

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

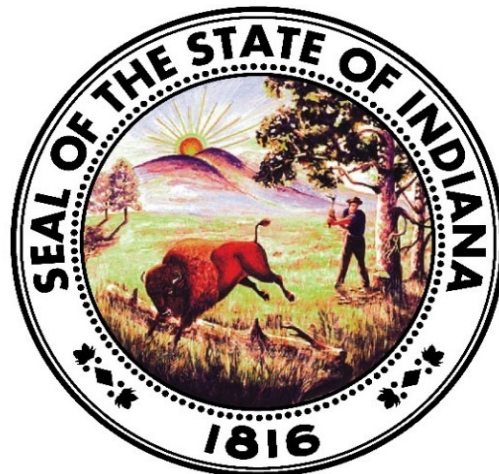
COMPLIANCE ENGAGEMENT REPORT

OF

TOWN OF CARBON

CLAY COUNTY, INDIANA

January 1, 2019 to December 31, 2023



FILED

05/21/2024

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Compliance Report	3-4
Comments	5-8
Statements of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis.....	11-13

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Diane Fields	01-01-19 to 12-31-24
President of the Town Council	Michael Bemis	01-01-19 to 12-31-24



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

TO: THE OFFICIALS OF THE TOWN OF CARBON, CLAY 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 Carbon (Town), for the period of January 1, 2019 to December 31, 2023. 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 Indiana Gateway for Government Units financial reporting system website: <http://www.gateway.ifionline.org>.

The contents of this report were communicated to Diane Fields, Clerk-Treasurer, and Michael Bemis, President of the Town Council, on May 14, 2024.



Beth Kelley, CPA, CFE
Deputy State Examiner

April 16, 2024

TOWN OF CARBON
COMMENTS

ANNUAL FINANCIAL REPORT - OTHER INFORMATION

Condition and Context

As a result of internal control deficiencies, the Annual Financial Report (AFR) via the Indiana Gateway for Government Units financial reporting system could not be verified for 2019 through 2022.

Capital Asset Schedule

The Town reported capital assets of \$3,593,655 for the years ended December 31, 2019, 2021, and 2022, and \$3,550,146 for the year ended December 31, 2020.

Debt Schedule

The ending principal balance of the Stormwater utility loan was understated by \$326,304 for the year ended December 31, 2019.

Grant Schedule

The Schedule of Expenditures of Federal Awards submitted by the Town in the 2020 and 2021 Annual Financial Reports were understated due to not including all federal assistance received by \$335,485 and \$364,515, respectively.

Internal control deficiencies did not allow the Town to ensure the AFR was properly completed each year or that amounts reported could be supported by documentation maintained by the Town.

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](#)."

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. . . .

TOWN OF CARBON
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. . . ."

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)

INTERNAL CONTROLS

A similar comment also appeared in prior Report B49461, entitled *ANNUAL FINANCIAL REPORT* and in prior Report B55192, entitled *INTERNAL CONTROLS*.

Condition and Context

There were deficiencies in the internal control system of the Town related to financial transactions and reporting and receipts. The Town had not separated incompatible activities related to receipts.

Financial Transactions and Reporting

The Town had properly designed internal controls related to financial transactions and reporting; however, the internal controls were not properly implemented and allowed material misstatement in the Annual Financial Reports submitted by the Town via the Indiana Gateway for Government Units financial reporting system to go undetected. Material misstatements were noted in the Schedule of Expenditures of Federal Awards, Schedule of Leases and Debt, and Schedule of Capital Assets.

Receipts

The Clerk-Treasurer collected, recorded, and deposited receipts of the Town and the Utility Clerk collected, recorded, and deposited receipts of the Town's utilities. There was no documentation of internal controls in place, such as an oversight, review, or approval process.

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.

TOWN OF CARBON
COMMENTS
(Continued)

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. . . ."

RECEIPT ISSUANCE

The same comment appeared in prior Report B55192.

