

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

EXAMINATION REPORT
OF
TOWN OF MIDDLETOWN
HENRY COUNTY, INDIANA
January 1, 2007 to December 31, 2009



FILED
12/10/2010

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Donita Chambless Jim Hanson	01-01-04 to 12-31-07 01-01-08 to 12-31-11
President of the Town Council	Roscoe J. Smith Jim Mundell Roscoe J. Smith	01-01-07 to 12-31-07 01-01-08 to 12-31-08 01-01-09 to 12-31-10



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF MIDDLETOWN, HENRY COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Middletown (Town), for the period of January 1, 2007 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.

Town officials did not conform to the principles that payments from a fund be directly related to the purpose of that fund, nor that revenues specified for a particular fund be maintained in that fund. The governmental, enterprise, and fiduciary funds may or may not have received the revenue due to it. The disbursements from the governmental, enterprise, and fiduciary funds may or may not be for the benefit of the fund that made the disbursement.

Because of the situations discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on whether the schedules referred to above present fairly, in all material respects, the cash transactions of the Town for the three year period ended December 31, 2009.

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

October 7, 2010

TOWN OF MIDDLETOWN
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, 2008 And 2009

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 58,972	\$ 611,705	\$ 459,213	\$ 211,464
Property Maintenance	12,308	-	8,875	3,433
Tax Increment Financing No. 1	73,687	1,349	-	75,036
Riverboat	15,656	15,689	31,345	-
Civic Center	12,145	5,630	11,310	6,465
Motor Vehicle Highway	99,759	94,273	81,857	112,175
Local Road and Street	42,620	32,544	48,648	26,516
Parks and Recreation	13,996	156,175	145,292	24,879
Law Enforcement Continuing Education	2,461	4,193	5,327	1,327
Lease Rental Payment	24,491	70,792	34,446	60,837
Cumulative Capital Development	101,395	14,356	36,998	78,753
Cumulative Capital Improvement	31,592	8,739	10,702	29,629
Cumulative Capital Improvement (Special Fire)	24,047	10,218	11,737	22,528
CEDIT Capital Projects	-	-	75,000	(75,000)
Proprietary Funds:				
Water Utility - Operating	20,754	239,145	263,646	(3,747)
Water Utility - Bond and Interest	13,034	-	13,034	-
Water Utility - Depreciation	730	-	730	-
Water Utility - Customer Deposit	19,529	2,875	1,655	20,749
Wastewater Utility - Operating	78,313	403,220	457,293	24,240
Wastewater Utility - Bond and Interest	(50,548)	10,110	-	(40,438)
Wastewater Utility - Construction	2	-	-	2
Wastewater Utility - Customer Deposit	17,675	7,725	3,675	21,725
Electric Utility - Operating	31,810	1,531,615	1,549,247	14,178
Electric Utility - Depreciation	5,537	-	5,537	-
Electric Utility - Customer Deposit	25,025	11,635	8,125	28,535
Storm Water Utility - Operating	130,763	89,546	205,823	14,486
Storm Water Utility - Construction	17,347	91,374	108,721	-
Fiduciary Fund:				
Payroll	(85,751)	506,964	691,341	(270,128)
Totals	<u>\$ 737,349</u>	<u>\$ 3,919,872</u>	<u>\$ 4,269,577</u>	<u>\$ 387,644</u>

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

TOWN OF MIDDLETOWN
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, 2008 And 2009
(Continued)

