

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

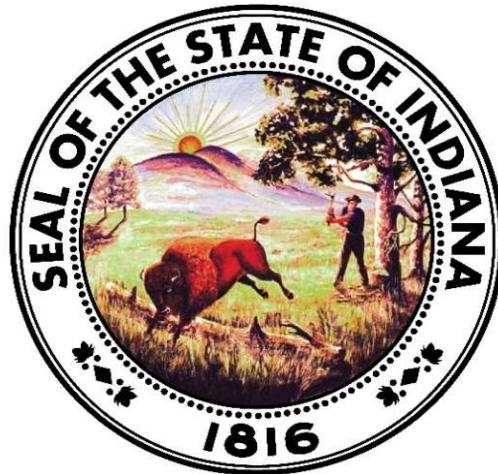
COMPLIANCE ENGAGEMENT REPORT

OF

TOWN OF PENNVILLE

JAY COUNTY, INDIANA

January 1, 2019 to December 31, 2023



FILED
07/30/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Krista M. Scholer	01-01-19 to 12-31-24
President of the Town Council	Alicia Corwin	01-01-19 to 12-31-24



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF PENNVILLE, JAY 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 Pennville (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 Krista M. Scholer, Clerk-Treasurer; Alicia Corwin, President of the Town Council; and Branda Manns, Town Council member, on July 22, 2024.



Beth Kelley, CPA, CFE
Deputy State Examiner

April 22, 2024

TOWN OF PENNVILLE
COMMENTS

INTERNAL CONTROLS

Condition and Context

Internal controls were not in place resulting noncompliance in the following engagement areas:

- Bank Account Reconciliations
- Annual Financial Report
- Capital Assets
- Fund Sources and Uses
- Monthly and Annual Uploads
- Motor Vehicle Highway (MVH) - Restricted Fund

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. . . ."

BANK ACCOUNT RECONCILIATIONS

Condition and Context

The timely completion of required monthly bank account reconciliations by the Town could not be verified because completed bank account reconciliations within the engagement period were not dated.

In addition, variances of \$3,336, \$284, \$399, and (\$2,068) were noted for the year-end reconciliments completed for 2019, 2020, 2021, and 2023, respectively.

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."

TOWN OF PENNVILLE
COMMENTS
(Continued)

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)

ANNUAL FINANCIAL REPORT

Condition and Context

Financial and other information are required to be entered annually into the Annual Financial Report (AFR) via the Indiana Gateway for Government Units financial reporting system. The capital asset information entered by the Town was reported inaccurately. Reported capital assets amount of \$2,199,627 was based upon a capital asset list last updated in 2010 and depreciated asset values instead of the historical cost. In addition, the Town did not report payables and receivables in the AFRs, resulting in the accounts receivables being understated by \$4,534.

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](#)."

MONTHLY AND ANNUAL UPLOADS

Condition and Context

The files and governmental unit information that are required to be uploaded monthly include the bank reconciliations, approved Town Council minutes, and the funds ledger, summarizing total receipts, disbursements, and balances by fund.

Annual upload requirements include the year-end bank statement, year-end outstanding check list, year-end investments, detail of receipt activity, detail of disbursement activity, current year salary ordinance, and an annual vendor history report.

The Town did not comply with the State Examiner Directive. In four out of five years of the audit period, no monthly files were uploaded to the Indiana Gateway for Government Units (Gateway) financial reporting system. No annual files were uploaded to Gateway for the years 2019 to 2023.

Criteria

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)

TOWN OF PENNVILLE
COMMENTS
(Continued)

Beginning with July 2018 files, which will be due September 15, 2018, **all** cities, towns, townships, libraries, and special districts will use the Upload App to upload files containing financial and governmental unit information on Gateway to allow the State Board of Accounts (SBOA) to conduct audit planning and audit processes prior to on-site work at a unit. (State Examiner Directive 2018-1)

CAPITAL ASSETS

Condition and Context

The Town and Utilities did not maintain adequate capital asset records. There was not a clear audit trail showing how capital asset totals were accumulated or a detailed listing that could be tested. A physical inventory had not been taken during the audit period to verify that the capital asset records were correct. Capital assets reported by the Town and Utilities for December 31, 2023, were \$2,199,627.

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)

FUND SOURCES AND USES

Condition and Context

The Town receipted state distributions into incorrect funds during the engagement years 2021, 2022, and 2023 in the amounts \$13,310, \$34,672, and \$33,729, respectively.

Additionally, two interfund transfers were made without appropriate governance approval during the years 2020 and 2022 in the amounts \$46,246 and \$48,361, respectively.

Criteria

Indiana Code 36-1-8-5.1(d) states in part:

"In any fiscal year, a political subdivision may, at any time, do the following:

- (1) Transfer any unused and unencumbered funds specified in subsection (b)(2)(A) from any fiscal year to the rainy day fund.
- (2) Transfer any other unobligated cash balances from any fiscal year that are not otherwise identified in subsection (b)(2)(A) or section 5 of this chapter to the rainy day fund as long as the transfer satisfies the following requirements:
 - (A) The amount of the transfer is authorized by and identified in an ordinance or resolution . . ."

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)

TOWN OF PENNVILLE
COMMENTS
(Continued)

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).

