

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

FINANCIAL STATEMENTS REVIEW REPORT

OF

TOWN OF PENNVILLE

JAY COUNTY, INDIANA

January 1, 2015 to December 31, 2018



**FILED**  
12/12/2019



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Krista M. Scholer	01-01-12 to 12-31-23
President of the Town Council	Rodne Penrod Alicia Corwin	01-01-15 to 12-31-17 01-01-18 to 12-31-19



## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

TO: THE OFFICIALS OF THE TOWN OF PENNVILLE, JAY COUNTY, INDIANA

We have reviewed the accompanying financial statements of the Town of Pennville (Town), for the period of January 1, 2015 to December 31, 2018. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Town's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with a regulatory basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6); which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. This includes determining that the basis of accounting the Town uses is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements whether due to fraud or error.

### ***Accountant's Responsibility***

Our responsibility is to conduct the review engagement in accordance with *Statements on Standards for Accounting and Review Services* promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with the prescribed basis of accounting described in Note 1. We believe that the results of our procedures provide a reasonable basis for our conclusion.


INDEPENDENT ACCOUNTANT'S REVIEW REPORT  
(Continued)

***Accountant's Conclusion***

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with the prescribed basis of accounting described in Note 1.

***Basis of Accounting***

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our conclusion is not modified with respect to this matter.

  
Paul D. Joyce, CPA  
State Examiner

November 26, 2019

## FINANCIAL STATEMENTS AND ACCOMPANYING NOTES

The financial statements and accompanying notes were approved by management of the Town. The financial statements and notes are presented as intended by the Town.

TOWN OF PENNVILLE  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH  
AND INVESTMENT BALANCES - REGULATORY BASIS  
For the Years Ended December 31, 2015 and 2016

Fund	Cash and Investments 01-01-15	Receipts	Disbursements	Cash and Investments 12-31-15	Receipts	Disbursements	Cash and Investments 12-31-16
General	\$ 45,432	\$ 180,524	\$ 191,103	\$ 34,853	\$ 129,302	\$ 110,906	\$ 53,249
Motor Vehicle Highway	23,298	30,106	26,881	26,523	31,102	21,663	35,962
Local Road And Street	10,842	3,209	5,000	9,051	3,157	7,338	4,870
Sanitation	(1,010)	36,963	39,891	(3,938)	37,551	40,331	(6,718)
Riverboat	39,037	4,153	-	43,190	4,153	-	47,343
Rainy Day	35,020	-	14,737	20,283	2,503	500	22,286
Heh1001-2007 Ptrc Final	2,434	-	-	2,434	-	-	2,434
Cumulative Capl Imprv Cigarette Tax	28,510	1,761	4,633	25,638	1,787	-	27,425
Fire Equipment (Not Debt Service)	1,500	-	-	1,500	-	-	1,500
Co Economic Development Income Tax	-	4,842	3,632	1,210	4,893	6,103	-
Rescue Truck Grant	-	116,000	116,000	-	-	-	-
257 Fund	-	-	-	-	7,508	-	7,508
Law Enforcement	1,891	293	1,112	1,072	1,260	250	2,082
Public Safety	15,627	4,184	10,777	9,034	4,272	10,756	2,550
Fire Grant	8,596	-	-	8,596	-	-	8,596
Wastewater Utility-Operating	5,057	71,073	71,332	4,798	72,945	72,190	5,553
Wastewater Utility-Deprec/Improve	28,430	6,347	-	34,777	6,924	13,999	27,702
Wastewater Cash Reserve	21,390	-	-	21,390	-	-	21,390
Water Utility-Operating	74,954	132,863	138,300	69,517	130,919	124,018	76,418
Water Utility-Depreciation/Improve	23,426	1,929	-	25,355	1,929	-	27,284
Water Utility-Customer Deposit	27,022	6,300	5,429	27,893	5,600	4,480	29,013
Totals	<u>\$ 391,456</u>	<u>\$ 600,547</u>	<u>\$ 628,827</u>	<u>\$ 363,176</u>	<u>\$ 445,805</u>	<u>\$ 412,534</u>	<u>\$ 396,447</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF PENNVILLE  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH  
AND INVESTMENT BALANCES - REGULATORY BASIS  
For the Years Ended December 31, 2017 and 2018