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 211,464	\$ 910,306	\$ 1,074,309	\$ 47,461
Property Maintenance	3,433	-	2,039	1,394
Tax Increment Financing No. 1	75,036	1,362	-	76,398
Riverboat	-	15,607	10,150	5,457
Civic Center	6,465	8,990	9,478	5,977
Motor Vehicle Highway	112,175	67,403	184,706	(5,128)
Local Road and Street	26,516	36,076	3,256	59,336
Federal Grant Reimbursement FEMA No. 2	-	42,371	11,747	30,624
Parks and Recreation	24,879	221,609	191,261	55,227
K-9 Police and Reserves	-	1,589	-	1,589
Law Enforcement Continuing Education	1,327	4,803	1,026	5,104
Lease Rental Payment	60,837	23,387	85,750	(1,526)
Cumulative Capital Development	78,753	6,463	22,641	62,575
Cumulative Capital Improvement	29,629	4,251	-	33,880
Cumulative Capital Improvement (Special Fire)	22,528	21,937	3,681	40,784
CEDIT Capital Projects	(75,000)	115,000	40,000	-
Proprietary Funds:				
Water Utility - Operating	(3,747)	233,253	252,310	(22,804)
Water Utility - Customer Deposit	20,749	2,255	1,643	21,361
Wastewater Utility - Operating	24,240	550,049	514,164	60,125
Wastewater Utility - Bond and Interest	(40,438)	144,891	237,119	(132,666)
Wastewater Utility - Construction	2	-	-	2
Wastewater Utility - Customer Deposit	21,725	6,525	4,200	24,050
Electric Utility - Operating	14,178	1,782,266	1,694,219	102,225
Electric Utility - Customer Deposit	28,535	9,195	7,370	30,360
Storm Water Utility - Operating	14,486	213,112	9,989	217,609
Storm Water Utility - Construction	-	117,426	117,426	-
Fiduciary Fund:				
Payroll	(270,128)	867,363	694,862	(97,627)
Totals	<u>\$ 387,644</u>	<u>\$ 5,407,489</u>	<u>\$ 5,173,346</u>	<u>\$ 621,787</u>

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

TOWN OF MIDDLETOWN
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, 2008 And 2009
(Continued)

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ 47,461	\$ 627,337	\$ 635,283	\$ 39,515
Property Maintenance	1,394	5,000	-	6,394
Tax Increment Financing No. 1	76,398	11,897	14,252	74,043
Riverboat	5,457	15,570	-	21,027
Civic Center	5,977	69,563	9,984	65,556
Motor Vehicle Highway	(5,128)	56,756	94,861	(43,233)
Local Road and Street	59,336	33,301	30,702	61,935
Federal Grant Reimbursement FEMA No. 2	30,624	15,883	18,661	27,846
Parks and Recreation	55,227	119,884	163,726	11,385
K-9 Police and Reserves	1,589	1,070	3,600	(941)
Rainy Day	-	17,950	-	17,950
Law Enforcement Continuing Education	5,104	4,656	6,400	3,360
Lease Rental Payment	(1,526)	85,104	144,500	(60,922)
Cumulative Capital Development	62,575	5,096	63,789	3,882
Cumulative Capital Improvement	33,880	14,416	2,900	45,396
Cumulative Capital Improvement (Special Fire)	40,784	3,397	15,000	29,181
Proprietary Funds:				
Water Utility - Operating	(22,804)	288,823	243,962	22,057
Water Utility - Customer Deposit	21,361	2,150	1,500	22,011
Wastewater Utility - Operating	60,125	678,199	700,523	37,801
Wastewater Utility - Bond and Interest	(132,666)	276,435	143,769	-
Wastewater Utility - Construction	2	-	2	-
Wastewater Utility - Customer Deposit	24,050	6,450	4,275	26,225
Electric Utility - Operating	102,225	1,980,976	1,995,878	87,323
Electric Utility - Customer Deposit	30,360	8,560	6,977	31,943
Storm Water Utility - Operating	217,609	99,851	252,244	65,216
Storm Water - Other CD	-	252,244	-	252,244
Fiduciary Fund:				
Payroll	(97,627)	680,042	681,923	(99,508)
Totals	<u>\$ 621,787</u>	<u>\$ 5,360,610</u>	<u>\$ 5,234,711</u>	<u>\$ 747,686</u>

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

TOWN OF MIDDLETOWN
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, culture and recreation, economic development, general administrative services, electric, water, wastewater and storm water utility services.

Note 2. Fund Accounting

The Town uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Town in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the Town on or prior to December 31 of the year collected.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

TOWN OF MIDDLETOWN
NOTES TO FINANCIAL INFORMATION
(Continued)

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.

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 MIDDLETOWN
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2009

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
City Building	\$ 1,230,000	\$ 94,000
Business-type activities:		
Wastewater Utility:		
Revenue bonds:		
Expand Sewer Main	\$ 410,000	\$ 119,719
Separation of Storm/Sewer	580,000	23,103
Total Wastewater Utility	\$ 990,000	\$ 142,822

TOWN OF MIDDLETOWN
EXAMINATION RESULTS AND COMMENTS

FINANCIAL REPORT OPINION MODIFICATIONS

As noted in the prior Reports B29120 and B31537, based on the following conditions, the State Board of Accounts was unable to provide an opinion on the Independent Auditor's Report for the financial statements.

