

**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2765**

EXAMINATION REPORT  
OF  
CITY OF MITCHELL  
LAWRENCE COUNTY, INDIANA  
January 1, 2005 to December 31, 2005



**FILED**  
11/13/2006



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials .....	2
Independent Accountant's Report .....	3
Schedule of Receipts, Disbursements, and Cash and Investment Balances.....	4
Notes to Schedule .....	5-6
Examination Results and Comments:	
Internal Controls - Transaction Recording .....	7
Internal Controls - Receipt Issuance.....	7
Board Minutes - Common Council and Board of Works .....	7-8
Payroll Deductions .....	8
Overdrawn Fund Balances .....	8
Deposits .....	8-9
Supporting Documentation and Reimbursement Itemization .....	9
Approval of Accounts Payable Vouchers.....	9
Board Minutes - Park Board .....	10
Official Bonds.....	10
Appropriations.....	10
Old Outstanding Checks (Warrants).....	10-11
Customer Deposit Register.....	11
Delinquent Wastewater Accounts.....	11-12
Distribution of Gross Revenues to the Various Funds.....	12
Board Minutes - Police Pension.....	12
Condition of Records - Police Pension .....	12
Police Pension Benefits .....	13
Payroll Deductions - Police Pension .....	13
Federal and State Agencies - Compliance Requirements.....	13
Exit Conference.....	14
Official Response .....	15

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Mark H. Kern	01-01-04 to 12-31-07
Mayor	Morris W. Chastain	01-01-04 to 12-31-07
President of the Board of Public Works and Safety	Morris W. Chastain	01-01-05 to 12-31-06
President of the Common Council	Kenneth Allen	01-01-05 to 12-31-06
Superintendent of Utilities	Roger Duncan	01-01-05 to 12-31-06



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE CITY OF MITCHELL, LAWRENCE COUNTY, INDIANA

We have examined the schedule of receipts, disbursements, and cash and investment balances of the City of Mitchell (City), for the period of January 1, 2005 to December 31, 2005. The City's management is responsible for the schedule. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the schedule of receipts, disbursements, and cash and investment balances and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the schedule referred to above presents fairly, in all material respects, the cash transactions of the City for the year ended December 31, 2005, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

October 12, 2006

CITY OF MITCHELL  
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES  
As Of And For The Year Ended December 31, 2005

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General	\$ (84,269)	\$ 1,772,516	\$ 1,166,801	\$ 521,446
Motor Vehicle Highway	(168,046)	389,656	257,013	(35,403)
Local Road and Street	56,077	27,772	74,169	9,680
Park and Recreation	(143,890)	211,859	131,532	(63,563)
Law Enforcement Continuing Education	6,189	14,933	9,899	11,223
Cemetery	(158,201)	70,492	122,496	(210,205)
Donations	1,325	740	-	2,065
Urban Development	284,930	102,360	303,436	83,854
Housing and Rehabilitation	47,203	4,811	2,766	49,248
Downtown Revitalization	3,053	-	-	3,053
Transportation	(1,849)	28,138	95,242	(68,953)
Fire Donations	5,229	-	-	5,229
Storm Water Project	8,508	40	-	8,548
Police D.A.R.E.	6,483	4,500	4,573	6,410
Storm Sewer Project	(8,373)	-	-	(8,373)
Operation Pullover	(870)	990	120	-
Community Development	14,917	8,000	-	22,917
Police Officer Reserve	101	3,333	500	2,934
Fire Grant	-	108,708	108,708	-
Cumulative Capital Improvement	14,994	14,118	2,500	26,612
Cumulative Park	-	835	27	808
Cumulative Capital Development	48,139	3,761	14,200	37,700
Cumulative Building and Fire Fighting Equipment	(32,436)	59,206	-	26,770
Proprietary Funds:				
Water Utility - Operating	418,514	1,163,951	1,625,418	(42,953)
Water Utility - Bond and Interest	149	-	80	69
Water Utility - Depreciation	334,675	709	-	335,384
Water Utility - Customer Deposit	40,894	7,110	6,302	41,702
Water Utility - Debt Service Reserve	375,675	-	-	375,675
Water Utility - Capital Projects	241	-	-	241
Wastewater Utility - Operating	20,805	464,085	609,831	(124,941)
Wastewater Utility - Customer Deposit	30,623	6,150	5,961	30,812
Wastewater Utility - Capital Projects	130,569	864	106,263	25,170
Wastewater Utility - Reserve	142,612	-	-	142,612
Fiduciary Funds:				
Police Officers' Pension	227,058	80,496	59,776	247,778
Cemetery Perpetual Care	142,362	5,789	-	148,151
Payroll	(90,405)	1,632,037	2,021,535	(479,903)
Totals	<u>\$ 1,672,986</u>	<u>\$ 6,187,959</u>	<u>\$ 6,729,148</u>	<u>\$ 1,131,797</u>

