

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

CITY OF MITCHELL  
LAWRENCE COUNTY, INDIANA

January 1, 2011 to December 31, 2011



**FILED**  
09/11/2012



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	George James	01-01-08 to 12-31-15
Mayor	Daniel Terrell Gary L. Pruett	01-01-08 to 12-31-11 01-01-12 to 12-31-15
President of the Board of Public Works and Safety	Daniel Terrell Gary L. Pruett	01-01-11 to 12-31-11 01-01-12 to 12-31-12
President of the Common Council	Dwight Moore Nancy Miller	01-01-11 to 12-31-11 01-01-12 to 12-31-12
Superintendent of Utilities	Tyler Duncan	01-01-11 to 12-31-12



**STATE OF INDIANA**  
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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statement of the City of Mitchell (City), for the year ended December 31, 2011. This financial statement is the responsibility of the City's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the City prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the City for the year ended December 31, 2011, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated August 16, 2012, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Payables and Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the City's management, Common Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

August 16, 2012



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statement of the City of Mitchell (City), for the year ended December 31, 2011, and have issued our report thereon dated August 16, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2011-1 to be material weaknesses.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS  
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The City's response to the finding identified in our audit is described in the accompanying section of the report entitled Corrective Action Plan. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City's management, Common Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

August 16, 2012

## FINANCIAL STATEMENT

The financial statement and accompanying notes were approved by management of the City. The financial statement and notes are presented as intended by the City.

CITY OF MITCHELL  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For The Year Ended December 31, 2011

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
General	\$ 603,779	\$ 2,905,298	\$ 2,882,568	\$ 626,509
Motor Vehicle Highway	172,839	317,934	350,460	140,313
State Distribution LRS	(22,316)	41,579	31,095	(11,832)
Transportation Operating	42,122	125,609	103,353	64,378
Local Law Enforcement Continuing Education	24,728	1,711	509	25,930
Park And Recreation	21,421	131,577	117,893	35,105
Rainy Day Fund	38,856	-	-	38,856
Levy Excess Fund	76,646	-	76,646	-
Cumulative Capital Improvement Cigarette Tax	15,933	6,344	18,394	3,883
Cumulative Capital Development	18,805	-	-	18,805
Fire Equipment	31,779	-	31,779	-
Police Pension	202,793	44,059	44,237	202,615
LOIT/Public Safety	67,253	116,215	111,956	71,512
Park Community Deposits	2,492	4,500	4,300	2,692
Old Account 205	-	11	-	11
Cemetery Perpetual Care	90,597	4,895	-	95,492
Hamilton Boulevard INDOT Construction	196,596	194,975	391,539	32
IHCDA Grant	2	67,698	67,698	2
OCRA Well Field Grant	41,301	69,891	111,192	-
Firestation CBDG Grant	-	500,000	496,500	3,500
Safe Routes To School	-	22,897	22,897	-
Mitchell Industries Grant	-	13,625	13,625	-
Fire Donation Fund	4,503	-	4,502	1
Police Officer Reserve	5,374	-	-	5,374
Colonial	192	-	-	192
SIDC/Industrial Park	72,858	22	-	72,880
Police Dare Funds	4,955	-	-	4,955
TIF Redevelopment Bond	-	179,458	122,688	56,770
Payroll AFLAC	(131)	3,146	3,225	(210)
Payroll Deferred Compensation	-	2,545	2,545	-
Payroll Compdent	(725)	-	-	(725)
Payroll Net	285	700,784	700,784	285
Payroll Bankers Nation	(1,272)	-	-	(1,272)
Payroll Health Insurance	20,658	26,155	-	46,813
Payroll Federal Withholding	272	141,683	141,683	272
Payroll FICA Withholding	(3,440)	110,229	110,693	(3,904)
Payroll Medicare Withholding	(506)	36,493	36,301	(314)
Payroll State Withholding	6,758	44,479	36,303	14,934
Payroll County Adjusted Gross	(1,577)	22,096	18,096	2,423
Payroll PERF Withholding	(2,115)	27,844	27,781	(2,052)
Payroll Police Pension	(3,160)	17,170	17,279	(3,269)
Payroll American United Life	(2,649)	3,314	3,826	(3,161)
Payroll Vision Withholding	(795)	4,918	5,006	(883)
Payroll Dental Withholding	(1,012)	13,631	14,540	(1,921)
Payroll AULI/LTD	(2,288)	4,508	4,746	(2,526)
Payroll Vol. Life Insurance	1,361	4,858	5,565	654
Garnishment 1	-	45	45	-
Garnishment 2	-	1,300	1,300	-
Garnishment 3	-	7,803	7,803	-
Garnishment 4	-	175	175	-
Garnishment 5	100	625	625	100
Garnishment 6	235	2,340	2,340	235
Garnishment 7	-	650	650	-
Garnishment 8	-	929	929	-
Garnishment 9	702	1,300	1,300	702
Uniform Fee	347	849	1,729	(533)
Direct Deposit Clearing	-	279,483	279,483	-
Payroll Payback Social Security	1,715	1,129	-	2,844
Sewage Utility Operating	930,424	1,369,686	1,208,121	1,091,989
Sewage Meter Deposit	34,109	27,454	17,177	44,386
Sewage Utility Depreciation	20,000	-	-	20,000
Wastewater CDBG Grant	-	704,515	680,189	24,326
Sewage Capital Projects	(102,038)	-	-	(102,038)
Sewage Reserve Fund	2,611	-	-	2,611
Water Utility Operating	491,012	2,198,243	1,986,040	703,215
Water Utility Meter Deposit	53,988	8,270	10,085	52,173
Water Utility Depreciation	1,950	-	-	1,950
Water Bond Proceeds EDA	459,019	-	-	459,019
Water Bond And Interest	282	508,717	508,718	281
Water Utility Construction EDA	(18,759)	-	-	(18,759)
Water Industrial Park Construction	6	-	6	-
Totals	<u>\$ 3,598,875</u>	<u>\$ 11,025,664</u>	<u>\$ 10,838,919</u>	<u>\$ 3,785,620</u>

