

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

EXAMINATION REPORT  
OF  
TOWN OF MT. CARMEL  
FRANKLIN COUNTY, INDIANA  
January 1, 2006 to December 31, 2007



**FILED**  
01/15/2009



## TABLE OF CONTENTS

| <u>Description</u>   | <u>Page</u> |
|--|-------------|
| Officials .....  | 2           |
| Independent Accountant's Report.....   | 3           |
| Financial Information:   |             |
| Schedules of Receipts, Disbursements, and Cash and Investment Balances ..... | 4           |
| Notes to Financial Information .....   | 5           |
| Examination Results and Comments:  |             |
| Payroll Deductions.....  | 6           |
| Appropriations.....  | 6           |
| Annual Reports .....   | 6           |
| Condition of Records .....   | 6           |
| Bank Account Reconciliations .....   | 7           |
| Deposits.....  | 7           |
| Overdrawn Fund Balances .....  | 7           |
| Public Records Retention .....   | 7           |
| List of Employees Not Filed With County Treasurer .....                      | 8           |
| Certified Report Not Filed .....   | 8           |
| Official Bond .....  | 8           |
| Residency of Clerk-Treasurer.....  | 8           |
| Federal and State Agencies – Compliance Requirements .....                   | 8-9         |
| Penalties, Interest, and Other Charges .....                                 | 9           |
| Personal Expenses.....   | 9           |
| Exit Conference.....   | 10          |

OFFICIALS

| <u>Office</u>                 | <u>Official</u> | <u>Term</u>          |
|-------------------------------|-----------------|----------------------|
| Clerk-Treasurer               | Jerry E. Day    | 01-01-05 to 12-31-12 |
| President of the Town Council | Robert Hoffman  | 01-01-06 to 12-31-08 |



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF MT. CARMEL, FRANKLIN COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Mt. Carmel (Town), for the period of January 1, 2006 to December 31, 2007. The Town's management is responsible for the financial information presented herein. 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 financial information presented herein 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 financial information referred to above presents fairly, in all material respects, the financial information of the Town for the years ended December 31, 2006 and 2007, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

December 23, 2008

TOWN OF MT. CARMEL  
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL GOVERNMENTAL FUND TYPES  
As Of And For The Years Ended December 31, 2006 And 2007

|                                 | Cash and<br>Investments<br>01-01-06 | Receipts        | Disbursements   | Cash and<br>Investments<br>12-31-06 |
|---------------------------------|-------------------------------------|-----------------|-----------------|-------------------------------------|
| Governmental Funds:             |                                     |                 |                 |                                     |
| General                         | \$ (26,299)                         | \$ 4,351        | \$ 6,331        | \$ (28,279)                         |
| Motor Vehicle Highway           | 15,788                              | 3,232           | 1,486           | 17,534                              |
| Local Road and Street           | 2,646                               | 630             | -               | 3,276                               |
| Cumulative Capital Improvement  | 4,472                               | 378             | -               | 4,850                               |
| Cumulative Capital Development  | 36                                  | -               | -               | 36                                  |
| Economic Development Income Tax | 3,624                               | -               | -               | 3,624                               |
| Totals                          | <u>\$ 267</u>                       | <u>\$ 8,591</u> | <u>\$ 7,817</u> | <u>\$ 1,041</u>                     |

|                                 | Cash and<br>Investments<br>01-01-07 | Receipts        | Disbursements   | Cash and<br>Investments<br>12-31-07 |
|---------------------------------|-------------------------------------|-----------------|-----------------|-------------------------------------|
| Governmental Funds:             |                                     |                 |                 |                                     |
| General                         | \$ (28,279)                         | \$ 4,327        | \$ 7,104        | \$ (31,056)                         |
| Motor Vehicle Highway           | 17,534                              | 3,017           | 1,719           | 18,832                              |
| Local Road and Street           | 3,276                               | 691             | -               | 3,967                               |
| Cumulative Capital Improvement  | 4,850                               | 372             | -               | 5,222                               |
| Cumulative Capital Development  | 36                                  | -               | -               | 36                                  |
| Economic Development Income Tax | 3,624                               | -               | -               | 3,624                               |
| Totals                          | <u>\$ 1,041</u>                     | <u>\$ 8,407</u> | <u>\$ 8,823</u> | <u>\$ 625</u>                       |

The accompanying notes are an integral part of the financial information.

