. Expanding the scope and nature of these procedures can and does occur in specific circumstances.

The Comments contained herein, if any, describe the identified reportable instances of noncompliance found during our engagement. Our procedures were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified. Any Official Response to the Comments incorporated within this report was not verified for accuracy.

The Schedule of Officials and Statements of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis (Statements) are informational only. The Statements have not been subjected to any procedures designed to express an opinion or provide any assurance on them, and, accordingly, we do not express an opinion or provide any assurance on them.

This report is intended solely for the information and use of management, governance, and others within the organization. This restriction is not intended to limit the distribution of this report, which is a matter of public record. Reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>, and the Town's Annual Financial Reports filed by management can be found on the Gateway website: <http://www.gateway.ifionline.org>.

The contents of this report were communicated to Angelia Shake, Clerk-Treasurer, and Kevin Shake, President of the Town Council, on February 22, 2024.

Respectfully,



Beth Kelley, CPA, CFE  
Deputy State Examiner

February 12, 2024

TOWN OF PLAINVILLE  
COMMENTS

**INTERNAL CONTROLS**

*Condition and Context*

There were deficiencies in the internal control system of the Town related to financial transactions and reporting. The Town had not established an effective system of internal controls related to financial close and reporting and receipts.

*Financial Close and Reporting*

The Town did not have a proper system of internal controls in place over financial close and reporting to prevent, or detect and correct, errors. Due to the lack of effective internal controls over the information entered into the Annual Financial Report via the Indiana Gateway for Government Units financial reporting system, which was the source of the Town's financial statements, errors occurred and were not detected.

*Receipts*

The Town did not have a proper system of internal controls in place over receipts to ensure that all receipt activity was accurately recorded and deposited.

*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. . . ."

**ANNUAL FINANCIAL REPORT**

*Condition and Context*

Financial and other information are required to be entered annually into the Annual Financial Report via the Indiana Gateway for Government Units (Gateway) financial reporting system. The financial information entered into Gateway included the following errors:

- General fund receipts were understated by \$56,191 in 2022.
- Motor Vehicle Highway fund receipts were understated by \$3,825 in 2022.

TOWN OF PLAINVILLE  
COMMENTS  
(Continued)

- Local Roads and Streets fund receipts were understated by \$508 in 2022.

Adjustments were proposed, accepted by management, and made to the financial statement presented in this report.

*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](#)."

**ACCOUNTING FOR CORONAVIRUS RELIEF FUNDS**

*Condition and Context*

The Town did not properly account for the Coronavirus Relief Fund (CRF) in accordance with State Examiner Directive 2020-3.

The Town did not properly establish a separate CARES grant fund for the CRF grant that followed the uniform chart of accounts. The Town utilized fund 606, entitled Sewage Operating fund, for reimbursements received, totaling \$10,531, from the Indiana Finance Authority.

*Criteria*

Each local unit of government that receives an allocation from the Coronavirus Relief Fund administered by IFA shall establish a separate CARES grant fund with a fund number consistent with memorandum *Accounting and Appropriation of COVID-19 Grants*, April 29, 2020 (updated September 29, 2020).

**All Reimbursements received from IFA shall be receipted into a separate CARES grant fund that is specific to IFA reimbursements. . . .**

**Reimbursed Costs Other than Public Health and Safety Payroll Costs**

Transactions for other permitted costs reimbursed by IFA must be accounted for through one of the following prescribed frameworks.

**Framework One.** Reimbursements received from IFA shall be receipted into the separate CARES grant fund. Reimbursed disbursements originally incurred in another fund will be moved to the separate CARES grant fund through a reversing entry. This action will reinstate the fund cash balance and reappropriate the fund in a similar manner to IC 6-1.1-18-9(1) for those disbursements. This reversal must be done in the same budget year that the original transaction was posted.

Once the disbursement is reversed within the original fund, it must be posted as a disbursement in the separate CARES grant fund. Documentation must be maintained so the audit trail can be followed. The accounting system must tie the original claim for the disbursement to the separate CARES grant fund by specific reference or notation in a comment section. . . .