The accompanying notes are an integral part of the schedules.

CITY OF MITCHELL  
NOTES TO SCHEDULE

Note 1. Introduction

The City was established under the laws of the State of Indiana. The City operates under a Council-Mayor form of government and provides the following services: public safety (police and fire), highways and streets, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, and urban redevelopment and housing.

Note 2. Fund Accounting

The City uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the City in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% 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 become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the City on or prior to December 31 of the year collected.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were 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 statute (IC 5-13-9) authorizes the City to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

CITY OF MITCHELL  
NOTES TO SCHEDULE  
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The City contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund  
Harrison Building, Room 800  
143 West Market Street  
Indianapolis, IN 46204  
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF. Payment to PERF of \$91,162 was made for 2005. Payment consisted of \$33,066 from employees and \$58,096 from the City. Information covering the Pension Benefit Obligation and the assets held by PERF for the City is available from PERF.

Note 7. Long-Term Debt

The City has entered into various debts such as a loan for the purchase of a building, and capital leases for pool equipment and a fire truck. The outstanding principal at December 31, 2005, was \$33,300, and \$109,473, respectively.

The Water Utility has entered into various debts such as water revenue bonds, and an operating loan from the Wastewater Utility. The outstanding principal at December 31, 2005, was \$3,610,000, and \$1,280,000 respectively.

Note 8. Subsequent Events

The City was awarded a \$9,875,000 Federal Highway Transportation Grant to be used to construct Hamilton Blvd. The grant contains a matching requirement. The City has a \$1,500,000 anonymous pledge for the matching funds. The City also was awarded a \$2,382,000 Department of Commerce Economic Development Grant for construction of infrastructure and installation in the City of Mitchell Industrial Park. As of October 12, 2006, no funds have actually been received and no contracts have been awarded.

CITY OF MITCHELL  
EXAMINATION RESULTS AND COMMENTS

INTERNAL CONTROLS - TRANSACTION RECORDING

Controls over the receipting, disbursing, recording, and accounting for the financial activities were insufficient. Two transportation fund receipts totaling \$31,310 were posted to the general fund. \$1,249.72 was posted to the general fund and should have been posted to police officers' pension fund.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

INTERNAL CONTROLS - RECEIPT ISSUANCE

Controls for receipts are insufficient. Several receipt numbers were skipped. Two receipts were written with the same receipt number. Receipts were not issued or recorded timely. For example, receipts dated September 30, 2005, were written after receipts dated November 14, 2005.

Receipts for July 13, 2005, were \$30 more than the deposit. In order to balance the receipts to the deposit, receipt number 30258 was deleted and receipt number 30392 was written for \$30 less. Clerk-Treasurer Mark Kern reimbursed the City for the \$30 shortage on receipt number 31615 dated October 17, 2006. The \$30 was deposited on October 20, 2006.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

BOARD MINUTES - COMMON COUNCIL AND BOARD OF WORKS

Not all minutes of meetings of the governing bodies were available for audit. Board of Works minutes for September 2005 were not available. Common Council minutes for June 6, 2005, and Board of Works minutes for February, March, June, November, and December of 2005 had to be printed out and were not signed. Board minutes did not contain all of the required information. For example, the minutes disclosed the purchase of a building for \$36,000 but did not disclose how the City was going to finance the purchase.