TOWN OF MT. CARMEL  
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The Town was established under the laws of the State of Indiana. The Town provides the following services: public safety, road and street maintenance, and general administrative services.

Note 2. Fund Accounting

The Town 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 Town 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.

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 Town 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.

TOWN OF MT. CARMEL  
EXAMINATION RESULTS AND COMMENTS

PAYROLL DEDUCTIONS

Payments were made to Town employees without payroll deductions for taxes.

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)

APPROPRIATIONS

The Town did not obtain an approved budget for the years 2006 and 2007.

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."

ANNUAL REPORTS

Annual reports for 2006 and 2007 were not presented for examination.

Indiana Code 5-3-1-3(a) states in part:

"Within sixty (60) days after the expiration of each calendar year, the fiscal officer of each civil city and town in Indiana shall publish an annual report of the receipts and expenditures of the city or town . . ."

CONDITION OF RECORDS

Financial records presented for examination were incomplete and not reflective of the activity of the Town's funds. The Town's ledgers were not presented for examination. The funds' activity was abstracted from bank records to accumulate receipts, disbursements, and balances.

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)

TOWN OF MT. CARMEL  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were not presented for 2006 or 2007.

Indiana Code 5-13-6-1(e) states in part:

"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."

DEPOSITS

Receipts were deposited later than the next business day. In 2006, the average was 28 days between receipt and deposit. In 2007, the average was 23 days between receipt and deposit.

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."

OVERDRAWN FUND BALANCES

The General Fund was overdrawn by \$28,279 in 2006 and \$31,056 in 2007.

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)

PUBLIC RECORDS RETENTION

Salary ordinance records were not presented for examination.

Indiana Code 5-15-6-3(f) concerning destruction of public records, states in part:

"Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

Supporting documentation such as receipts, canceled checks, 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)

TOWN OF MT. CARMEL  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

LIST OF EMPLOYEES NOT FILED WITH COUNTY TREASURER

A list of employees was not certified to the County Treasurer.

Indiana Code 6-1.1-22-14(a) states in part:

"on or before June 1 and December 1 of each year . . . the disbursing officer of each political subdivision . . . shall certify the names and addresses of each person who has money due from the political subdivision to the treasurer of each county in which the political subdivision is located."

CERTIFIED REPORT NOT FILED

The Town did not file a certified report of compensation of officers and employees (Form 100-R or its equivalent) with the State Board of Accounts for the years 2006 or 2007.

Indiana Code 5-11-13-1 states in part:

"Every state, county, city, town, township, or school official . . . shall during the month of January of each year prepare, make, and sign a written or printed certified report, correctly and completely showing the names and addresses of each and all officers, employees, and agents . . . and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts."

OFFICIAL BOND

The official bond of the Clerk-Treasurer was not 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. . . ."

RESIDENCY OF CLERK-TREASURER

The current Clerk-Treasurer of the Town of Mt. Carmel does not reside within the Town limits.

Indiana Code 36-5-6-3 states in part:

"The Clerk-Treasurer must reside within the town as provided in Article 6, Section 6 of the Constitution of the State of Indiana."

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

The Clerk-Treasurer did not file Form W-2 (Wage and Tax Statement) for Town employees in 2006 or 2007. Neither a Form 941 (Employer's Quarterly Federal Tax Return) nor a Form 944 (Employer's Annual Federal Tax Return) was filed for 2006 or 2007.

TOWN OF MT. CARMEL  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

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 Townships, Chapter 13)

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

PENALTIES, INTEREST, AND OTHER CHARGES

Bank service charges totaling \$113 and \$55 for 2006 and 2007, respectively, were deducted from the bank accounts.

Officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PERSONAL EXPENSES

The Town paid \$143 for planters for funerals, \$37 for a bike for a raffle, and \$10 for a donation during the examination period.

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental entity may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF MT. CARMEL  
EXIT CONFERENCE

The contents of this report were discussed on December 23, 2008, with Jerry E. Day, Clerk-Treasurer. The official concurred with our findings.