The notes to the financial statement are an integral part of this statement.

CITY OF MITCHELL  
NOTES TO FINANCIAL STATEMENT

**Note 1. Summary of Significant Accounting Policies**

*A. Reporting Entity*

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

The accompanying financial statement presents the financial information for the City.

*B. Basis of Accounting*

The financial statement is reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

*C. Cash and Investments*

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

*D. Receipts*

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts may include, but are not limited to, the following sources:

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the City.

Licenses and permits which include amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the

CITY OF MITCHELL  
NOTES TO FINANCIAL STATEMENT  
(Continued)

state, local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits which include receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

Utility fees which are comprised mostly of charges for current services.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

*E. Disbursements*

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements may include, but are not limited to, the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service principal and interest which include fixed obligations resulting from financial transactions previously entered into by the City. It includes all expenditures for the reduction of the principal and interest of the City's general obligation indebtedness.

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Utility operating expenses which include all outflows for operating the utilities.

CITY OF MITCHELL  
NOTES TO FINANCIAL STATEMENT  
(Continued)

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

*F. Interfund Transfers*

The City may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

*G. Fund Accounting*

Separate funds are established, maintained, and reported by the City. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the City. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the City in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

**Note 2. Budgets**

The operating budget is initially prepared and approved at the local level. The fiscal officer of the City submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

**Note 3. Property Taxes**

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the City in June and December; however, situations can arise which would delay the distributions. 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 percent 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 normally become delinquent if not paid by May 10 and November 10, respectively.

**Note 4. Deposits and Investments**

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be 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.

CITY OF MITCHELL  
NOTES TO FINANCIAL STATEMENT  
(Continued)

State statutes authorize 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.

**Note 5. Risk Management**

The City may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the City to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the City by recording as a disbursement any replacement items purchased.