Four of the eighteen claims that were selected for examination during the year 2007 were posted to the wrong fund or appropriation.

Property taxes, license excise tax and other distributions were posted to the wrong funds in 2008 and 2009.

The Payroll Fund had large negative balances during our examination period: \$(270,127), \$(97,627) and \$(99,508) at December 31, 2007, 2008, and 2009, respectively.

The resources of a particular fund may be used only for the purposes for which the fund was created or as otherwise authorized by law. 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)

OVERDRAWN CASH BALANCES

As noted in the prior Report B31537, the cash balances of several funds were overdrawn in 2007, 2008, and 2009:

Fund Name	Cash and Investment Balance		
	12-31-07	12-31-08	12-31-09
Motor Vehicle Highway	\$ -	\$ (5,128)	\$ (43,233)
K-9 Police and Reserves	-	-	(941)
Lease Rental Payment	-	(1,526)	(60,922)
CEDIT Capital Projects	(75,000)	-	-
Water Utility - Operating	(3,747)	(22,804)	-
Wastewater Utility - Bond and Interest	(40,438)	(132,666)	-
Payroll	(270,128)	(97,627)	(99,508)
Total Cash Balances Overdrawn	\$ (389,313)	\$ (259,751)	\$ (204,604)

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF MIDDLETOWN
EXAMINATION RESULTS AND COMMENTS
(Continued)

CAPITAL ASSET RECORDS

No capital asset records were presented for examination for the Town or its Utilities.

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. 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)

ERRORS ON CLAIMS

As noted in the prior Report B31537, the claims were not properly prepared.

The following deficiencies were noted on eighteen claims that were selected for examination during the Year 2007:

- (1) Four claims were not adequately itemized.
- (2) Nine claims were not certified by the Clerk-Treasurer that the expenses were true and correct and had been audited.
- (3) Five of the claims or invoices did not have evidence to support receipt of goods or services.

The following deficiencies were noted on nineteen claims that were selected for examination during the Year 2009:

- (1) One claim was not adequately itemized. (This was a claim for fuel purchases for the police department.)
- (2) Nine of the claims or invoices did not have evidence to support receipt of goods or services.

IC 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;

TOWN OF MIDDLETOWN
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

PAYMENT OF CLAIMS BY STATEMENT

During our examination period the Clerk-Treasurer paid the Police Department fuel purchases based solely on the monthly statements provided by the gasoline company.

Payment should not be made on the basis of the statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to the late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee. (Cities and Towns Bulletins and Uniform Compliance Guidelines, September 2009)

FUEL PURCHASES - POLICE DEPARTMENT

A review of fuel purchases for the Police Department indicated the following deficiencies:

- (1) No record of the fuel purchased by the police department was maintained. This record should identify the date of the purchase, the individual purchasing the fuel, the amount paid for the fuel, the number of gallons of fuel purchased, the identification of the vehicle, and the odometer readings of the vehicle.
- (2) Credit card charge slips were not properly accounted for:
 - (A) Not all credit card charge slips were maintained for examination.
 - (B) Not all credit card charge slips were signed when fuel was purchased.
 - (C) Not all credit card charge slips had the identity of the vehicle listed.
 - (D) Not all credit card charge slips had the odometer reading of the vehicle listed.
 - (E) No procedures were in place to verify that each entry on the monthly credit card statement was properly supported by a credit card charge slip.
 - (F) These credit card charge slips were not attached to the Accounts Payable Voucher so that the Clerk-Treasurer could perform a proper audit of the claim.
- (3) The Town Marshal did not sign the Account Payable Vouchers certifying that all of the fuel purchases were ordered and received by him.

TOWN OF MIDDLETOWN
EXAMINATION RESULTS AND COMMENTS
(Continued)

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. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

SALARY ORDINANCES

The Town's salary ordinance did not specify that the Utility workers were to receive the amount of \$35.00 each time a worker is on "Standby".

The Park Board's salary ordinance does not specify a rate to be paid to its year-round full-time worker. The Park Board's salary ordinance does state that "seasonal employees will receive the hourly minimum wage or a wage approved by the Park Board".

All compensation and benefits paid to officials and employees must be included in the salary ordinance adopted by the legislative body unless otherwise authorized by statute.