Condition and Context

As a result of internal control deficiencies, the Town did not issue receipts for all necessary transactions. Receipts were not issued for State or Local Tax Distributions.

Criteria

Receipts shall be issued and recorded at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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. . . ."

CUSTOMER DEPOSITS

The same comment also appeared in prior Reports B27663, B32508, B37915, and Management Letters addressed to the Clerk-Treasurer and the Town Council for the examination periods ending December 31, 2016, and December 31, 2018.

Condition and Context

The detailed customer deposit register did not reconcile with the customer deposit amount recorded on the general ledger.

TOWN OF CARBON
COMMENTS
(Continued)

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)

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

(This page intentionally left blank.)

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

Fund	Cash and Investments 01-01-19	Receipts	Disbursements	Cash and Investments 12-31-19	Receipts	Disbursements	Cash and Investments 12-31-20
General Fund	\$ 12,638	\$ 27,906	\$ 25,979	\$ 14,565	\$ 29,110	\$ 26,356	\$ 17,319
Motor Vehicle Highway	51,078	8,547	19,794	39,831	7,535	22,988	24,378
Local Road And Street	14,753	3,573	7,000	11,326	3,460	7,000	7,786
MVH Restricted Fund	-	8,544	3,806	4,738	7,535	-	12,273
Riverboat Revenue	13,758	2,352	9,983	6,127	2,352	6,382	2,097
Cumulative Capital Development	19,088	-	-	19,088	-	10,000	9,088
Cumulative Capital Improvement	10,912	907	3,730	8,089	861	4,000	4,950
LOIT-Public Safety	13,563	2,171	3,224	12,510	2,363	2,475	12,398
Wheel Tax & Sur Tax Fund	24,642	5,849	-	30,491	5,946	10,000	26,437
Payroll withholding fund	182	16,162	16,066	278	14,468	14,516	230
Community Crossing Fund	-	124,500	124,500	-	177,300	177,300	-
Donations	3,820	5,000	2,074	6,746	30,000	23,869	12,877
Carbon Storm Water Utility	15,099	26,709	22,013	19,795	27,353	29,213	17,935
Wastewater Operating Fund	43,563	221,707	246,581	18,689	52,629	42,000	29,318
Wastewater Bond And Interest	7,395	6,840	5,876	8,359	6,840	5,676	9,523
Wastewater Depreciation	9,092	2,424	-	11,516	2,424	-	13,940
Wastewater Reserve	4,169	-	-	4,169	-	-	4,169
Wastewater Oper. And Maint.	2,366	3,000	2,800	2,566	3,000	3,175	2,391
Water Operating Fund	596,734	242,035	236,677	602,092	250,231	316,995	535,328
Water Utility-Bond And Interest	42,267	9,850	42,025	10,092	-	-	10,092
Water Customer Deposit Account	26,635	2,150	1,051	27,734	2,100	1,035	28,799
Water Utility-Debt Reserve	11,932	804	-	12,736	804	-	13,540
Totals	<u>\$ 923,686</u>	<u>\$ 721,030</u>	<u>\$ 773,179</u>	<u>\$ 871,537</u>	<u>\$ 626,311</u>	<u>\$ 702,980</u>	<u>\$ 794,868</u>

