

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

**Paul D. Joyce, CPA  
State Examiner**

COMPLIANCE ENGAGEMENT REPORT

OF

TOWN OF NEW MIDDLETOWN

HARRISON COUNTY, INDIANA

January 1, 2020 to December 31, 2023



**FILED**

05/09/2025



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Shana R. Lyons	01-01-20 to 12-31-23
	Leslie LaPlant	01-01-24 to 09-30-24
	Shana R. Lyons	10-01-24 to 12-31-25
President of the Town Council	Fred Lawson	01-01-20 to 12-31-25



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## INDIANA STATE BOARD OF ACCOUNTS

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TO: THE OFFICIALS OF THE TOWN OF NEW MIDDLETOWN, HARRISON COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of the Town of New Middletown (Town), for the period of January 1, 2020 to December 31, 2023. The objective of this engagement was to determine compliance with applicable Indiana laws, regulations, and uniform compliance guidelines (Guidelines) established by the Indiana State Board of Accounts pursuant to Indiana Code 5-11-1-24. The objective of this engagement is not to opine on compliance or financial activity of the Town as this engagement was not conducted in accordance with any standards established by an authoritative standard-setting body, and, as such, we do not provide any opinions on compliance or financial activity.

Management is responsible for preparing and maintaining its accounting records and related documents in accordance with applicable Indiana laws, regulations, and Guidelines. Management's responsibility also includes, but is not limited to, complying with other applicable Indiana laws, regulations, and Guidelines concerning how it operates: authorized sources and uses of funds; what reports are required to be prepared and filed; and what depositories and investment types are allowable.

We fulfilled our responsibility as detailed in the first paragraph, using procedures that verified the appropriate accounting for and reporting of cash, receipts, and disbursements; and the appropriate sources and uses of funds in accordance with applicable Indiana laws, regulations, and Guidelines. Expanding the scope and nature of these procedures can and does occur in specific circumstances.

The comments contained herein, if any, describe the identified reportable instances of noncompliance found during our engagement. Our procedures were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified. Any Official Response to the comments incorporated within this report was not verified for accuracy.

The Schedule of Officials and Statements of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis (Statements) are informational only. The Statements have not been subjected to any procedures designed to express an opinion or provide any assurance on them, and, accordingly, we do not express an opinion or provide any assurance on them.

This report is intended solely for the information and use of management, governance, and others within the organization. This restriction is not intended to limit the distribution of this report, which is a matter of public record. Reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>, and the Town's Annual Financial Reports filed by management can be found on the Indiana Gateway for Government Units financial reporting system website: <http://www.gateway.ifionline.org>.

The contents of this report were communicated to Shana R. Lyons, Clerk-Treasurer, and Fred Lawson, President of the Town Council, on May 1, 2025.



Beth Kelley, CPA, CFE  
Deputy State Examiner

April 2, 2025

TOWN OF NEW MIDDLETOWN  
COMMENTS

**INTERNAL CONTROLS**

*Condition and Context*

The lack of effective internal controls resulted in noncompliance over the following areas, which are detailed further in the comments below:

- Annual Financial Report
- Federal and State Agencies - Compliance Requirements
- Motor Vehicle Highway (MVH) - Restricted Fund
- Overdrawn Cash Balances
- Capital Assets
- Training on Internal Control Standards

*Criteria*

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

**ANNUAL FINANCIAL REPORT**

A similar comment appeared in a Management Letter addressed to the Officials of the Town for the review period ending December 31, 2019.

*Condition and Context*

Financial, supplemental, and other information are required to be entered annually into the Annual Financial Report (AFR) via the Indiana Gateway for Government Units (Gateway) financial reporting system. The Town had not established effective internal controls over the information submitted in the AFR, which resulted in the following errors:

TOWN OF NEW MIDDLETOWN  
COMMENTS  
(Continued)

*Financial Information*

Financial information was not properly reported into Gateway, which resulted in the under/overstatement of receipts, disbursements, and cash and investments balances, as noted in the table below:

Fund	Cash and Investments 01-01-20			Cash and Investments 12-31-20			Cash and Investments 12-31-21
	Receipts (Under)/ Overstated	Disbursements (Under)/ Overstated	Overstated	Receipts (Under)/ Overstated	Disbursements (Under)/ Overstated	Overstated	
General	\$ (6,815)	\$ (11,014)	\$ (3,546)	\$ (14,283)	\$ 124	\$ (1)	\$ (14,158)
Motor Vehicle Highway	(1)	-	-	(1)	1,783	-	1,782
Cumulative Capital Improvement	(3,510)	(202)	-	(3,712)	(124)	-	(3,835)
Restricted MVH	-	-	-	-	(1,782)	-	(1,782)
Donation-Festival	6,814	(482)	-	6,332	-	-	6,332
<b>Totals</b>	<b>\$ (3,512)</b>	<b>\$ (11,697)</b>	<b>\$ (3,546)</b>	<b>\$ (11,663)</b>	<b>\$ 1</b>	<b>\$ (1)</b>	<b>\$ (11,662)</b>

