

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

EXAMINATION REPORT
OF
TOWN OF NEW MIDDLETOWN
HARRISON COUNTY, INDIANA
January 1, 2008 to December 31, 2009



FILED
12/20/2010

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Accountant's Report.....	3
Financial Information:	
Schedules of Receipts, Disbursements, and Cash and Investment Balances	4
Notes to Financial Information	5
Examination Results and Comments:	
Condition of Records	6
Federal and State Agencies – Compliance Requirements	6-7
Rainy Day Fund	7
Collection of Amounts Due	8
Sales Tax.....	8
Exit Conference.....	9

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Cyndi Mattingly (Vacant) Shana R. Lyons	01-01-08 to 05-31-10 06-01-10 to 06-11-10 06-12-10 to 12-31-11
President of the Town Council	Larry Mattingly	01-01-08 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 NEW MIDDLETOWN, HARRISON COUNTY, INDIANA

We have examined the financial information presented herein of the Town of New Middletown (Town), for the period of January 1, 2008 to December 31, 2009. The Town's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the Town for the years ended December 31, 2008 and 2009, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

October 13, 2010

TOWN OF NEW MIDDLETOWN
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
As Of And For The Years Ended December 31, 2008 And 2009

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 121,288	\$ 39,601	\$ 44,188	\$ 116,701
Motor Vehicle Highway	8,585	2,248	1,902	8,931
Local Road and Street	5,646	801	-	6,447
Donation - Festival	367	-	-	367
Cumulative Capital Improvement	1,219	251	-	1,470
Fiduciary Fund:				
Payroll	-	63	-	63
Totals	<u>\$ 137,105</u>	<u>\$ 42,964</u>	<u>\$ 46,090</u>	<u>\$ 133,979</u>
	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ 116,701	\$ 41,011	\$ 57,422	\$ 100,290
Motor Vehicle Highway	8,931	2,167	1,992	9,106
Local Road and Street	6,447	752	-	7,199
Donation - Festival	367	-	-	367
Cumulative Capital Improvement	1,470	236	-	1,706
Fiduciary Fund:				
Payroll	63	-	-	63
Totals	<u>\$ 133,979</u>	<u>\$ 44,166</u>	<u>\$ 59,414</u>	<u>\$ 118,731</u>

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

TOWN OF NEW 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 (fire), highways and streets, public improvements, and general administrative services.

Note 2. Fund Accounting

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

Note 3. Budgets

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

Note 4. Property Taxes

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

Note 5. Deposits and Investments

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

State statute (IC 5-13-9) authorizes the Town to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

TOWN OF NEW MIDDLETOWN
EXAMINATION RESULTS AND COMMENTS

CONDITION OF RECORDS

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

Bank Account Reconciliations

Record balances were not reconciled to depository balances during the two year period.

IC 5-13-6-1(e) states:

"All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

Annual Financial Report

As stated in prior Reports, B27980 and B32506, the Annual Financial Report (CTAR-1) for the year 2009 was not presented for examination.

IC 5-11-1-4 states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. There reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be filed electronically, in a manner prescribed by the state examiner that is compatible with the technology employed by the political subdivision."

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

The Town did not comply with directives of the Department of the Treasury - Internal Revenue Service when they failed to issue 1099-MISC forms in the years 2008 and 2009 to report payments for services to applicable vendors.

The Town did not comply with directives of the Department of the Treasury - Internal Revenue Service when they failed to submit the employee's and employer's portions of Medicare and Social Security taxes to the U.S. Treasury for the years 2008 and 2009.

Penalties and interest totaling \$707.45 were paid to the Internal Revenue Service on September 1, 2010, for the periods December 31, 2008, and December 31, 2009.

Penalties and interest totaling \$87.64 were paid to the Internal Revenue Service on April 7, 2008, for the period December 31, 2007.

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)

TOWN OF NEW MIDDLETOWN
EXAMINATION RESULTS AND COMMENTS
(Continued)

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)

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)

RAINY DAY FUND

The Town received distributions of CAGIT under IC 6-3.5-1.1-21.1 and recorded them in the General Fund. The Town has not established a Rainy Day Fund.

Public Law 267, Acts of 2003, changed the method of distributing CAGIT, COIT, and CEDIT revenue. Indiana Code 6-3.5-1.1-21.1, Indiana Code 6-3.5-6-17.3 and Indiana Code 6-3.5-7-17.3 state that if the Department of Revenue determines that an excess of the amounts required to make distributions of CAGIT, COIT or CEDIT exists, such excess shall be distributed in a supplemental distribution in January of the ensuing budget year. Any supplemental distributions received shall be deposited in the city or town's rainy day fund. (Cities and Towns Bulletin and Accounting and Uniform Compliance Guidelines, December 2003 - Page 4)

The purpose of this special revenue fund is to account for transfers of unused and unencumbered funds under IC 36-1-8-5. IC 36-1-8-5(b) states that whenever the purposes of a tax levy have been fulfilled and an unused and unencumbered balance remains in the fund, the fiscal body of the city or town shall order the balance of the fund to be transferred to the general fund or rainy day fund of the municipality, as provided in IC 36-1-8-5.1, unless a statute provides that it be transferred otherwise. In any fiscal year a city or town may transfer not more the ten percent (10%) of the city or town's annual budget for that fiscal year to the rainy day fund. The fund should be established by ordinance and the ordinance should state the purposes and sources of funding for the fund (IC 36-1-8-5). Transfers to the rainy day fund may be made at any time during the year. (IC 36-1-8-5.1) (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 3)

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF NEW MIDDLETOWN
EXAMINATION RESULTS AND COMMENTS
(Continued)

COLLECTION OF AMOUNTS DUE

An invoice dated September 21, 2009, from Burgher & Burgher had a total amount due of \$200. Check 128 dated October 10, 2009, was made for and cleared the bank for \$467. The amount of \$267 is due from Burgher and Burgher as of December 31, 2009, for an overpayment of invoice dated September 21, 2009.

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)

SALES TAX

Sales tax was paid on some purchases.

Governmental funds generally are exempt from the payment of sales tax on qualifying purchases. Respective tax agencies should always be contacted concerning tax exemptions and payments. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF NEW MIDDLETOWN
EXIT CONFERENCE

The contents of this report were discussed on October 13, 2010, with Larry Mattingly, President of the Town Council; Cyndi Mattingly, former Clerk-Treasurer; and Shana R. Lyons, Clerk-Treasurer. The officials concurred with our findings.