Criteria

Indiana Code 8-14-1-5(c) states: "Except as provided in subsection (d), 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)

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

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TOWN OF PENNVILLE
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	\$ 73,318	\$ 149,853	\$ 115,901	\$ 107,270	\$ 169,724	\$ 203,763	\$ 73,231
Motor Vehicle Highway	61,904	36,659	33,137	65,426	33,307	22,894	75,839
Local Road And Street	6,333	5,462	-	11,795	5,231	-	17,026
Sanitation	(258)	38,144	37,680	206	38,022	37,323	905
Riverboat	55,649	4,151	-	59,800	4,152	-	63,952
Rainy Day	17,289	-	1,284	16,005	46,245	4,000	58,250
Heh1001-2007 Ptrc Final	2,434	-	-	2,434	-	-	2,434
Cumulative Capl Imprv Cigarette Tax	22,829	1,599	4,000	20,428	1,520	2,537	19,411
Fire Equipment (Not Debt Service)	1,500	-	-	1,500	-	-	1,500
Co Economic Development Income Tax	52	5,315	5,367	-	6,034	2,896	3,138
Community Crossing	-	149,039	149,039	-	-	-	-
Cash Change	130	-	-	130	-	-	130
Law Enforcement	1,835	442	-	2,277	683	527	2,433
Public Safety	11,398	4,545	-	15,943	5,212	-	21,155
Fire Grant	8,596	-	-	8,596	-	-	8,596
Wastewater Utility-Operating	(829)	81,307	74,509	5,969	89,838	88,296	7,511
Wastewater Utility-Deprec/Improve	28,863	6,924	-	35,787	6,925	3,978	38,734
Wastewater Cash Reserve	21,390	-	-	21,390	-	-	21,390
Water Utility-Operating	91,762	125,730	119,725	97,767	123,111	133,617	87,261
Water Utility-Depreciation/Improve	31,142	1,931	-	33,073	1,929	-	35,002
Water Utility-Customer Deposit	32,382	3,600	4,283	31,699	3,750	1,950	33,499
Totals	<u>\$ 467,719</u>	<u>\$ 614,701</u>	<u>\$ 544,925</u>	<u>\$ 537,495</u>	<u>\$ 535,683</u>	<u>\$ 501,781</u>	<u>\$ 571,397</u>

TOWN OF PENNVILLE
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	12-31-22
General	\$ 73,231	\$ 172,948	\$ 120,113	\$ 126,066	\$ 215,980	\$ 197,267	\$ 144,779
Motor Vehicle Highway	75,839	25,962	23,915	77,886	6,644	19,655	64,875
Local Road And Street	17,026	3,600	4,000	16,626	-	4,000	12,626
Sanitation	905	36,722	35,661	1,966	37,063	34,853	4,176
Riverboat	63,952	4,148	-	68,100	3,497	-	71,597
Rainy Day	58,250	-	-	58,250	48,362	-	106,612
Heh1001-2007 Ptrc Final	2,434	-	-	2,434	-	-	2,434
Cumulative Capl Imprv Cigarette Tax	19,411	709	150	19,970	-	-	19,970
Fire Equipment (Not Debt Service)	1,500	-	-	1,500	-	-	1,500
Co Economic Development Income Tax	3,138	6,269	8,687	720	6,012	5,889	843
Library	-	210,170	113,958	96,212	274,980	371,192	-
ARP	-	76,198	-	76,198	76,487	132,053	20,632
Bitter Ridge Wind Farm	-	-	-	-	50,000	50,000	-
Cash Change	130	-	-	130	-	-	130
Law Enforcement	2,433	238	-	2,671	66	50	2,687
Public Safety	21,155	5,355	-	26,510	5,141	2,050	29,601
Fire Grant	8,596	-	-	8,596	-	-	8,596
Wastewater Utility-Operating	7,511	81,551	60,214	28,848	85,636	78,221	36,263
Wastewater Utility-Deprec/Improve	38,734	6,924	-	45,658	6,924	-	52,582
Wastewater Cash Reserve	21,390	-	-	21,390	-	-	21,390
Water Utility-Operating	87,261	139,561	116,055	110,767	150,889	118,997	142,659
Water Utility-Depreciation/Improve	35,002	1,929	-	36,931	1,929	-	38,860
Water Utility-Customer Deposit	33,499	4,800	600	37,699	3,750	5,187	36,262
Totals	<u>\$ 571,397</u>	<u>\$ 777,084</u>	<u>\$ 483,353</u>	<u>\$ 865,128</u>	<u>\$ 973,360</u>	<u>\$ 1,019,414</u>	<u>\$ 819,074</u>

TOWN OF PENNVILLE
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	\$ 144,779	\$ 206,012	\$ 156,432	\$ 194,359
Motor Vehicle Highway	64,875	6,770	26,619	45,026
Local Road And Street	12,626	-	-	12,626
Sanitation	4,176	37,608	45,666	(3,882)
Riverboat	71,597	3,492	-	75,089
Rainy Day	106,612	-	3,427	103,185
Heh1001-2007 Ptrc Final	2,434	-	-	2,434
Cumulative Capl Imprv Cigarette Tax	19,970	-	-	19,970
Fire Equipment (Not Debt Service)	1,500	-	-	1,500
Co Economic Development Income Tax	843	6,977	6,514	1,306
ARP	20,632	-	16,850	3,782
Cash Change	130	-	-	130
Law Enforcement	2,687	8	-	2,695
Public Safety	29,601	5,949	6,587	28,963
Fire Grant	8,596	-	-	8,596
Wastewater Utility-Operating	36,263	95,773	86,668	45,368
Wastewater Utility-Deprec/Improve	52,582	6,924	-	59,506
Wastewater Cash Reserve	21,390	-	-	21,390
Water Utility-Operating	142,659	168,438	125,221	185,876
Water Utility-Depreciation/Improve	38,860	1,929	-	40,789
Water Utility-Customer Deposit	36,262	5,950	2,012	40,200
Totals	<u>\$ 819,074</u>	<u>\$ 545,830</u>	<u>\$ 475,996</u>	<u>\$ 888,908</u>