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**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, 2008 to December 31, 2009



**FILED**  
08/11/2010



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OFFICIALS

| <u>Office</u>                 | <u>Official</u> | <u>Term</u>          |
|-------------------------------|-----------------|----------------------|
| Clerk-Treasurer               | Paula Bennett   | 01-01-08 to 12-31-11 |
| President of the Town Council | Paul Smith      | 01-01-08 to 12-31-10 |



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
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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, 2008 to December 31, 2009. 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, 2008 and 2009, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Long-Term Debt, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the basic financial information. It has not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

June 24, 2010

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, 2008 And 2009

|  | Cash and<br>Investments<br>01-01-08 | Receipts            | Disbursements       | Cash and<br>Investments<br>12-31-08 |
|--|-------------------------------------|---------------------|---------------------|-------------------------------------|
| Governmental Funds:                    |                                     |                     |                     |                                     |
| General                                | \$ 76,449                           | \$ 248,368          | \$ 277,857          | \$ 46,960                           |
| Motor Vehicle Highway                  | 90,291                              | 44,922              | 85,320              | 49,893                              |
| Local Road and Street                  | 15,361                              | 15,116              | 19,920              | 10,557                              |
| Park and Recreation                    | 11,167                              | 1,360               | 20                  | 12,507                              |
| Law Enforcement Continuing Education   | 1,094                               | 380                 | -                   | 1,474                               |
| Riverboat                              | -                                   | 8,746               | 8,746               | -                                   |
| Rainy Day                              | 5,423                               | 5,281               | -                   | 10,704                              |
| Donation                               | 186                                 | -                   | -                   | 186                                 |
| Fire Truck                             | -                                   | 101,050             | 76,138              | 24,912                              |
| Cumulative Capital Improvement         | 22,146                              | 4,716               | 8,142               | 18,720                              |
| Cumulative Capital Development         | 87,096                              | 8,262               | 363                 | 94,995                              |
| County Economic Development Income Tax | 96,321                              | 14,728              | -                   | 111,049                             |
| Proprietary Funds:                     |                                     |                     |                     |                                     |
| Water Utility - Operating              | 64,567                              | 191,259             | 212,687             | 43,139                              |
| Water Utility - Bond and Interest      | (3,659)                             | 37,874              | 37,874              | (3,659)                             |
| Water Utility - Depreciation           | 33,700                              | -                   | -                   | 33,700                              |
| Water Utility - Customer Deposit       | 6,334                               | 1,090               | 1,800               | 5,624                               |
| Water Utility - Debt Reserve           | -                                   | -                   | -                   | -                                   |
| Wastewater Utility - Operating         | 24,812                              | 260,292             | 263,718             | 21,386                              |
| Wastewater Utility - Bond and Interest | 1,328                               | 109,937             | 111,265             | -                                   |
| Wastewater Utility - Depreciation      | 58,926                              | -                   | 58,926              | -                                   |
| Wastewater Utility - Debt Reserve      | -                                   | 22,586              | -                   | 22,586                              |
| Fiduciary Funds:                       |                                     |                     |                     |                                     |
| Perf                                   | -                                   | 4,804               | 4,804               | -                                   |
| Clearing                               | -                                   | 154,316             | 153,064             | 1,252                               |
| Payroll                                | 492                                 | 220,754             | 215,745             | 5,501                               |
| <b>Totals</b>                          | <b>\$ 592,034</b>                   | <b>\$ 1,455,841</b> | <b>\$ 1,536,389</b> | <b>\$ 511,486</b>                   |