Fund	Cash and Investments			Cash and Investments			Cash and Investments		
	01-01-17	Receipts	Disbursements	12-31-17	Receipts	Disbursements	12-31-18		
General	\$ 53,249	\$ 136,994	\$ 132,932	\$ 57,311	\$ 148,436	\$ 132,429	\$ 73,318		
Motor Vehicle Highway	35,962	32,734	23,726	44,970	38,913	21,979	61,904		
Local Road And Street	4,870	4,011	5,000	3,881	5,452	3,000	6,333		
Sanitation	(6,718)	37,945	32,864	(1,637)	38,910	37,531	(258)		
Riverboat	47,343	4,153	-	51,496	4,153	-	55,649		
Rainy Day	22,286	-	3,500	18,786	-	1,497	17,289		
Heh1001-2007 Ptrc Final	2,434	-	-	2,434	-	-	2,434		
Cumulative Capl Imprv Cigarette Tax	27,425	1,705	5,940	23,190	1,639	2,000	22,829		
Fire Equipment (Not Debt Service)	1,500	-	-	1,500	-	-	1,500		
Co Economic Development Income Tax	-	5,236	5,236	-	5,083	5,031	52		
257 Fund	7,508	-	7,508	-	-	-	-		
Law Enforcement	2,082	281	553	1,810	878	853	1,835		
Public Safety	2,550	4,503	-	7,053	4,345	-	11,398		
Fire Grant	8,596	-	-	8,596	-	-	8,596		
Wastewater Utility-Operating	5,553	72,044	72,692	4,905	74,597	80,331	(829)		
Wastewater Utility-Deprec/Improve	27,702	6,924	332	34,294	5,770	11,201	28,863		
Wastewater Cash Reserve	21,390	-	-	21,390	-	-	21,390		
Water Utility-Operating	76,418	123,500	112,321	87,597	133,571	129,406	91,762		
Water Utility-Depreciation/Improve	27,284	1,929	-	29,213	1,929	-	31,142		
Water Utility-Customer Deposit	29,013	5,400	2,531	31,882	3,000	2,500	32,382		
Totals	<u>\$ 396,447</u>	<u>\$ 437,359</u>	<u>\$ 405,135</u>	<u>\$ 428,671</u>	<u>\$ 466,676</u>	<u>\$ 427,758</u>	<u>\$ 467,589</u>		

The notes to the financial statements are an integral part of this statement.

TOWN OF PENNVILLE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

*Utility operating expenses.* Amounts disbursed for operating the utilities.

*Other disbursements.* Amounts disbursed for various other purposes including, but not limited to, the following: interfund loan payments; loans made to other funds; internal service disbursements; and transfers out that are authorized by statute, ordinance, resolution, or court order.

**F. Interfund Transfers**

The Town may, from time to time, make transfers from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

**G. Fund Accounting**

Separate funds are established, maintained, and reported by the Town. Each fund is used to account for amounts received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the Town. The amounts accounted for in a specific fund may only be available for use for certain, legally-restricted purposes. Additionally, some funds are used to account for assets held by the Town in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and, therefore, the funds cannot be used for any expenditures of the unit itself.

**Note 2. Budgets**

The operating budget is initially prepared and approved at the local level. The fiscal officer of the Town submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

**Note 3. Property Taxes**

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the Town in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by December 31 of the year preceding the budget year or January 15 of the budget year if the Town is issuing debt after December 1 or intends on filing a shortfall appeal. These rates were based upon the assessed valuations adjusted for various tax credits from the preceding year's lien date of January 1. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments, which normally become delinquent if not paid by May 10 and November 10, respectively.

TOWN OF PENNVILLE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

cigarette tax distributions received from the state, motor vehicle highway distributions received from the state, local road and street distributions received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

*Charges for services.* Amounts received for services including, but not limited to, the following: planning commission charges, building department charges, copies of public records, copy machines charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable TV receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

*Fines and forfeits.* Amounts received from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

*Utility fees.* Amounts received from charges for current services.

*Penalties.* Amounts received from late payment fees.

*Other receipts.* Amounts received from various sources, including, but not limited to, the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution, or court order; internal service receipts; and fiduciary receipts.

**E. Disbursements**

Disbursements are presented in the aggregate on the face of the financial statements. The aggregate disbursements include the following uses:

*Personal services.* Amounts disbursed for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

*Supplies.* Amounts disbursed for articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include, but are not limited to, the following: office supplies, operating supplies, and repair and maintenance supplies.

*Other services and charges.* Amounts disbursed for services including, but not limited to, the following: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

*Debt service - principal and interest.* Amounts disbursed for fixed obligations resulting from financial transactions previously entered into by the Town. It includes all expenditures for the reduction of the principal and interest of the Town's general obligation indebtedness.

*Capital outlay.* Amounts disbursed for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

TOWN OF PENNVILLE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

*Utility operating expenses.* Amounts disbursed for operating the utilities.

*Other disbursements.* Amounts disbursed for various other purposes including, but not limited to, the following: interfund loan payments; loans made to other funds; internal service disbursements; and transfers out that are authorized by statute, ordinance, resolution, or court order.

