



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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July 3, 2023

TO: THE OFFICIALS OF TOWN OF STRAUGHN, HENRY 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 Straughn (Town), Henry County, for the period of January 1, 2018, to December 31, 2021 to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts.

Management is responsible for preparing and maintaining its accounting records and related documents, as well as compliance with applicable state laws and uniform compliance guidelines established by the Indiana State Board of Accounts.

The Town's Annual Financial Reports filed by management can be found on the Gateway Website: www.gateway.ifionline.org.

The Comments contained herein describe the identified reportable instances of noncompliance found as a result of the procedures we performed. Our procedures were not designed to identify all instance of noncompliance; therefore, noncompliance may exist that is unidentified.

Comments

CAPITAL ASSETS

Condition and Context

The Town had not adopted a capital assets policy during the engagement period. In addition, the Town had not conducted a physical inventory or kept record of its capital assets.

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 Towns, Chapter 1)

CARES ACT

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 receipted the Indiana Finance Authority (IFA) reimbursement of \$165.58 for non-health and safety payroll costs into the CARES fund in 2020. The expenditures upon which the reimbursement was based should have been reversed and recorded in the CARES fund. This would have properly reinstated cash balances and brought the CARES Act fund balance to zero. Additionally in 2021, the Town receipted the IFA reimbursements of \$4,492 for non-health and safety payroll costs into the CARES fund. The Town had a balance as of December 31, 2021, of \$4,657 in the CARES fund. This amount should be immediately claimed to the General fund to be used for any general unit purpose.

Criteria

State Examiner Directive 2020-3 states in part: ". . . 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. . . .

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. Once these steps are completed, the balance of the separate CARES grant fund will be zero. No money shall remain in the separate CARES grant fund.

. . .

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. Once these steps are completed, the balance of the separate CARES grant fund will be zero. No money shall remain in the separate CARES grant fund. . . ."

ANNUAL FINANCIAL REPORT

Condition and Context

The Motor Vehicle Highway (MVH) and MVH-Restricted funds were combined on the Annual Financial Reports.

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](#)."

Together, MVH and MVH Restricted shall constitute the total MVH Fund. MVH and MVH Restricted will be shown separately on the Annual Financial Report and Annual Operational Report. 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)

MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND

Condition and Context

Two claims from the MVH Restricted fund were expended for purposes other than construction, reconstruction, and preservation.

Criteria

"Qualified expenditures will then be entered accordingly to MVH and MVH Restricted:

MVH: Permissible uses of the State Motor Vehicle Highway (MVH) Account distributions are outlined in Indiana Code 8-14-1-4 for counties and in Indiana Code 8-14-1-5 for cities and towns.

MVH Restricted: Effective July 1, 2018, Indiana Code 8-14-1-4(b) and Indiana Code 8-14-1-5(c) requires at least 50% of the MVH distributions to be used for construction, reconstruction and preservation of the unit's highways. (Maintenance expenditures no longer count toward the 50% requirement.)"

(State Examiner Directive 2018-2; Motor Vehicle Highway Account)

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.

The Schedule of Cash and Investment Balances - Regulatory Basis is presented as other information. It has not been subjected to any auditing procedures, and, accordingly, we do not express an opinion or provide any assurance on it.

SCHEDULE OF CASH AND INVESTMENT
BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2021

Fund	Cash and Investments 12-31-21
General	\$ 24,586
Motor Vehicle Highway	64,291
Local Road and Street	7,833
Rainy Day	979
LOIT Special Distribution	394
Cumulative Capital Development	10,568
Park Nonreverting Capital	341
Electric Energy Savings	2,595
Cumulative Capital Improvement	4,897
LOIT	(1,814)
Housing Grant Refund	244
Riverboat Wagering Tax Revenue Shar	2,952
Cash Reserve	252
Electric Utility-Operating	21,272
Electric Utility-Customer Deposit	9,001
Trash Utility-Operating	6,946
 Total	 \$ 155,337

Any Official Response to the Comments, incorporated within this report, was not verified for accuracy.

The contents of this report were communicated to Kimberly Couch, Clerk-Treasurer, and Jeff Bird, President of the Town Council, on June 14, 2023.

Respectfully,



Beth Kelley, CPA, CFE
Deputy State Examiner