Indiana Code 5-14-1.5-4 states in part:

"(b) As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.

CITY OF MITCHELL  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes take, by individual members if there is a roll call.
- (5) Any additional information required under IC 5-1.5-2-2.5 or IC 20-12-63-7."

PAYROLL DEDUCTIONS

As stated in prior Audit Report B25617 and for the current examination period, amounts were withheld from employees for payroll deductions. The amounts withheld did not always agree with the payments made to the applicable agencies. Also, proper transfers were not made to the payroll fund. Numerous withholding accounts had balances that could not be identified as of December 31, 2005. The Clerk-Treasurer has been working on correcting the errors in the payroll withholding accounts. The largest errors have been corrected as of September 2006.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should 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)

OVERDRAWN FUND BALANCES

The following funds were overdrawn on December 31, 2005:

Motor Vehicle Highway	\$ 35,403
Park and Recreation	63,563
Cemetery	210,205
Transportation	68,953
Storm Sewer Project	8,373
Water Utility Operating	42,953
Wastewater Utility Operating	124,941
Payroll	479,903

The fund balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

DEPOSITS

As stated in prior Audit Report B25617 and for the current examination period, receipts were deposited later than the next business day. Utility employees balance the utility cash drawers and remit the collections to the Clerk-Treasurer's office for deposit. The cash drawers were only balanced two to three times a week. Deposits were not made until several days after the collections were remitted to the Clerk-Treasurer's office. Collections posted to the Utility Register of Daily Cash Receipts - Consumer on December 19, 2005, were deposited on January 4, 2006, and collections dated December 27, 2005, were not deposited until January 5, 2006.

CITY OF MITCHELL  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

Indiana Code 5-13-6-1(d) states: "A city (other than a consolidated city) or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories: (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and (2) approved as depositories of state funds."

SUPPORTING DOCUMENTATION AND REIMBURSEMENT ITEMIZATION

Monthly payments to Cardmember Service for credit card charges were made from the statement and no other detailed documentation was provided. This included purchases totaling \$930.68 from the Mayor's card, \$244.24 from the Clerk-Treasurer's card and \$275.28 from the Police Chief's card with no support other than the detail from the credit card statement. Several other payments were observed for which adequate supporting documentation, such as receipts, invoices, and other public records, was not provided. Due to the lack of supporting information, the validity and accountability for some money disbursed could not be established.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

All claims, invoices, receipts, accounts payable vouchers, including those presented to the governing body for approval in accordance with IC 5-11-10, should contain adequate detailed documentation. All claims, invoices, receipts, and accounts payable vouchers regarding reimbursement for meals and expenses for individuals must have specific detailed information of the names of all individuals for whom amounts are claimed, including the nature, name and purpose of the business meeting, to enable the governing body to authorize payment. Payments which do not have proper itemization showing the business nature of the claim may be the personal obligation of the responsible official, employee or other person for whom the claim is made. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

APPROVAL OF ACCOUNTS PAYABLE VOUCHERS

Prior to September 2005, the Board of Public Works was not presented a detailed list of accounts payable vouchers for approval and the Clerk-Treasurer did not certify accounts payable vouchers.

An accounts payable voucher for the transportation department was listed on the October 2005 Water Department Allowance of Accounts Payable Vouchers, but the amount was not added to the total amount of vouchers approved by the Board of Public Works.

Indiana Code 5-11-10-2(a) states: "Claims against a political subdivision of the state must be approved by the officer or person receiving the goods or services, be audited for correctness and approved by the disbursing officer of the political subdivision, and, where applicable, be allowed by the governing body having jurisdiction over allowance of such claims before they are paid. If the claim is against a governmental entity (as defined in section 1.6 of this chapter), the claim must be certified by the fiscal officer."