**Note 6. Pension Plans**

*A. Public Employees' Retirement Fund*

*Plan Description*

The Indiana Public Employees' Retirement Fund (PERF) is 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 Indiana Public Retirement System (INPRS) 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 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS 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:

Indiana Public Retirement System  
1 North Capital Street, Suite 001  
Indianapolis, IN 46204  
Ph. (888) 526-1687

*Funding Policy and Annual Pension Cost*

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS.

CITY OF MITCHELL  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*B. 1925 Police Officers' Pension Plan*

*Plan Description*

The 1925 Police Officers' Pension Plan is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-6). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

*Funding Policy*

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute.

*On Behalf Payments*

The 1925 Police Officers' Pension Plan is funded by the State of Indiana through the Indiana Public Retirement System as provided under Indiana Code 5-10.3-11.

*C. 1977 Police Officers' and Firefighters' Pension and Disability Fund*

*Plan Description*

The 1977 Police Officers' and Firefighters' Pension and Disability Fund is a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Retirement System (INPRS) for all police officers and firefighters hired after April 30, 1977.

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting, and requirements for contributions by employers and by employees. Covered employees may retire at age 52 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 52. The plan also provides for death and disability benefits.

INPRS 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:

Indiana Public Retirement System  
1 North Capital Street, Suite 001  
Indianapolis, IN 46204  
Ph. (888) 526-1687

*Funding Policy*

The contribution requirements of plan members and the City are established by the Board of Trustees of INPRS.

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## SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the City's 2011 Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Annual Report of the City which is referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The supplementary information presented was approved by management of the City. It is presented as intended by the City.

CITY OF MITCHELL  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011

	General	Motor Vehicle Highway	State Distribution LRS	Transportation Operating	Local Law Enforcement Continuing Education	Park And Recreation	Rainy Day Fund	Levy Excess Fund
Cash and investments - beginning	\$ 603,779	\$ 172,839	\$ (22,316)	\$ 42,122	\$ 24,728	\$ 21,421	\$ 38,856	\$ 76,646
Receipts:								
Taxes	790,210	147,988	-	48,957	-	89,041	-	-
Licenses and permits	857	-	-	-	1,090	-	-	-
Intergovernmental	408,438	128,601	41,579	70,502	-	7,669	-	-
Charges for services	270,535	-	-	6,150	315	34,198	-	-
Fines and forfeits	319	861	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Other receipts	1,434,939	40,484	-	-	306	669	-	-
Total receipts	2,905,298	317,934	41,579	125,609	1,711	131,577	-	-
Disbursements:								
Personal services	1,094,240	221,631	-	73,039	-	50,724	-	-
Supplies	78,301	78,799	-	12,637	-	22,809	-	-
Other services and charges	254,445	23,224	31,095	17,677	509	42,699	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	6,128	-	-	-	-	284	-	76,646
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	1,449,454	26,806	-	-	-	1,377	-	-
Total disbursements	2,882,568	350,460	31,095	103,353	509	117,893	-	76,646
Excess (deficiency) of receipts over disbursements	22,730	(32,526)	10,484	22,256	1,202	13,684	-	(76,646)
Cash and investments - ending	\$ 626,509	\$ 140,313	\$ (11,832)	\$ 64,378	\$ 25,930	\$ 35,105	\$ 38,856	\$ -

CITY OF MITCHELL  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	Cumulative Capital Improvement Cigarette Tax	Cumulative Capital Development	Fire Equipment	Police Pension	LOIT/Public Safety	Park Community Deposits	Old Account 205	Cemetery Perpetual Care
Cash and investments - beginning	\$ 15,933	\$ 18,805	\$ 31,779	\$ 202,793	\$ 67,253	\$ 2,492	\$ -	\$ 90,597
Receipts:								
Taxes	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	6,344	-	-	-	116,215	-	-	-
Charges for services	-	-	-	-	-	4,500	11	4,325
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Other receipts	-	-	-	44,059	-	-	-	570
Total receipts	6,344	-	-	44,059	116,215	4,500	11	4,895
Disbursements:								
Personal services	-	-	-	44,237	-	-	-	-
Supplies	-	-	-	-	-	-	-	-
Other services and charges	18,394	-	-	-	-	4,300	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	-	-	31,779	-	111,956	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-	-
Total disbursements	18,394	-	31,779	44,237	111,956	4,300	-	-
Excess (deficiency) of receipts over disbursements	(12,050)	-	(31,779)	(178)	4,259	200	11	4,895
Cash and investments - ending	\$ 3,883	\$ 18,805	\$ -	\$ 202,615	\$ 71,512	\$ 2,692	\$ 11	\$ 95,492

