

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

EXAMINATION REPORT
OF
TOWN OF MULBERRY
CLINTON COUNTY, INDIANA
January 1, 2006 to December 31, 2007



FILED
01/26/2009

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	5-6
Supplementary Information:	
Schedule of Capital Assets.....	7
Schedule of Long-Term Debt	8
Examination Results and Comments:	
Hydrant Rental Receivable (Payable)	9
Customer Deposit Register	9
Certified Report Not Filed	9
Appropriations.....	9
Condition of Records	10
Errors on Investments	10
Clerk-Treasurer's Salary Overpayment.....	10-11
Receipts.....	11
Gun Permit Fees.....	11
Errors on Claims	11-12
Overdrawn Fund Balances	12
Official Bond	13
Exit Conference.....	14
Official Response	15
Summary	16
Affidavit	17

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Amy Jo Kaser Paula Bennett	01-01-04 to 12-31-07 01-01-08 to 12-31-11
President of the Town Council	Paul Smith	01-01-06 to 12-31-08



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

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

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF MULBERRY, CLINTON COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Mulberry (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.

The Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not a required part of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

November 19, 2008

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

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 166,824	\$ 245,365	\$ 271,849	\$ 140,340
Motor Vehicle Highway	118,655	58,920	64,923	112,652
Local Road and Street	25,698	5,987	10,000	21,685
Park and Recreation	8,997	1,121	-	10,118
Law Enforcement Continuing Education	2,010	345	130	2,225
Rainy Day	5,423	-	-	5,423
Donation	186	-	-	186
Cumulative Capital Improvement	27,221	5,053	11,270	21,004
Cumulative Capital Development	96,521	9,524	20,000	86,045
County Economic Development Income Tax	63,217	13,848	-	77,065
Proprietary Funds:				
Water Utility - Operating	115,615	131,533	121,885	125,263
Water Utility - Bond and Interest	31,282	20,741	52,023	-
Water Utility - Depreciation	20,500	1,200	-	21,700
Water Utility - Customer Deposit	6,034	1,900	1,800	6,134
Wastewater Utility - Operating	121,279	183,888	240,035	65,132
Wastewater Utility - Bond and Interest	(18,003)	83,955	65,952	-
Wastewater Utility - Depreciation	58,926	-	-	58,926
Fiduciary Fund:				
Payroll	(2,398)	198,737	198,571	(2,232)
Totals	<u>\$ 847,987</u>	<u>\$ 962,117</u>	<u>\$ 1,058,438</u>	<u>\$ 751,666</u>

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 140,340	\$ 174,772	\$ 238,663	\$ 76,449
Motor Vehicle Highway	112,652	76,090	98,451	90,291
Local Road and Street	21,685	6,026	12,350	15,361
Park and Recreation	10,118	1,049	-	11,167
Law Enforcement Continuing Education	2,225	295	1,426	1,094
Rainy Day	5,423	-	-	5,423
Donation	186	-	-	186
Cumulative Capital Improvement	21,004	5,077	3,935	22,146
Cumulative Capital Development	86,045	5,829	4,778	87,096
County Economic Development Income Tax	77,065	19,256	-	96,321
Proprietary Funds:				
Water Utility - Operating	125,263	153,458	214,154	64,567
Water Utility - Bond and Interest	-	60,000	63,659	(3,659)
Water Utility - Depreciation	21,700	12,000	-	33,700
Water Utility - Customer Deposit	6,134	2,300	2,100	6,334
Wastewater Utility - Operating	65,132	193,999	234,319	24,812
Wastewater Utility - Bond and Interest	-	65,000	63,673	1,328
Wastewater Utility - Depreciation	58,926	-	-	58,926
Fiduciary Fund:				
Payroll	(2,232)	215,615	212,891	492
Totals	<u>\$ 751,666</u>	<u>\$ 990,766</u>	<u>\$ 1,150,399</u>	<u>\$ 592,034</u>

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

TOWN OF MULBERRY
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, health and social services, culture and recreation, 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. All property taxes collected by the County Treasurer and available for distribution were distributed to the Town 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 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 MULBERRY
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Town 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 Town 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.