CITY OF MITCHELL  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

BOARD MINUTES - PARK BOARD

Minutes of meetings of the park board for March 2005 were the only minutes available for audit.

Indiana Code 5-14-1.5-4 states in part:

"(b) As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes take, by individual members if there is a roll call.
- (5) Any additional information required under IC 5-1.5-2-2.5 or IC 20-12-63-7."

OFFICIAL BONDS

There were no official bonds filed in the office of the County Recorder.

Indiana Code 5-4-1-5.1(b) states in part: "Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder. . . ."

APPROPRIATIONS

The records presented for audit indicated the park and recreation fund expenditures were in excess of budgeted appropriations by \$9,848.

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

OLD OUTSTANDING CHECKS (WARRANTS)

Our review of the bank reconcilements as of December 31, 2005, revealed checks outstanding in excess of two years.

Indiana Code 5-11-10.5-2 states in part: "All warrants or checks drawn upon public funds of a political subdivision that are outstanding and unpaid for a period of two (2) or more years as of the last day of December of each year are void."

Indiana Code 5-11-10.5-3 states in part: "Not later than March 1 of each year, the treasurer of each political subdivision shall prepare or cause to be prepared a list in triplicate of all warrants or checks that have been outstanding for a period of two (2) or more years as of December 31 of the preceding year. The original copy of each list shall be filed with the board of finance of the political subdivision or the fiscal body of a city or

CITY OF MITCHELL  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

town. The duplicate copy shall be transmitted to the disbursing officer of the political subdivision. The triplicate copy of each list shall be filed in the office of the treasurer of the political subdivision. If the treasurer serves also as the disbursing officer of the political subdivision, only two (2) copies of each list need be prepared or caused to be prepared by the treasurer."

Indiana Code 5-11-10.5-5 states:

"(a) Upon the preparation and transmission of the copies of the list of the outstanding warrants or checks, the treasurer of the political subdivision shall enter the amounts so listed as a receipt into the fund or funds from which they were originally drawn and shall also remove the warrants or checks from the record of outstanding warrants or checks.

(b) If the disbursing officer does not serve also as treasurer of the political subdivision, the disbursing officer shall also enter the amounts so listed as a receipt into the fund or funds from which the warrants or checks were originally drawn. If the fund from which the warrant or check was originally drawn is not in existence, or cannot be ascertained, the amount of the outstanding warrant or check shall be receipted into the general fund of the political subdivision."

#### CUSTOMER DEPOSIT REGISTER

The detailed customer deposit register does not reconcile with the customer deposit amount recorded on the general ledger. The ledger amount of payables is \$12,391 more than the detail in the customer deposit ledger. Also, the customer deposit ledger combines the water and wastewater deposits and does not have separate totals for each utility.

At all times, the manual and computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

#### DELINQUENT WASTEWATER ACCOUNTS

Delinquent wastewater fees and penalties had not been recorded with the County Recorder nor were they certified to the County Auditor which would result in a lien against the property.

Indiana Code 36-9-23-33 states in part:

"(b) Except as provided in subsection (l), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:

- (1) A list of the delinquent fees and penalties that are enforceable under this section, which must include the following:
  - (A) The name or names of the owner or owners of each lot or parcel of real property on which fees are delinquents.
  - (B) A description of the premises, as shown by the records of the county auditor.
  - (C) The amount of the delinquent fees, together with the penalty.

CITY OF MITCHELL  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

(2) An individual instrument for each lot or parcel of real property on which the fees are delinquent."

"(c) The officer shall record a copy of each list or each individual instrument with the county recorder . . ."

"(e) Using the lists and instruments prepared under subsection (b) and recorded under subsection (c), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (c), certify to the county auditor a list of the liens that remain unpaid for collection in the next May . . ."