CITY OF MITCHELL  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	Hamilton Boulevard INDOT Construction	IHCDA Grant	OCRA Well Field Grant	Firestation CBDG Grant	Safe Routes To School	Mitchell Industries Grant	Fire Donation Fund	Police Officer Reserve
Cash and investments - beginning	\$ 196,596	\$ 2	\$ 41,301	\$ -	\$ -	\$ -	\$ 4,503	\$ 5,374
Receipts:								
Taxes	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	67,698	69,891	500,000	22,897	13,625	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Other receipts	194,975	-	-	-	-	-	-	-
Total receipts	194,975	67,698	69,891	500,000	22,897	13,625	-	-
Disbursements:								
Personal services	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	391,539	67,698	111,192	496,500	22,897	13,625	4,502	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-	-
Total disbursements	391,539	67,698	111,192	496,500	22,897	13,625	4,502	-
Excess (deficiency) of receipts over disbursements	(196,564)	-	(41,301)	3,500	-	-	(4,502)	-
Cash and investments - ending	\$ 32	\$ 2	\$ -	\$ 3,500	\$ -	\$ -	\$ 1	\$ 5,374

CITY OF MITCHELL  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	Colonial	SIDC/Industrial Park	Police Dare Funds	TIF Redevelopment Bond	Payroll AFLAC	Payroll Deffered Compensation	Payroll Compdent	Payroll Net
Cash and investments - beginning	\$ 192	\$ 72,858	\$ 4,955	\$ -	\$ (131)	\$ -	\$ (725)	\$ 285
Receipts:								
Taxes	-	-	-	179,458	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Other receipts	-	22	-	-	3,146	2,545	-	700,784
Total receipts	-	22	-	179,458	3,146	2,545	-	700,784
Disbursements:								
Personal services	-	-	-	-	3,225	2,545	-	-
Supplies	-	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	122,688	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-	700,784
Total disbursements	-	-	-	122,688	3,225	2,545	-	700,784
Excess (deficiency) of receipts over disbursements	-	22	-	56,770	(79)	-	-	-
Cash and investments - ending	\$ 192	\$ 72,880	\$ 4,955	\$ 56,770	\$ (210)	\$ -	\$ (725)	\$ 285

CITY OF MITCHELL  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	Payroll Bankers Nation	Payroll Health Insurance	Payroll Federal Withholding	Payroll FICA Withholding	Payroll Medicare Withholding	Payroll State Withholding	Payroll County Adjusted Gross	Payroll PERF Withholding
Cash and investments - beginning	\$ (1,272)	\$ 20,658	\$ 272	\$ (3,440)	\$ (506)	\$ 6,758	\$ (1,577)	\$ (2,115)
Receipts:								
Taxes	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Other receipts	-	26,155	141,683	110,229	36,493	44,479	22,096	27,844
Total receipts	-	26,155	141,683	110,229	36,493	44,479	22,096	27,844
Disbursements:								
Personal services	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-
Other services and charges	-	-	141,683	110,693	36,301	36,303	18,096	27,781
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-	-
Total disbursements	-	-	141,683	110,693	36,301	36,303	18,096	27,781
Excess (deficiency) of receipts over disbursements	-	26,155	-	(464)	192	8,176	4,000	63
Cash and investments - ending	\$ (1,272)	\$ 46,813	\$ 272	\$ (3,904)	\$ (314)	\$ 14,934	\$ 2,423	\$ (2,052)