TOWN OF PLAINVILLE  
COMMENTS  
(Continued)

**Framework Two.** If IFA has provided reimbursement based on unpaid invoices or purchase orders, then reimbursements received from IFA shall be receipted into the separate CARES grant fund. The expenditures to vendors will be made through the CARES grant fund and these expenditures must match the application made to IFA. If the actual invoice or invoices relating to a purchase order is less than the purchase order, then the difference in the money expended to the vendor and the amount received for the purchase order from IFA must be returned to IFA. The items on the invoice must match the items on the purchase order. All documentation must be maintained. . . .

**Framework Three.** If you have created a negative balance in your CARES fund based on expenditures made in anticipation of receipt of reimbursement for allowable expenditures where invoices have already been submitted to IFA then leave as is and receipt reimbursement when received, bringing the balance in the separate CARES grant fund to zero. Going forward, expend any anticipated allowable expenditures from a fund with an appropriation and follow framework one. If a negative balance in the CARES grant fund is not fully reimbursed, then the unreimbursed amount will require a reverse entry and posting of the expenditure to the general or other appropriate fund within an appropriated line item. . . .

(State Examiner Directive 2020-3)

## **CAPITAL ASSETS**

### *Condition and Context*

The Town had not adopted a capital assets policy during the engagement period. The Town reported total capital assets in the Annual Financial Reports via the Indiana Gateway for Government Units financial reporting system in the amount of \$4,010,119.

### *Criteria*

Every unit must have a capital asset policy that details the threshold at which an item is considered a capital asset. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

## **COMPENSATION AND BENEFITS**

A similar comment appeared in a prior Management Letter addressed to the Officials of the Town for the review period ending December 31, 2018.

### *Condition and Context*

The Town Council approved a salary increase for the Assistant Sewer Superintendent in 2020, 2021, and 2022; however, the Salary Ordinance was not amended to reflect the salary increase.

### *Criteria*

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

TOWN OF PLAINVILLE  
COMMENTS  
(Continued)

**INVESTMENT MATURITY LIMITATIONS**

A same comment appeared in prior Reports B39396 and B46159 and a prior Management Letter addressed to the Officials of the Town for the review period ending December 31, 2018.

*Condition and Context*

On September 20, 2022, the Town purchased investments totaling \$65,324 which have a stated maturity in excess of two years.

*Criteria*

Indiana Code 5-13-9-5.6 states:

"Except for investments allowed under section 2(f) or 2(g) of this chapter, investments made under this chapter must have a stated final maturity of not more than:

- (1) five (5) years after the date of purchase or entry into a repurchase agreement for a conservancy district located in a city having a population of more than five thousand (5,000) and less than five thousand one hundred thirty (5,130);
- (2) five (5) years after the date of purchase or entry into a repurchase agreement for investments made from a host community agreement future fund established by ordinance of a town with a population of more than ten thousand (10,000) and less than twenty thousand (20,000) located in a county having a population of more than one hundred seventy-four thousand (174,000) and less than one hundred eighty thousand (180,000); or
- (3) two (2) years after the date of purchase or entry into a repurchase agreement for:
  - (A) a fund not described in subdivision (1) or (2); and
  - (B) a political subdivision that:
    - (i) is not described in subdivision (1) or (2); and
    - (ii) does not have in effect an investment policy and ordinance under section 5.7 of this chapter."

**MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND**

*Condition and Context*

The Town did not establish a Motor Vehicle Highway (MVH) - Restricted fund as required by State Examiner Directive 2018-2 and as necessary for compliance with the provisions of Indiana Code 8-14-1-5(c). Therefore, the Town failed to allocate or deposit at least 50 percent of the state distributions from the State MVH Account, at the time of receipt, into an MVH - Restricted sub-fund for the years 2019 through 2022. The amount that should have been receipted into the MVH - Restricted sub-fund for the audit period was \$39,639.