**F. Interfund Transfers**

The Town may, from time to time, make transfers from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

**G. Fund Accounting**

Separate funds are established, maintained, and reported by the Town. Each fund is used to account for amounts received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the Town. The amounts accounted for in a specific fund may only be available for use for certain, legally-restricted purposes. Additionally, some funds are used to account for assets held by the Town in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and, therefore, the funds cannot be used for any expenditures of the unit itself.

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Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the Town in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by December 31 of the year preceding the budget year or January 15 of the budget year if the Town is issuing debt after December 1 or intends on filing a shortfall appeal. These rates were based upon the assessed valuations adjusted for various tax credits from the preceding year's lien date of January 1. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments, which normally become delinquent if not paid by May 10 and November 10, respectively.

TOWN OF PENNVILLE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

**Note 4. Deposits and Investments**

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana, at year end, should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statutes authorize the Town to invest in securities including, but not limited to, the following: federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

**Note 5. Risk Management**

The Town may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job-related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third-party. The establishment of a self-insurance fund allows the Town to set aside money for claim settlements. The self-insurance fund would be included in the financial statements. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

**Note 6. Cash Balance Deficits**

The financial statements contain some funds with deficits in cash. This is a result of expenditures exceeding available cash balances for Sanitation and Wastewater services.

**Note 7. Restatements**

For the year ended December 31, 2015, certain changes have been made to some of the beginning balances of the financial statements to more appropriately reflect financial activity of the Town. The following schedule presents a summary of restated beginning balances:

Fund	Balance as of December 31, 2014	Prior Period Adjustment	Balance as of January 1, 2015
General	\$ (8,455)	\$ 53,887	\$ 45,432
Motor Vehicle Highway	26,554	(3,256)	23,298
Sanitation	(3,681)	2,671	(1,010)
Cumulative Capl Imprv Cigarette Tax	29,474	(964)	28,510
Wastewater Utility-Operating	18,731	(13,674)	5,057
Water Utility-Operating	(40,845)	115,799	74,954
Water Utility-Customer Deposit	26,971	51	27,022

TOWN OF PENNVILLE  
REVIEW RESULTS AND COMMENTS

**UTILITY RECEIPTS TAX**

A similar comment appeared in prior Reports B39845 and B47389, entitled *UTILITY RECEIPTS TAX*.

*Condition and Context*

Form URT-1, Indiana Utility Receipts Tax Return, was not filed as required for the review period. As a result, the amount of any under or overpayment and balance due or to be refunded was not properly determined. Also, the prior two reports noted that the Water Utility had failed to pay the Utility Receipts Tax to the Indiana Department of Revenue for the year of 2009. No payment was made for the 2009 Utility Receipts Tax during the current review period.

*Criteria*

Generally, retail receipts from all utility services consumed within Indiana are subject to the utility receipts tax regardless of the point of generation or transmission across state lines. Receipts from the provision of mobile telecommunication service are subject to utility receipts tax to the extent that the receipts are sourced to Indiana pursuant to Indiana Code 6-8.1-15. However, gross receipts received by a political subdivision for sewage and sewage service are not subject to the tax.

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 7)

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the unit. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the unit. Any penalties, interest, or other charges paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Units must collect any overpayments made. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

**PAYROLL TAX WITHHOLDINGS**

A similar comment appeared in prior Report B47389, entitled *PAYROLL TAX WITHHOLDINGS*.

*Condition and Context*

The Town withholds federal taxes, along with state and local taxes, from employees' gross wages and remits them to the Internal Revenue Service and Indiana Department of Revenue. During the review, we were unable to verify that remittances were correct. Based on review, it appears that payroll tax withholdings were underpaid by approximately \$720 during 2016.

TOWN OF PENNVILLE  
REVIEW RESULTS AND COMMENTS  
(Continued)

*Criteria*

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the unit. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the unit. Any penalties, interest or other charges paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

**TRAINING ON INTERNAL CONTROL STANDARDS**

*Condition and Context*

The Town Council did not provide training to personnel hired after 2016 concerning internal control standards and procedures.

*Criteria*

Indiana Code 5-11-1-27(g) states:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that:

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

**CERTIFICATION ON INTERNAL CONTROL STANDARDS**

*Condition and Context*

The Town's certification on the Indiana Gateway for Government Units financial reporting system regarding training on internal control standards was made incorrectly. The Clerk-Treasurer certified that personnel had received the training; however, personnel hired after 2016 had not been trained on the internal control standards.

*Context*

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality 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](#)."

TOWN OF PENNVILLE  
EXIT CONFERENCE

The contents of this report were discussed on November 26, 2019, with Krista M. Scholer, Clerk-Treasurer, and Alicia Corwin, President of the Town Council.