CITY OF MITCHELL  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	Payroll Police Pension	Payroll American United Life	Payroll Vision Withholding	Payroll Dental Withholding	Payroll AULI/LTD	Payroll Vol. Life Insurance	Garnishment 1	Garnishment 2
Cash and investments - beginning	\$ (3,160)	\$ (2,649)	\$ (795)	\$ (1,012)	\$ (2,288)	\$ 1,361	\$ -	\$ -
Receipts:								
Taxes	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Other receipts	17,170	3,314	4,918	13,631	4,508	4,858	45	1,300
Total receipts	17,170	3,314	4,918	13,631	4,508	4,858	45	1,300
Disbursements:								
Personal services	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-
Other services and charges	17,279	3,826	5,006	14,540	4,746	5,565	45	1,300
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-	-
Total disbursements	17,279	3,826	5,006	14,540	4,746	5,565	45	1,300
Excess (deficiency) of receipts over disbursements	(109)	(512)	(88)	(909)	(238)	(707)	-	-
Cash and investments - ending	\$ (3,269)	\$ (3,161)	\$ (883)	\$ (1,921)	\$ (2,526)	\$ 654	\$ -	\$ -

CITY OF MITCHELL  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	Garnishment 3	Garnishment 4	Garnishment 5	Garnishment 6	Garnishment 7	Garnishment 8	Garnishment 9	Uniform Fee
Cash and investments - beginning	\$ -	\$ -	\$ 100	\$ 235	\$ -	\$ -	\$ 702	\$ 347
Receipts:								
Taxes	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Other receipts	7,803	175	625	2,340	650	929	1,300	849
Total receipts	7,803	175	625	2,340	650	929	1,300	849
Disbursements:								
Personal services	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-
Other services and charges	7,803	175	625	2,340	650	929	1,300	1,729
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-	-
Total disbursements	7,803	175	625	2,340	650	929	1,300	1,729
Excess (deficiency) of receipts over disbursements	-	-	-	-	-	-	-	(880)
Cash and investments - ending	\$ -	\$ -	\$ 100	\$ 235	\$ -	\$ -	\$ 702	\$ (533)

CITY OF MITCHELL  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	Direct Deposit Clearing	Payroll Payback Social Security	Sewage Utility Operating	Sewage Meter Deposit	Sewage Utility Depreciation	Wastewater CDBG Grant	Sewage Capital Projects	Sewage Reserve Fund
Cash and investments - beginning	\$ -	\$ 1,715	\$ 930,424	\$ 34,109	\$ 20,000	\$ -	\$ (102,038)	\$ 2,611
Receipts:								
Taxes	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	704,515	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	1,175,848	17,500	-	-	-	-
Other receipts	279,483	1,129	193,838	9,954	-	-	-	-
Total receipts	279,483	1,129	1,369,686	27,454	-	704,515	-	-
Disbursements:								
Personal services	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-
Other services and charges	279,483	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	-	-	32,164	17,177	-	680,189	-	-
Utility operating expenses	-	-	459,584	-	-	-	-	-
Other disbursements	-	-	716,373	-	-	-	-	-
Total disbursements	279,483	-	1,208,121	17,177	-	680,189	-	-
Excess (deficiency) of receipts over disbursements	-	1,129	161,565	10,277	-	24,326	-	-
Cash and investments - ending	\$ -	\$ 2,844	\$ 1,091,989	\$ 44,386	\$ 20,000	\$ 24,326	\$ (102,038)	\$ 2,611