TOWN OF PLAINVILLE  
COMMENTS  
(Continued)

*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."

The purpose of this Directive is to authorize and require counties, cities, and towns that receive distributions from the State Motor Vehicle Highway Account to create a new sub-fund within the MVH Fund to properly manage and account for the usage restrictions that were included in House Enrolled Act 1002-2017 and House Enrolled Act 1290-2018.

The sub-fund will be referred to throughout this Directive as "MVH Restricted" and will be used to account for MVH monies which have been statutorily restricted for construction, reconstruction, and preservation purposes.

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)

**CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS**

*Condition and Context*

The Town did not comply with the Amended State Examiner Directive 2021-1; Accounting for American Rescue Plan Act (ARPA), Accounting Processes for Subtitle M-Coronavirus State and Local Fiscal Recovery Funds. The Town did not establish a separate grant fund called the ARPA Coronavirus Local Fiscal Recovery Fund. The ARPA distributions received in 2021 for \$56,217 and 2022 for \$56,643 were posted into the Local Venture Capital fund.

*Criteria*

**ARPA Coronavirus Local Fiscal Recovery Fund.** Counties, Cities, and Towns will each receive an allocation of Coronavirus State and Local Fiscal Recovery Funds. Each local unit that receives an allocation from the Coronavirus Local Fiscal Recovery Fund under Section 603 of the Social Security Act, as added by Section 9901 of the ARP, shall establish by ordinance a separate local grant fund called the ARPA Coronavirus Local Fiscal Recovery Fund within the fund number range described above. For a county, the ARPA grant fund must be established by ordinance of the County Commissioners. For a city or town, the ARPA grant fund must be established by ordinance of the legislative body. The ordinance must specify the uses of the fund in accordance with the purposes outlined in Section 603(c). The ordinance should reference a plan that will provide the details for the use of these funds. All moneys received from the Local Fiscal Recovery Fund must be receipted into the separate ARPA grant fund.

Before money in the fund is disbursed, the fiscal body must appropriate the money in the fund for a use consistent with Section 603(c) as stated in the adopted ordinance and the plan. Only a local appropriation is needed. To ensure accountability and transparency of the use of these funds, all disbursements must be made from the ARPA grant fund; money from the ARPA fund may not be transferred to another fund of the county, city, or town. . . .

(Amended State Examiner Directive 2021-1)

TOWN OF PLAINVILLE  
COMMENTS  
(Continued)

**CONTRACTS**

*Condition and Context*

A contract was not provided for the paving project that was awarded in the amount of \$138,977 in February 2019.

*Criteria*

Indiana Code 36-1-12-4.7 states:

"(a) This section applies whenever a public work project is estimated to cost at least fifty thousand dollars (\$50,000) and less than one hundred fifty thousand dollars (\$150,000).

(b) The board must proceed under the following provisions:

- (1) The board shall invite quotes from at least three (3) persons known to deal in the class of work proposed to be done by mailing them a notice stating that plans and specifications are on file in a specified office. The notice must be mailed not less than seven (7) days before the time fixed for receiving quotes.
- (2) The board may not require a person to submit a quote before the meeting at which quotes are to be received. The meeting for receiving quotes must be open to the public. All quotes received shall be opened publicly and read aloud at the time and place designated and not before.
- (3) The board shall award the contract for the public work to the lowest responsible and responsive quoter.
- (4) The board may reject all quotes submitted."

Payments made or received for contractual services must be supported by a written contract. Each unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CASH  
AND INVESTMENT BALANCES - REGULATORY BASIS

TOWN OF PLAINVILLE  
STATEMENT OF RECEIPTS, DISBURSEMENTS,  
AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Years Ended December 31, 2019 and 2020