DISTRIBUTION OF GROSS REVENUES TO THE VARIOUS FUNDS

As stated in prior Audit Report B25617 and for the current examination period, gross revenues were not being distributed to the various utility funds in accordance with Revenue Bond Ordinance 00-02.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

BOARD MINUTES - POLICE PENSION

No board minutes of meetings of the police pension board of trustees were available for examination.

Indiana Code 5-14-1.5-4 states in part:

"(b) As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes taken, by individual members if there is a roll call.
- (5) Any additional information required under IC 5-1.5-2-2.5 or IC 20-12-63-7."

CONDITION OF RECORDS - POLICE PENSION

Financial records presented for examination of the Police Pension Board were not complete for the period under examination and were not current, as of the date of our examination.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF MITCHELL  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

POLICE PENSION BENEFITS

The minimum pension amount paid to a surviving spouse is set by statute. The City paid the surviving spouse 5% less than the minimum from January 2005 to July 2005. The total underpayment to the surviving spouse was \$582.98 in 2005 and \$407.04 in 2004.

Indiana Code 36-8-6-9.6 states in part:

"(b) A payment shall be made to the surviving spouse of a deceased member in an amount fixed by ordinance, but at least an amount equal to the following: . . .

(B) fifty-five percent (55%) of the monthly benefit the deceased member was receiving or was entitled to receive on the date of the member's death. "

"(e) If the salary of a first class patrolman is increased or decreased, the pension payable under this section shall be proportionately increased or decreased. However, the monthly pension payable to a member or survivor may not be reduced below the amount of the first full monthly pension received by that person."

PAYROLL DEDUCTIONS - POLICE PENSION

Amounts were withheld from employees for police pension payroll deductions, but the amounts were computed incorrectly. The amounts withheld did not always agree with the payments made to the appropriate agency.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should 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)

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

The City Attorney received compensation in the amount of \$15,000 without payroll deductions for taxes and no Form W-2 or Form 1099 was issued.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should 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)

CITY OF MITCHELL  
EXIT CONFERENCE

The contents of this report were discussed on October 11, 2006, with Mike Hardman, Chief of Police. He concurred with our findings.

The contents of this report were discussed on October 24, 2006, with Morris W. Chastain, Mayor.

The contents of this report were discussed on October 24, 2006, with Mark H. Kern, Clerk-Treasurer. His official response has been made a part of this report and may be found on page 15.

# **Official Response from Clerk-Treasurer**

## **City of Mitchell 2005 audit**

The following is a response to several comments made by the auditors regarding the audit. It is my opinion that many of the comments needed further explanation over and above the legal language that is required to be used in the comments section by the auditors.

### **Internal Controls – Transaction Recording Section**

This comment is in regards to three state distribution checks that were received and receipted into the incorrect fund. This is due to the distribution checks from the State of Indiana not having a description of what the check is for. Thus if the city department that is to receive funding from the state does not submit a notice to the Clerk-Treasurer that the funding from the state is expected and the funding check is received the funds are receipted into the general miscellaneous fund. This is done until the proper department that is to receive the funds is identified.

### **Internal Controls – Receipt Issuance**

Many of the receipt issues noted as having problems were directly related to various computer problems that were experienced with the accounting software. The auditor and the Clerk-Treasurer discussed these issues with representatives and programmers from the accounting software vendor twice during the audit. In addition copies of the accounting data was sent to the software vendor for analysis to make sure these problems do not occur again.

### **Board Minutes – Common Council and Board of Works**

The comment states that board minutes did not contain all of the required information. The minutes of board meetings are written to reflect what was discussed at the meeting. The Clerk-Treasurer can only prepare minutes of what was discussed at a meeting and should never add items into minutes that were not discussed. The comment indicates that additional information should have been added to meeting minutes that may not have been discussed at the meeting, this would be unethical.

### **Overdrawn Fund Balances**

The overdrawn fund balances listed are related to the fact that the city did not receive the tax disbursement for property taxes from the county auditor's office until January 2006. All property taxes are required to be dispersed to the city by the end of 2005, but this was not done by the county in 2005.