TOWN OF MULBERRY
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 For The Year Ended December 31, 2007

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 9,166
Buildings	105,577
Improvements other than buildings	72,225
Machinery and equipment	<u>143,409</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 330,377</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Machinery and equipment	\$ <u>47,183</u>
 Total Water Utility capital assets	 <u>47,183</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Machinery and equipment	\$ <u>7,518</u>
 Total Wastewater Utility capital assets	 <u>7,518</u>
 Total business-type activities capital assets	 <u>\$ 54,701</u>

TOWN OF MULBERRY
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2007

The Unit has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Business-type Activities:		
Water Utility		
Revenue bonds:		
Revenue bonds of 2003	\$ 545,000	\$ 50,148
Total Water Utility	<u>545,000</u>	<u>50,148</u>
Wastewater Utility		
Revenue bonds:		
Refunding and Improvement Revenue bonds	\$ 365,000	\$ 66,353
Total Wastewater Utility	<u>365,000</u>	<u>66,353</u>
Total business-type activities debt:	<u>\$ 910,000</u>	<u>\$ 116,501</u>

TOWN OF MULBERRY
EXAMINATION RESULTS AND COMMENTS

HYDRANT RENTAL RECEIVABLE (PAYABLE)

The Town of Mulberry owes the Water Utility hydrant rental of \$3,297 for the year 2007, pursuant to Rate Ordinance 142-2003 passed by the Town Council on August 12, 2003.

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)

CUSTOMER DEPOSIT REGISTER

The detailed customer deposit register does not reconcile with the customer deposit control account recorded in the general ledger. At December 31, 2007, the detail of customer deposit register shows \$2,843.01 more than the control.

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)

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 and 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."

APPROPRIATIONS

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
MVH	2007	\$ 4,395
LRS	2007	17,717

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."

TOWN OF MULBERRY
EXAMINATION RESULTS AND COMMENTS
(Continued)

CONDITION OF RECORDS

The following deficiencies, relating to the recordkeeping, were present during our period of audit:

- (1) Record balances were not reconciled to depository balances during the two year audit period.

Indiana Code 5-13-6-1(e) states: "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."

- (2) There were a considerable number of posting errors. These errors included deposits not received, checks and receipts not recorded in the proper amounts, interest not posted, and nonsufficient funds checks incorrectly posted.

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)

- (3) The Town did not maintain a backup of the accounting system for the audit period.

All computer application programs and operating system software must be backed up on a periodic basis and after modification. Accounting information must be backed up on a periodic basis sufficient to allow restoration of the information in a timely manner. Periodically the back up media must be tested to assure restoration will occur accurately. One copy of the back up information must be retained off site. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ERRORS ON INVESTMENTS

Interest earned on some investments was automatically added to the principal and not recorded in the records. Also, the governmental unit purchased certain investments which have a stated maturity in excess of two years.

Interest on investments should not be automatically added into the investment. Instead, interest on investments should be paid to the governmental unit at each maturity date and posted to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Indiana Code 5-13-9-5.6 states: "Investments made under IC 5-13-9 must have a stated final maturity of not more than two years after the date of purchase or entry into a repurchase agreement."

CLERK-TREASURER'S SALARY OVERPAYMENT

The Clerk-Treasurer's salary for 2007 exceeded the salary ordinance in effect. The salary overpayment was \$843.51.

Indiana Code 36-5-3-2 states in part: "The compensation of an elected town officer may not be changed in the year for which it is fixed, nor may it be reduced below the amount fixed for the previous year."

TOWN OF MULBERRY
EXAMINATION RESULTS AND COMMENTS
(Continued)

Compensation of all town officers and employees shall be fixed by an ordinance of the town council, and for other than elected town officials, this compensation may be changed by another ordinance of the town council at any time. At the time such compensation is fixed, it may be prorated between the general fund or any other applicable funds of the town, as well as any available funds. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

The former Clerk-Treasurer, Amy Jo Kaser, was requested to reimburse the Town \$843.51. (See Summary, page 16)

RECEIPTS

In numerous instances, receipts were deposited later than the next business day. Receipt number 4248 issued on January 1, 2007, for \$50 could not be traced to a deposit on the bank statement. This undeposited receipt resulted in a cash necessary to balance of \$50.

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."

The former Clerk-Treasurer, Amy Jo Kaser, was requested to reimburse the Town \$50. (See Summary, page 16)

GUN PERMIT FEES

The Town Marshal is charging incorrect fees for lifetime gun permits. The amount being charged is \$30 per permit, rather than the appropriate rate of \$40 for a current permit holder and \$50 for a non-permit holder. The gun permit receipts collected were deficient by \$10 and \$120 in 2006 and 2007, respectively.

Fees should only be collected as specifically authorized by statute or properly authorized resolutions or ordinances, as applicable, which are not contrary to statutory or Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ERRORS ON CLAIMS

The following deficiencies, relating to the claims, were present during our period of audit:

- (1) In 2007, the Council did not approve any of the claims until the final Board meeting on December 27th, where they approved all of the claims for the entire year.