MULTIPLE POSITIONS

The Park Superintendent is a full-time employee of the Middletown/Fall Creek Township Department of Parks and Recreation in addition to working part-time for the Fall Creek Township Trustee and the Shenandoah School Corporation. The Park Superintendent did not have a schedule showing which hours were worked each day at which public agency.

The state board of accounts shall require that records be maintained showing which hours were worked each day by officers and employees . . . employed by (A) more than one (1) public agency, or (B) in more than one (1) position by the same public agency . . . (IC 5 11-9-4(b))

PAYROLL FUND

As noted in the prior three Reports B24829, B29120, and B31537, we were not able to determine the correctness of cash balances maintained in the Payroll Fund throughout the examination period. No subsidiary record is maintained to allow for reconciliation with the control balances. The Payroll Fund had ending balances of (\$270,127.14), (\$97,626.60), and (\$99,507.64) for the Years 2007, 2008, and 2009, respectively.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. (Accounting and Uniform Compliance Manual for cities and Towns, Chapter 7)

TOWN OF MIDDLETOWN
EXAMINATION RESULTS AND COMMENTS
(Continued)

CUSTOMER DEPOSIT REGISTER

The detailed customer deposit register does not reconcile with the cash/fund balances at the end of the examination period as follows:

Description	Electric Utility	Water Utility	Wastewater Utility
Detailed Listing - Customer Deposits at 12-31-09	\$ 82,511.45	\$ 22,465.37	\$ 27,075.00
Control Totals - Cash/Fund Balance at 12-31-09	<u>31,943.42</u>	<u>22,011.07</u>	<u>26,225.00</u>
Detail to Control Differences - Overdrawn	<u>\$ 50,568.03</u>	<u>\$ 454.30</u>	<u>\$ 850.00</u>

At all times, the manual and computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ORDINANCES AND RESOLUTIONS

The Town of Middletown has an ordinance (6-2-05) concerning sewage works revenue bonds. This ordinance has several purposes including provisions to provide for the safeguarding of the interests of the owners of said bonds. These provisions require:

- (1) The transfer of funds to the "Bond and Interest Account" to meet the annual debt service payments and
- (2) The transfer of funds to the "Reserve Account" until an amount equal to " . . . 10% of the proceeds of said bonds . . ." is accumulated.

However, the Town did not transfer sufficient funds to the "Bond and Interest Account" in the Year 2007 to meet the requirements and has not established a "Reserve Account", which by now should contain \$133,500.00.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

DELINQUENT RECEIVABLE (PAYABLE)

As noted in the prior Report B31537, the town is delinquent in the payment of hydrant rental. The Town of Middletown owes the Water Utility hydrant rental of \$8,555, \$10,454 and \$37,900 for the years 2007, 2008, and 2009, respectively, pursuant to various rate ordinances passed by the Town Council. The town is also more than \$100,000 delinquent in its payments to the electric utility.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF MIDDLETOWN
EXAMINATION RESULTS AND COMMENTS
(Continued)

CREDIT CARDS

As noted in the prior Report B31537, the Town officials and employees are using credit cards to purchase items without an approved credit card policy.

The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed:

- (1) The governing board must authorize credit card use through an ordinance or resolution, which has been approved in the minutes.
- (2) Issuance and use should be handled by an official or employee designated by the board.
- (3) The purposes for which the credit card may be used must be specifically stated in the ordinance or resolution.
- (4) When the purpose for which the credit card has been issued has been accomplished, the card should be returned to the custody of the responsible person.
- (5) The designated responsible official or employee should maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.
- (6) Credit cards should not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system.
- (7) Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.
- (8) If properly authorized, an annual fee may be paid.

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

During the years 2004-2007, the Town of Middletown did not remit the correct amount of Utility Receipts Tax to the State of Indiana. This required the Town of Middletown to pay back taxes of \$13,890 plus a penalty of \$1,389 to the Indiana Department of Revenue in the year 2008, plus back taxes of \$22,453.42 to the Indiana Department of Revenue in the year 2009.

TOWN OF MIDDLETOWN
EXAMINATION RESULTS AND COMMENTS
(Continued)

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for 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)

TOWN OF MIDDLETOWN
EXIT CONFERENCE

The contents of this report were discussed on October 7, 2010, with Jim Hanson, Clerk-Treasurer; Tim Mundell, Deputy Clerk-Treasurer; and Jim Mundell, Town Council member. The officials concurred with our findings.