Fund	Cash and Investments			Cash and Investments			Cash and Investments
	01-01-19	Receipts	Disbursements	12-31-19	Receipts	Disbursements	
GENERAL FUND	\$ 61,915	\$ 116,488	\$ 105,351	\$ 73,052	\$ 135,768	\$ 113,764	\$ 95,056
MOTOR VEHICLE HIGHWAY	50,509	25,631	31,147	44,993	23,255	31,995	36,253
LOCAL ROADS AND STREETS	20,453	3,664	12,669	11,448	3,532	-	14,980
PARK	5,587	17,025	16,800	5,812	2,000	400	7,412
LOIT SPECIAL DISTRIBUTION	178	-	-	178	-	-	178
LEVY EXCESS FUND	163	-	-	163	-	-	163
CUMULATIVE CAPITAL DEVELO	2,162	2,787	-	4,949	2,837	-	7,786
PUBLIC IMPROVEMENT	-	129,152	129,152	-	-	-	-
CUMULATIVE CAPITAL IMPROV	4,901	1,088	4,000	1,989	1,032	2,409	612
Fire Department Fund	424	21,764	18,881	3,307	18,565	17,686	4,186
Economic Development Income Tax	2,362	-	-	2,362	-	-	2,362
TIF	26,905	21,542	-	48,447	21,333	17,739	52,041
INV. - LR & S FUND - CD	8,481	-	-	8,481	-	-	8,481
PARK - CD	55,580	332	-	55,912	83	-	55,995
FIREMEN CD	12,332	74	-	12,406	56	12,462	-
SEWAGE OPERATING FUND	49,077	121,096	127,026	43,147	142,622	128,653	57,116
SEWER BOND SINKING FUND	15,903	-	353	15,550	252,246	237,631	30,165
Totals	<u>\$ 316,932</u>	<u>\$ 460,643</u>	<u>\$ 445,379</u>	<u>\$ 332,196</u>	<u>\$ 603,329</u>	<u>\$ 562,739</u>	<u>\$ 372,786</u>

TOWN OF PLAINVILLE  
STATEMENT OF RECEIPTS, DISBURSEMENTS,  
AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Years Ended December 31, 2021 and 2022

Fund	Cash and Investments			Cash and Investments			Cash and Investments
	01-01-21	Receipts	Disbursements	12-31-21	Receipts	Disbursements	
GENERAL FUND	\$ 95,056	\$ 139,078	\$ 118,940	\$ 115,194	\$ 152,806	\$ 139,651	\$ 128,349
MOTOR VEHICLE HIGHWAY	36,253	25,372	18,213	43,412	27,754	21,556	49,610
LOCAL ROADS AND STREETS	14,980	3,884	-	18,864	4,179	-	23,043
ECONOMIC DEV INCOME TAX	2,362	-	-	2,362	-	-	2,362
PARK	7,412	8,988	11,529	4,871	2,000	701	6,170
LOIT SPECIAL DISTRIBUTION	178	-	-	178	-	-	178
LEVY EXCESS FUND	163	-	-	163	-	-	163
CUMULATIVE CAPITAL DEVELO	7,786	2,763	2,259	8,290	1,686	3,735	6,241
CUMULATIVE CAPITAL IMPROV	612	3,237	2,259	1,590	906	-	2,496
LOCAL VENTURE CAPITAL	-	56,217	-	56,217	56,643	51,633	61,227
TIF	52,041	21,031	-	73,072	10,278	-	83,350
FIRE DEPARTMENT FUND	4,186	20,741	10,986	13,941	24,955	18,167	20,729
INV. - LR & S FUND - CD	8,481	-	-	8,481	-	-	8,481
PARK - CD	55,995	564	-	56,559	226	-	56,785
SEWAGE OPERATING FUND	57,116	147,762	180,966	23,912	149,077	166,184	6,805
SEWER BOND SINKING FUND	30,165	75,000	83,890	21,275	-	14,058	7,217
DEBT SERVICE FUND	-	-	-	-	73,500	-	73,500
Totals	<u>\$ 372,786</u>	<u>\$ 504,637</u>	<u>\$ 429,042</u>	<u>\$ 448,381</u>	<u>\$ 504,010</u>	<u>\$ 415,685</u>	<u>\$ 536,706</u>