

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

EXAMINATION REPORT
OF
TOWN OF MATTHEWS
GRANT COUNTY, INDIANA
January 1, 2007 to December 31, 2008



FILED
12/22/2009

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OFFICIALS

Office

Official

Term

Clerk-Treasurer

Mary M. Davis
Sally J. McClellan

01-01-04 to 08-05-08
08-06-08 to 12-31-11

President of the Town Council

David C. Loer

01-01-07 to 12-31-09



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF MATTHEWS, GRANT COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Matthews (Town), for the period of January 1, 2007 to December 31, 2007. We were engaged to examine the financial information presented herein of the Town, for the period of January 1, 2008 to December 31, 2008. The Town's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Except as described in the following paragraph, 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.

Due to inaccurate and incomplete accounting records, we were unable to obtain sufficient, competent, evidential matter to support the receipts, disbursements, and cash and investment balances for the year ended December 31, 2008.

In our opinion, the financial information of the Town for the year ended December 31, 2007, is presented fairly, in all material respects, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

Because the Town did not maintain accurate and complete records as described above, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial information presented herein for the year ended December 31, 2008.

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 required parts 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

October 28, 2009

TOWN OF MATTHEWS
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, 2007 And 2008

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 83,674	\$ 86,257	\$ 114,071	\$ 55,860
Motor Vehicle Highway	22,101	21,931	24,585	19,447
Local Road and Street	10,851	6,272	8,000	9,123
Law Enforcement Continuing Education	1,264	273	1,075	462
Riverboat	11,248	3,752	5,000	10,000
Rainy Day	-	2,492	-	2,492
Miscellaneous Donations	7,273	5,029	8,273	4,029
Cumulative Capital Improvement	17,163	2,090	-	19,253
Cumulative Capital Development	9,926	1,834	2,706	9,054
Police Donation	1,384	227	227	1,384
Storm Water Operating	5,601	25,678	29,678	1,601
Storm Water Bond and Interest	6,004	12,601	12,662	5,943
Proprietary Funds:				
Wastewater Utility - Operating	100,673	63,906	75,263	89,316
Wastewater Utility - Bond and Interest	2,816	18,955	20,220	1,551
Wastewater Utility - Debt Reserve	41,175	868	-	42,043
Fiduciary Fund:				
Payroll	1,353	68,032	68,077	1,308
Totals	<u>\$ 322,506</u>	<u>\$ 320,197</u>	<u>\$ 369,837</u>	<u>\$ 272,866</u>

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 55,860	\$ 141,491	\$ 134,918	\$ 62,433
Motor Vehicle Highway	19,447	9,602	23,559	5,490
Local Road and Street	9,123	3,700	5,470	7,353
Law Enforcement Continuing Education	462	-	-	462
Riverboat	10,000	3,732	-	13,732
Rainy Day	2,492	6	3,025	(527)
Miscellaneous Donations	4,029	-	2,800	1,229
Cumulative Capital Improvement	19,253	918	-	20,171
Cumulative Capital Development	9,054	2,072	-	11,126
Police Donation	1,384	-	-	1,384
Storm Water Operating	1,601	25,833	17,691	9,743
Storm Water Bond and Interest	5,943	8,849	12,661	2,131
Proprietary Funds:				
Wastewater Utility - Operating	89,316	66,066	77,827	77,555
Wastewater Utility - Bond and Interest	1,551	12,400	-	13,951
Wastewater Utility - Debt Reserve	42,043	448	-	42,491
Fiduciary Fund:				
Payroll	1,308	66,049	64,258	3,099
Totals	<u>\$ 272,866</u>	<u>\$ 341,166</u>	<u>\$ 342,209</u>	<u>\$ 271,823</u>

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

TOWN OF MATTHEWS
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, highways and streets, health and social services, culture and recreation, general administrative services, and wastewater.

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 MATTHEWS
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 MATTHEWS
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 December 31, 2008

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.