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

Fund	Cash and Investments 01-01-21	Receipts	Disbursements	Cash and Investments 12-31-21	Receipts	Disbursements	Cash and Investments 12-31-22
General Fund	\$ 17,318	\$ 371,461	\$ 365,985	\$ 22,794	\$ 394,137	\$ 396,735	\$ 20,196
Motor Vehicle Highway	24,378	8,328	5,599	27,107	6,862	12,570	21,399
Local Road And Street	7,786	3,783	5,000	6,569	3,562	-	10,131
MVH Restricted Fund	12,272	8,328	10,000	10,600	6,584	-	17,184
Riverboat Revenue	2,097	2,349	1,000	3,446	1,694	850	4,290
Cumulative Capital Development	9,088	-	5,000	4,088	-	-	4,088
Cumulative Capital Improvement	4,949	816	2,000	3,765	477	-	4,242
LOIT-Public Safety	12,398	2,496	2,475	12,419	2,444	2,475	12,388
Wheel Tax & Sur Tax Fund	26,438	6,160	7,633	24,965	5,292	10,000	20,257
Payroll withholding fund	230	15,521	15,466	285	16,481	16,508	258
Community Crossing Fund	-	92,188	92,188	-	-	-	-
Opioid Dist. (Restricted)	-	-	-	-	1,009	-	1,009
Opioid Dist. (Unrestricted)	-	-	-	-	432	-	432
Coronavirus Local Relief Fund	-	32,271	-	32,271	32,271	-	64,542
Donations	12,877	2,603	13,943	1,537	5,059	3,505	3,091
Carbon Storm Water Utility	17,935	27,134	21,921	23,148	26,206	22,346	27,008
Wastewater Operating Fund	29,318	50,916	47,878	32,356	48,534	45,870	35,020
Wastewater Bond And Interest	9,524	6,840	5,676	10,688	6,840	1,590	15,938
Wastewater Depreciation	13,940	2,424	-	16,364	2,424	5,000	13,788
Wastewater Reserve	4,169	-	-	4,169	-	-	4,169
Wastewater Oper. And Maint.	2,391	3,000	2,500	2,891	3,000	2,600	3,291
Water Operating Fund	535,330	585,263	707,578	413,015	605,644	789,106	229,553
Water Utility-Bond And Interest	10,094	-	-	10,094	-	-	10,094
Water Customer Deposit Account	28,799	1,550	795	29,554	1,300	725	30,129
Water Utility-Debt Reserve	13,540	804	-	14,344	804	-	15,148
Totals	\$ 794,871	\$ 1,224,235	\$ 1,312,637	\$ 706,469	\$ 1,171,056	\$ 1,309,880	\$ 567,645

TOWN OF CARBON
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended December 31, 2023

Fund	Cash and Investments 01-01-23	Receipts	Disbursements	Cash and Investments 12-31-23
General Fund	\$ 20,195	\$ 33,868	\$ 34,529	\$ 19,534
Motor Vehicle Highway	21,397	5,664	11,600	15,461
Local Road And Street	10,130	3,488	-	13,618
MVH Restricted Fund	17,184	5,664	-	22,848
Riverboat Revenue	4,290	1,479	3,000	2,769
Cumulative Capital Development	4,088	-	-	4,088
Cumulative Capital Improvement	4,242	477	1,897	2,822
LOIT-Public Safety	12,388	-	2,475	9,913
Wheel Tax & Sur Tax Fund	20,256	4,321	-	24,577
Payroll withholding fund	258	17,934	17,870	322
Opioid Dist. (Restricted)	1,009	226	226	1,009
Opioid Dist. (Unrestricted)	432	77	-	509
Coronavirus Local Relief Fund	64,541	-	61,988	2,553
Donations	3,092	8,103	4,168	7,027
Carbon Storm Water Utility	27,007	25,084	22,797	29,294
Wastewater Operating Fund	35,019	51,422	42,187	44,254
Wastewater Bond And Interest	15,938	2,280	18,218	-
Wastewater Depreciation	13,788	2,424	6,591	9,621
Wastewater Reserve	4,169	-	-	4,169
Wastewater Oper. And Maint.	3,291	3,000	2,600	3,691
Water Operating Fund	229,552	240,931	300,003	170,480
Water Utility-Bond And Interest	10,094	-	-	10,094
Water Customer Deposit Account	30,129	1,539	860	30,808
Water Utility-Debt Reserve	15,148	804	-	15,952
Totals	<u>\$ 567,637</u>	<u>\$ 408,785</u>	<u>\$ 531,009</u>	<u>\$ 445,413</u>