|  | Cash and<br>Investments<br>01-01-09 | Receipts            | Disbursements       | Cash and<br>Investments<br>12-31-09 |
|--|-------------------------------------|---------------------|---------------------|-------------------------------------|
| Governmental Funds:                    |                                     |                     |                     |                                     |
| General                                | \$ 46,960                           | \$ 194,572          | \$ 238,423          | \$ 3,109                            |
| Motor Vehicle Highway                  | 49,893                              | 39,822              | 56,696              | 33,019                              |
| Local Road and Street                  | 10,557                              | 5,327               | -                   | 15,884                              |
| Park and Recreation                    | 12,507                              | 535                 | -                   | 13,042                              |
| Law Enforcement Continuing Education   | 1,474                               | 722                 | 157                 | 2,039                               |
| Riverboat                              | -                                   | 8,680               | -                   | 8,680                               |
| Rainy Day                              | 10,704                              | 17,444              | -                   | 28,148                              |
| Donation                               | 186                                 | -                   | -                   | 186                                 |
| Fire Truck                             | 24,912                              | 122,753             | 147,665             | -                                   |
| Cumulative Capital Improvement         | 18,720                              | 4,961               | 3,988               | 19,693                              |
| Cumulative Capital Development         | 94,995                              | 5,748               | 2,243               | 98,500                              |
| County Economic Development Income Tax | 111,049                             | 17,572              | -                   | 128,621                             |
| Proprietary Funds:                     |                                     |                     |                     |                                     |
| Water Utility - Operating              | 43,139                              | 212,746             | 213,007             | 42,878                              |
| Water Utility - Bond and Interest      | (3,659)                             | 90,636              | 66,863              | 20,114                              |
| Water Utility - Depreciation           | 33,700                              | -                   | 33,700              | -                                   |
| Water Utility - Customer Deposit       | 5,624                               | 1,300               | 1,490               | 5,434                               |
| Water Utility - Debt Reserve           | -                                   | 17,675              | -                   | 17,675                              |
| Wastewater Utility - Operating         | 21,386                              | 268,714             | 287,685             | 2,415                               |
| Wastewater Utility - Bond and Interest | -                                   | 132,903             | 132,903             | -                                   |
| Wastewater Utility - Depreciation      | -                                   | -                   | -                   | -                                   |
| Wastewater Utility - Debt Reserve      | 22,586                              | 45,213              | -                   | 67,799                              |
| Fiduciary Funds:                       |                                     |                     |                     |                                     |
| Perf                                   | -                                   | 5,074               | 5,074               | -                                   |
| Clearing                               | 1,252                               | 476,866             | 477,008             | 1,110                               |
| Payroll                                | 5,501                               | 241,511             | 241,655             | 5,357                               |
| <b>Totals</b>                          | <b>\$ 511,486</b>                   | <b>\$ 1,910,774</b> | <b>\$ 1,908,557</b> | <b>\$ 513,703</b>                   |

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.

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 LONG-TERM DEBT  
 December 31, 2009

The Town has entered into the following debt:

| Description of Debt                     | Ending<br>Principal<br>Balance | Principal and<br>Interest Due<br>Within One<br>Year |
|---|--------------------------------|---|
| Business-type activities:               |                                |   |
| Water Utility:                          |                                |   |
| Revenue bonds:                          |                                |   |
| Revenue bonds of 2003                   | \$ 495,000                     | \$ 48,273   |
| Total Water Utility                     | <u>495,000</u>                 | <u>48,273</u>                                       |
| Wastewater Utility:                     |                                |   |
| Revenue bonds:                          |                                |   |
| Refunding and Improvement Revenue bonds | <u>275,000</u>                 | <u>66,088</u>                                       |
| Total Wastewater Utility                | <u>275,000</u>                 | <u>66,088</u>                                       |
| Total business-type activities debt     | <u>\$ 770,000</u>              | <u>\$ 114,361</u>                                   |

TOWN OF MULBERRY  
EXAMINATION RESULTS AND COMMENTS

OVERDRAWN FUND BALANCE

The Water Utility - Bond and Interest Fund was overdrawn \$3,659 at December 31, 2008. The fund was no longer overdrawn at December 31, 2009.

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)

CAPITAL ASSET RECORDS

The Town and Utilities have not maintained sufficient detailed records of capital assets since December 31, 2007. Deletions or disposals and additions of capital assets are not being recorded. The Town and Utilities are in the process of updating the capital asset records to reflect the activity of the examination period through current.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded in the Capital Assets Ledger form. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

INTEREST ON INVESTMENTS

Interest earned on the Water Utility investment was automatically added to the principal and not recorded in the records.

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)

CONDITION OF RECORDS

Financial records presented for examination were incomplete and not reflective of the activity of the Clearing Fund and the Wastewater Debt Reserve Fund. The records presented did not provide sufficient information to audit or establish beginning balances, receipts, disbursements, ending balances, or the accuracy or correctness of the transactions.

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 MULBERRY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

In 2008, the Town only reported the 4th quarter total for state and local income tax withheld on the W-2 of two employees. Those totals were also included on the W-3, underreporting the amount of state and local income tax actually withheld. The Town did however remit, on a monthly basis, the correct amount of the state and local income tax actually withheld from all employees.

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)

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 Cities and Towns, Chapter 7)

COMPENSATION AND BENEFITS

Brandy Brooks, a part-time employee, received \$715 in payments for 2009 when only \$500 was included on the salary ordinance or resolution for part-time. She was also paid from the General Fund, the Water Utility and Wastewater Utility, when the salary ordinance specifically states part-time employees should be paid from the General Fund only.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (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, 2009, the detail of customer deposit register shows \$4,899.35 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)

TOWN OF MULBERRY  
EXIT CONFERENCE

The contents of this report were discussed on June 24, 2010, with Paula Bennett, Clerk-Treasurer, and Paul Smith, President of the Town Council. The officials concurred with our findings.