General infrastructure assets completed in the current years have been reported.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Infrastructure	\$ 953,552
Buildings	33,028
Machinery and equipment	<u>154,571</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 1,141,151</u>
 Business-type activities:	
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	77,214
Buildings	68,307
Improvements other than buildings	1,352,397
Machinery and equipment	<u>103,723</u>
 Total Wastewater Utility capital assets	 <u>\$ 1,601,641</u>

TOWN OF MATTHEWS
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2008

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Loan payable:		
1997 storm sewer loan	\$ 99,097	\$ 12,668
Business-type activities:		
Wastewater Utility:		
Capital lease:		
Jet cleaner	\$ 7,000	\$ 7,000
Revenue bonds:		
1978 sewage construction	97,402	17,870
Total business-type activities debt	\$ 104,402	\$ 24,870

TOWN OF MATTHEWS
EXAMINATION RESULTS AND COMMENTS

FINANCIAL REPORT OPINION MODIFICATION

The financial records did not provide sufficient information to examine or establish receipts, disbursements, ending balances, or the accuracy or correctness of the transactions for the period August 1, 2008 to December 31, 2008. Therefore, the State Board of Accounts was unable to provide an unqualified opinion on the Independent Accountant's Report for the financial statements for 2008.

Accounting records and other public records must be maintained in a manner that will support accurate financial statements. Anything other than an unqualified opinion on the Independent Auditors' Report on the financial statements may have adverse financial consequences with the possibility of an increase in interest rate cost to the taxpayers of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CONDITION OF RECORDS

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

1. Record balances were not reconciled to depository balances for the months of July 2008 through December 2008.

IC 5-13-6-1(e) states in part: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

2. There were a considerable number of posting errors in the months August 2008 through December 2008. These errors included deposits and Electronic Funds Transfers not receipted, checks and receipts not recorded in the proper amounts, interest not posted, disbursements not paid from the proper funds, checks not voided in the computer, checks that cleared the bank that were never posted to the records, and disbursements recorded twice.

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. Some transactions were recorded as "negative" disbursements in October 2008.

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)

ANNUAL REPORT

An annual report for the year 2008 was not filed with the State Board of Accounts or presented for examination.

IC 5-3-1-3(a) states in part: "Within sixty (60) days after the expiration of each calendar year, the fiscal officer of each civil city and town in Indiana shall publish an annual report of the receipts and expenditures of the city or town . . ."

TOWN OF MATTHEWS
EXAMINATION RESULTS AND COMMENTS
(Continued)

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

The Town did not comply with directives of the Indiana Department of Revenue or the Internal Revenue Service by not reporting or remitting payroll withholdings for September 2008 through December 2008. The last remittance of withholdings was in September 2008 for August 2008. The last payment to the Public Employees' Retirement Fund was made in July 2008 for the quarter ended June 2008.

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)

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)

PENALTIES, INTEREST, AND OTHER CHARGES

Penalties and interest totaling \$59 were paid to the Indiana Department of Revenue in December 2008 for the quarter ended September 30, 2008.

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)

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.

A review of the collection of amounts due from utility customers disclosed the following:

1. Some Town officials and employees are delinquent on their personal utility bills. In December 2007, one employee was delinquent in the amount of \$92 which is approximately four months of bills. In December 2008, one employee was delinquent in the amount of \$102 which is approximately three months of bills.

TOWN OF MATTHEWS
EXAMINATION RESULTS AND COMMENTS
(Continued)

2. A substantial number of customers are not current with their payments. In December 2007, 87 accounts of the 283 accounts billed (31%) had delinquencies. In December 2008, 95 accounts of the 282 accounts billed (34%) had delinquencies.

IC 36-9-23-33 states in part:

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

- (1) A list of the delinquent fees and penalties that are enforceable under this section, which must include the following:
 - (A) The name or names of the owner or owners of each lot or parcel of real property on which fees are 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. . . ."

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

APPROPRIATIONS

The records presented for examination indicated that expenditures from the Rainy Day Fund in 2008 were in excess of budgeted appropriations by \$533.

IC 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 MATTHEWS
EXAMINATION RESULTS AND COMMENTS
(Continued)

CERTIFIED REPORT NOT FILED

A certified report of compensation of officers and employees (Form 100-R or its equivalent) was not filed with the State Board of Accounts for the year 2008.

IC 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."

PRESCRIBED FORMS

A Register of Investments (General Form 350) was not presented for examination.

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 MATTHEWS
EXIT CONFERENCE

The contents of this report were discussed on October 28, 2009, with Sally J. McClellan, Clerk-Treasurer; Richard Trobridge, Town Council member; and Mary M. Davis, former Clerk-Treasurer. The officials concurred with our findings.