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."

TOWN OF MULBERRY
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (2) The Town of Mulberry incurred, and subsequently paid, financial charges for delinquent payment of vendor invoices during 2006 and 2007. The Town paid Vectren Energy a total of \$199.48 and \$165.08 in late fees during 2006 and 2007, respectively. Other late fees were paid to Mulberry Telephone, US Cellular and Nextel totaling \$35.41 and 53.18 during 2006 and 2007, respectively.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. 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 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)

- (3) During 2006 and 2007, Wastewater Utility Vectren bills were paid from the Town's General Fund in the amounts of \$3,769.49 and \$2,140.08, respectively.

Indiana Code 8-1.5-3-11(d) states in part: ". . . transfers may not be made from any utility funds to the general fund except from the cash reserve fund."

Payments or transfers which are not authorized by statute, ordinance or resolution must be reimbursed or transferred to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Expenses paid from utility funds should be the directly related to the operations of the municipally owned utility. Expenditures for town operating costs should not be paid from utility funds. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

- (4) Several payments were observed which were not supported by adequate documentation, such as receipts, invoices, and other public records. Due to the lack of supporting information, the validity and accountability for some money disbursed could not be established. Also, several Petty Cash Fund claims were not supported by adequate receipts or other documentation.

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)

OVERDRAWN FUND BALANCES

The Payroll Fund was overdrawn \$2,232 at December 31, 2006, and the Water Utility Bond and Interest Fund was overdrawn \$3,659 at December 31, 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)

TOWN OF MULBERRY
EXAMINATION RESULTS AND COMMENTS
(Continued)

OFFICIAL BOND

An official bond for Amy Jo Maish, Clerk-Treasurer, was filed in the office of the Clinton County Recorder and covered the period July 9, 2005 to July 9, 2006. The guarantor was Western Surety Company. Also, she had an official bond that was recorded in the office of the Clinton County Recorder and covered the period July 9, 2006 until her successor is duly qualified. The guarantor of this bond was Pekin Insurance Company.

TOWN OF MULBERRY
EXIT CONFERENCE

The contents of this report were discussed on November 26, 2008, with Paula Bennett, Clerk-Treasurer; and Catherine Harden, Town Council member. The officials concurred with our findings.

The contents of this report were discussed on November 26, 2008, with Amy Jo Kaser, former Clerk-Treasurer. The official response has been made a part of this report and may be found on page 15.

State Board of Accounts
302 W. Washington Street
4th. Floor, Rm. E 418
Indianapolis, IN. 46204-2765

December 3, 2008

To Whom It May Concern:

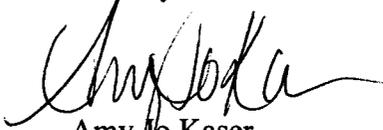
Re: "OFFICIAL RESPONSE"

I am writing a letter to make an official response to my State Board of Accounts Audit for my 2006-2007 books for the Town of Mulberry. The audit shows a comment for overpayment in the Clerk-Treasurer's salary that would result in me paying the Town of Mulberry back my raise for the 2007 year. The total to be paid back is \$843.51, in which I do not feel is accurate.

In January of 2007 the Town Council of the Town of Mulberry passed the 2007 salary Ordinance in which the council felt the amount on the Ordinance was the amount each employee of the Town as well as the elected officials should be paid. I was not aware the salary Ordinance could not be adopted in the calendar year in which it was to be paid. I was the Clerk-Treasurer for 8 years and was never made aware of this rule.

My request is to have this charge waived due to the fact the Town Council did adopt an Ordinance for the Salary for 2007 and they did feel the amount I was to be paid was the amount they adopted.

Thank you



Amy Jo Kaser
Town of Mulberry
Prior Clerk-Treasurer

TOWN OF MULBERRY
SUMMARY

	Charges	Credits	Balance Due
Amy Jo Kaser, former Clerk-Treasurer:			
Clerk-Treasurer's Salary			
Overpayment, pages 10 and 11	\$ 843.51	\$ -	\$ 843.51
Receipts, page 11	50.00	-	50.00
 Totals	\$ 893.51	\$ -	\$ 893.51

AFFIDAVIT

STATE OF INDIANA)
Howard COUNTY)

I, Lori Danford, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of the Town of Mulberry, Clinton County, Indiana, for the period from January 1, 2006 to December 31, 2007, is true and correct to the best of my knowledge and belief.

Lori Danford
Field Examiner

Subscribed and sworn to before me this 21 day of January, 2009

Gloria J. Bacon
Notary Public

My Commission Expires: 04.23.2009

County of Residence: Boone