CITY OF MITCHELL  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	Water Utility Operating	Water Utility Meter Deposit	Water Utility Depreciation	Water Bond Proceeds EDA	Water Bond And Interest	Water Utility Construction EDA	Water Industrial Park Construction	Totals
Cash and investments - beginning	\$ 491,012	\$ 53,988	\$ 1,950	\$ 459,019	\$ 282	\$ (18,759)	\$ 6	\$ 3,598,875
Receipts:								
Taxes	332	-	-	-	-	-	-	1,255,986
Licenses and permits	-	-	-	-	-	-	-	1,947
Intergovernmental	-	-	-	-	-	-	-	2,157,974
Charges for services	-	-	-	-	-	-	-	320,034
Fines and forfeits	-	-	-	-	-	-	-	1,180
Utility fees	2,129,707	8,200	-	-	-	-	-	3,331,255
Other receipts	68,204	70	-	-	508,717	-	-	3,957,288
Total receipts	2,198,243	8,270	-	-	508,717	-	-	11,025,664
Disbursements:								
Personal services	-	-	-	-	-	-	-	1,489,641
Supplies	-	-	-	-	-	-	-	192,546
Other services and charges	-	-	-	-	-	-	-	1,110,541
Debt service - principal and interest	453,939	-	-	-	508,718	-	-	962,657
Capital outlay	47,826	-	-	-	-	-	6	2,234,796
Utility operating expenses	481,735	-	-	-	-	-	-	941,319
Other disbursements	1,002,540	10,085	-	-	-	-	-	3,907,419
Total disbursements	1,986,040	10,085	-	-	508,718	-	6	10,838,919
Excess (deficiency) of receipts over disbursements	212,203	(1,815)	-	-	(1)	-	(6)	186,745
Cash and investments - ending	\$ 703,215	\$ 52,173	\$ 1,950	\$ 459,019	\$ 281	\$ (18,759)	\$ -	\$ 3,785,620

CITY OF MITCHELL  
 SCHEDULE OF PAYABLES AND RECEIVABLES  
 December 31, 2011

Government or Enterprise	Accounts Payable	Accounts Receivable
Governmental activities	\$ 24,493	\$ 17,722
Water	5,863	119,818
Wastewater	6,050	47,067
Totals	\$ 36,406	\$ 184,607

CITY OF MITCHELL  
SCHEDULE OF LEASES AND DEBT  
December 31, 2011

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
City of Mitchell	Jet Machine	\$ 9,859	04-25-08	04-25-12
Mitchell Redevelopment Authority	Road & Industrial Park Improvements	<u>327,000</u>	02-01-10	02-01-27
Total governmental activities		<u>336,859</u>		
Water:				
Mitchell Municipal Water Utility	Lease of land for wells	<u>12,000</u>	07-01-09	07-01-08
Total of annual lease payments		<u>\$ 348,859</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
Revenue bonds	Well Field Project	\$ 614,051	\$ 17,764
Notes and loans payable	Property purchase for Police Department	<u>11,400</u>	<u>3,600</u>
Total governmental activities		<u>625,451</u>	<u>21,364</u>
Water:			
Revenue bonds	New Storage tank and booster station	<u>4,815,000</u>	<u>436,779</u>
Totals		<u>\$ 5,440,451</u>	<u>\$ 458,143</u>

CITY OF MITCHELL  
SCHEDULE OF CAPITAL ASSETS  
December 31, 2011

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.

	Ending Balance
Governmental activities:	
Land	\$ 323,918
Infrastructure	141,494
Buildings	2,558,272
Improvements other than buildings	207,021
Machinery, equipment and vehicles	1,468,056
Total governmental activities	4,698,761
Wastewater:	
Land	15,140
Buildings	3,724,230
Improvements other than buildings	1,421,415
Machinery, equipment and vehicles	251,512
Total Wastewater	5,412,297
Water:	
Land	42,600
Buildings	4,309,776
Improvements other than buildings	2,526,806
Machinery, equipment and vehicles	478,424
Construction in progress	57,973
Total Water	7,415,579
Total capital assets	\$ 17,526,637

CITY OF MITCHELL  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS AND CONDITION OF RECORDS**

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

**Posting Errors**

There were a considerable number of posting errors as follows:

1. Receipts totaling \$200,879.84 should have been posted to the TIF Redevelopment Bond Fund but were posted to the wrong funds. \$187,062.78 was posted to the Hamilton Boulevard INDOT Construction Fund and \$13,817.06 was posted to the LOIT/Public Safety Fund.
2. Lease rental payments of \$327,500 should have been posted to the TIF Redevelopment Bond Fund, but were posted to Hamilton Boulevard INDOT Construction Fund.
3. Sewer operating expenses of \$7,296.81 were posted to the Sewage Meter Deposit Fund.
4. Twelve payroll withholding funds have unidentified credit balances at December 31, 2011.
5. \$26,154.89 was posted as a receipt to the Payroll Health Insurance Fund for employee health insurance withholdings; however, no disbursements were made from this fund.

