

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF SELLERSBURG

CLARK COUNTY, INDIANA

January 1, 2020 to December 31, 2021



**FILED**  
12/08/2022



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Michelle D. Miller	01-01-20 to 12-31-22
President of the Town Council	Brad J. Amos	01-01-20 to 12-31-22
Town Manager*	Charlie Smith	02-10-20 to 12-31-22
Utility Office Manager	LaDonna Broadus Paula King	01-01-20 to 11-15-20 11-16-20 to 12-31-22

\*Newly created position



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF SELLERSBURG, CLARK COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Sellersburg (Town), for the period from January 1, 2020 to December 31, 2021. 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 our 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/](http://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

November 28, 2022

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CLERK-TREASURER  
TOWN OF SELLERSBURG

CLERK-TREASURER  
TOWN OF SELLERSBURG  
AUDIT RESULTS AND COMMENTS

**ANNUAL FINANCIAL REPORT**

*Condition and Context*

The Town reported its financial activity into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the Annual Financial Report and the financial statement. Some of the supplemental information reported in AFR contained material errors.

The Capital Asset Schedule reported in Gateway did not accurately report the Town's ending balances. The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances (Combining Schedules) reported capital outlay disbursements of \$3,642,739 for 2020 and \$12,383,413 for 2021. Ending balances reported on the Capital Asset Schedule did not appear to reflect any additions to capital assets related to the capital outlays reported on the Combining Schedules, as the total reported is nearly the same as the total reported on the 2019 Capital Asset Schedule.

The Schedule of Leases and Debt did not report the ending principal balances and principal and interest due within one year for three debt issues. Also, the principal and interest due within one year for the one debt issue that was reported was overstated by an immaterial amount. These misstatements resulted in an understatement of ending principal balances totaling \$28,720,000 and an understatement totaling \$565,635 of interest and principal payments due within one year.

Adjustments were proposed, accepted by the Town, and made to the Schedule of Leases and Debt. Rather than make corrections to the Capital Asset Schedule, the Town elected to not present the Capital Asset Schedule in accompaniment of the financial statement.

*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](#)."

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

**CAPITAL ASSETS**

*Condition and Context*

Several significant construction projects that were either in process or completed during the audit period, were not recorded in the Town's Capital Asset Ledger as of December 31, 2021. For example, \$5,625,870 of capital outlays for the Wastewater Treatment Plant Renovation and Expansion Project and capital outlays totaling \$1,316,877 for the Police Station Purchase & Renovation Project, which were both in process on December 31, 2021, were not recorded in the Capital Asset Ledger. Capital outlays totaling \$1,234,108 for the Community Crossings Matching Grant 2020-01 Paving project, that was completed during 2021, was also not included in the Capital Asset Ledger.

*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, Chapter1)

CLERK-TREASURER  
TOWN OF SELLERSBURG  
EXIT CONFERENCE

The contents of this report were discussed on November 28, 2022, with Michelle D. Miller, Clerk-Treasurer; Brad J. Amos, President of the Town Council; and Charlie Smith, Town Manager.

TOWN MANAGER  
TOWN OF SELLERSBURG

TOWN MANAGER  
TOWN OF SELLERSBURG  
AUDIT RESULT AND COMMENT

**INTERNAL CONTROLS - UTILITY METER DEPOSIT RECONCILEMENTS**

A similar comment also appeared in prior Report B55485, entitled *INTERNAL CONTROLS*.

*Condition and Context*

Internal controls were not in place to ensure internal control accounts were being reconciled monthly with subsidiary account balances.

The Utility Meter Deposit fund was not being reconciled with the subsidiary record balance of deposit funds being held for utility customers. As of December 31, 2021, a detailed report provided by the utility billing office reflected a total of \$88,570 of customer meter deposits, while the balance in the Utility Meter Deposit fund in the Town's financial statement reported a balance of \$176,461, a discrepancy of \$87,891.

A portion of this discrepancy is attributable to the utility billing software's application of all or a portion of the customer's meter deposit to customer's final bill upon termination of service. When meter deposits are applied to the customer account balances, transactions are not being recorded in the Town's financial ledger to remove the monies from the deposit fund and receipt the money into the respective utility operating fund. The transactions are not being recognized as a payment on the account by the utility office for reporting to the Clerk-Treasurer's office.

*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)

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27€ 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 the risk. . . ."

TOWN MANAGER  
TOWN OF SELLERSBURG  
EXIT CONFERENCE

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