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)

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)

**Old Outstanding Checks (Warrants)**

Our review of the bank reconcilements as of December 31, 2011, 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."

CITY OF MITCHELL  
AUDIT RESULTS AND COMMENTS  
(Continued)

Indiana Code 5-11-10.5-3 states:

"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; (1) board of finance of the political subdivision; (2) or the fiscal body of a city or 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."

***PENALTIES, INTEREST, AND OTHER CHARGES***

October and November 2011 state and county taxes totaled \$11,926.89. These amounts should have been disbursed monthly. The amounts were not disbursed from the withholding fund until January 17, 2012. This caused the City to incur penalties and interest of \$1,294.53. The penalties and interest were paid on March 7, 2012, with check numbers 21859 and 21861 to the Indiana Department of Revenue for the reporting periods ending October 31, 2011 and November 30, 2011.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

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)

George James, Clerk-Treasurer, was requested to repay the penalties and interest in the amount of \$1,294.53. George James repaid and deposited \$1,294.53 into the City's bank account on August 9, 2012, with Receipt 42272.

CITY OF MITCHELL  
 AUDIT RESULTS AND COMMENTS  
 (Continued)

**CUSTOMER DEPOSIT REGISTER**

The detailed customer deposit register does not reconcile with the customer deposit amount recorded on the funds ledger. At December 31, 2011, the total in the Water Utility Meter Deposit and Sewage Meter Deposit detailed ledger is \$12,179.32 more than the totals in the funds ledger.

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)

**OVERDRAWN FUND BALANCES**

The following funds were overdrawn as of December 31, 2011.

Fund	2010
State Distribution LRS	\$ 11,832
Payroll PERF Withholding	2,052
Payroll FICA Withholding	3,904
Payroll AFLAC	210
Payroll Compdent	725
Payroll Bankers Nation	1,272
Payroll American United Life	3,161
Payroll Dental Withholding	1,921
Payroll Medicare Withholding	314
Payroll Vision Withholding	883
Payroll Police Pension	3,269
Payroll AULI/LTD	2,526
Uniform Fee	533
Sewage Capital Projects	102,038
Water Utility Construction EDA	18,759

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)

**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:

"(a) An officer described in subsection (b) may defer enforcing the collection of unpaid fees and penalties assessed under this chapter until the unpaid fees and penalties have been due and unpaid for at least ninety (90) days.

CITY OF MITCHELL  
AUDIT RESULTS AND COMMENTS  
(Continued)

(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 delinquent.

(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.

(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. . . ."

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the City of Mitchell (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended December 31, 2011. The City's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2011.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133  
(Continued)

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the City's management, Common Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

August 16, 2012

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## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Schedule of Expenditures of Federal Awards and accompanying note presented were approved by management of the City. The schedule and note are presented as intended by the City.

CITY OF MITCHELL  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended December 31, 2011

Federal Grantor Agency/Pass-Through Entity Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Pass-Through-Indiana Office of Community and Rural Affairs			
CDBG - State Administered CDBG Cluster			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228		
Well Fields		CF-09-117	\$ 66,948
Fire Station		A192-10-CF-10-117	500,000
Industries Grant		A192-10-DR2-09-122	13,625
Wastewater System Improvements		A192-11-DR2-09-162	<u>847,494</u>
Total for federal grantor agency			<u>1,428,067</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through-Indiana Department of Transportation			
Highway Planning and Construction Cluster			
Highway Planning and Construction	20.205		
Bridge Construction		DES#0400183	2,074
		DES#0710672	321
Safe Routes to School		DES#0902316	<u>22,897</u>
Total for cluster			<u>25,292</u>
Formula Grants for Other Than Urbanized Areas	20.509		
Operating Assistance Grant			
2010 Operating Assistance Grant		1802708-O	11,169
2011 Operating Assistance Grant		1802808O	<u>36,758</u>
Total			<u>47,927</u>
ARRA - Formula Grants for Other Than Urbanized Areas	20.509		
ARRA Capital Grant		1800108S	<u>2,697</u>
Total for program			<u>50,624</u>
Total for federal grantor agency			<u>75,916</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Pass-Through-Indiana Finance Authority			
Capitalization Grants for Drinking Water State Revolving Funds	66.468		
State Revolving Loan Program - 2009		DW09064701	<u>16,962</u>
Total federal awards expended			<u>\$ 1,520,945</u>

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF MITCHELL  
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

***Basis of Presentation***

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Mitchell and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

CITY OF MITCHELL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Section I – Summary of Auditor's Results**

Financial Statement:

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiency identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	no
Significant deficiency identified?	none reported
Type of auditor's report issued on compliance for major program:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	no

Identification of Major Program:

\_\_\_\_\_  
Name of Federal Program or Cluster

CDBG - State Administered CDBG Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? no

**Section II – Financial Statement Findings**

**FINDING 2011-1 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

We noted material weaknesses in the internal controls over financial transactions and reporting as follows:

**Posting Errors**

There were a considerable number of posting errors as follows:

1. Receipts totaling \$200,879.84 should have been posted to the TIF Redevelopment Bond Fund but were posted to the wrong funds. \$187,062.78 was posted to the Hamilton Boulevard INDOT Construction Fund and \$13,817.06 was posted to the LOIT/Public Safety Fund.

CITY OF MITCHELL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

2. Lease rental payments of \$327,500 should have been posted to the TIF Redevelopment Bond Fund, but were posted to Hamilton Boulevard INDOT Construction Fund.
3. Sewer operating expenses of \$7,296.81 were posted to the Sewage Meter Deposit Fund.
4. Twelve payroll withholding funds have unidentified credit balances at December 31, 2011.
5. \$26,154.89 was posted as a receipt to the Payroll Health Insurance Fund for employee health insurance withholdings; however, no disbursements were made from this fund.

The posting errors identified above were not corrected in the audited financial statement. Although the posting errors are considered a material weakness in the City's internal controls, they were not deemed material to the overall financial statement that would leave the financial statement materially misstated.

***Customer Deposit Register Does Not Reconcile to Ledger***

The detailed customer deposit register does not reconcile with the customer deposit amount recorded on the general ledger. On December 31, 2011, the total in the Water Utility Meter Deposit and Sewage Meter Deposit detailed ledger is \$12,179.32 more than the totals in the funds ledger.

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.

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)

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)

We recommended that the City establish proper controls to address the deficiencies noted with the receipting process and account reconciliation process.

***Section III – Federal Award Findings and Questioned Costs***

No matters are reportable.

CITY OF MITCHELL  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.



**GEORGE JAMES**  
*Clerk-Treasurer*  
CITY OF MITCHELL

407 S. 6TH STREET  
MITCHELL, IN 47446  
812-849-3831  
812-849-9201 FAX  
clerk@mitchell-in.gov

08-16-2012

State Board of Accounts

Subject: Corrective Action Plan

To help identify and correct our payroll withholdings problem we have started a spread sheet listing what the deductions by month should be for the employee and what the cities share should be. We are starting in 2012 and working it backward so we can make the corrections to the current year. We will then keep this sheet each month and compare to make sure the deductions are balancing. We will try to identify the problems that occurred in the past years in the same manor. This should be done by December 1, 2012.

The water meter deposit book in the water department will be compared to my fund balance report each month to make sure they balance.

The posting errors in Fund 220 will be corrected and moved to Fund 418. Fund 220 will no longer be used to eliminate any posting errors in the future.

George James  
Clerk-Treasurer  
City of Mitchell  
812-849-3831

CITY OF MITCHELL  
EXIT CONFERENCE

The contents of this report were discussed on August 16, 2012, with Nancy Miller, President of the Common Council; Gary L. Pruett, Mayor; and George James, Clerk-Treasurer.