Fund	Cash and Investments 01-01-22			Cash and Investments 12-31-22			Cash and Investments 12-31-23
	Receipts (Under)/ Overstated	Disbursements (Under)/ Overstated	Overstated	Receipts (Under)/ Overstated	Disbursements (Under)/ Overstated	Overstated	
General	\$ (14,159)	\$ 207	\$ 5,260	\$ (19,212)	\$ 1,737	\$ -	\$ (17,474)
Motor Vehicle Highway	1,782	1,837	-	3,619	-	1,007	2,612
Cumulative Capital Improvement	(3,835)	(208)	-	(4,043)	(209)	(4,252)	-
Restricted MVH	(1,782)	(1,837)	-	(3,619)	-	-	(3,618)
HCCFF Endowment Fund	-	-	(5,260)	5,260	-	5,260	-
Donation-Festival	6,332	-	-	6,332	-	-	6,332
<b>Totals</b>	<b>\$ (11,663)</b>	<b>\$ (1)</b>	<b>\$ -</b>	<b>\$ (11,663)</b>	<b>\$ 1,529</b>	<b>\$ 2,014</b>	<b>\$ (12,149)</b>

*Debt*

The Town did not report debt in 2020, 2021, 2022, and 2023. As a result, the ending principal balance and principal due within one year was understated, as noted in the table below:

Year	Ending Principal Balance	Principal Due Within One Year
2020	\$ 68,131	\$ 2,655
2021	65,476	2,641
2022	62,835	2,732
2023	60,103	2,821

TOWN OF NEW MIDDLETOWN  
COMMENTS  
(Continued)

*Capital Assets*

The Schedule of Capital Assets submitted in Gateway for 2020, 2021, 2022, and 2023 could not be verified due to the lack of a detailed capital asset listing being presented for review. For 2020, 2021, 2022, and 2023, the Town reported total capital assets of \$57,000, \$57,000, \$99,000, and \$99,000, respectively, with no detailed capital asset listing to support the reported amounts.

*Investment Fund Statement*

The Town reported an investment for \$2,500 in 2021, 2022, and 2023, but the investment matured and was not renewed during 2021.

*Criteria*

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner as set forth in the uniform compliance guidelines. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

**FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS**

*Condition and Context*

Internal controls were not in place to ensure payroll withholdings for federal, state, and county income taxes were properly withheld and remitted by the Town.

*Federal and State Income Taxes*

The Town did not remit federal and state income taxes withheld from wages paid to Officials during the engagement period, as noted in the table below:

Year	Federal Income Tax Withheld	Federal Income Tax Remitted	Difference (Under)/Over	State Income Tax Withheld	State Income Tax Remitted	Difference (Under)/Over
2020	\$ 110	\$ -	\$ (110)	\$ 384	\$ -	\$ (384)
2021	110	-	(110)	436	-	(436)
2022	266	-	(266)	307	-	(307)
2023	155	-	(155)	301	-	(301)

TOWN OF NEW MIDDLETOWN  
COMMENTS  
(Continued)

*Social Security and Medicare Income Taxes*

The Town remitted quarterly Social Security and Medicare taxes to the Internal Revenue Service based on calculations of net wages paid during each period rather than gross wages. As a result, the Town reported and remitted less quarterly Social Security and Medicare taxes than required, as noted below:

Year	Social Security Tax Withheld	Social Security Tax Remitted	Difference (Under)/Over	Medicare Tax Withheld	Medicare Tax Remitted	Difference (Under)/Over
2020	\$ 1,476	\$ 1,301	\$ (175)	\$ 345	\$ 304	\$ (41)
2021	1,476	1,301	(175)	345	304	(41)
2022	1,178	973	(205)	276	228	(48)
2023	1,178	1,030	(148)	276	241	(35)
Totals	<u>\$ 5,308</u>	<u>\$ 4,605</u>	<u>\$ (703)</u>	<u>\$ 1,242</u>	<u>\$ 1,077</u>	<u>\$ (165)</u>

*County Income Taxes*

The Town did not withhold and remit county income taxes throughout the engagement period.

*Criteria*

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must 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 1)

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 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 unit. Any penalties, interest, or other charges paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

**MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND**

A similar comment also appeared in prior Report B55511, entitled *MOTOR VEHICLE HIGHWAY RESTRICTED FUND*.

*Condition and Context*

Internal controls were not in place to ensure the Town established a Motor Vehicle Highway (MVH) - Restricted fund and receipted into it 50 percent of the state MVH distributions. In 2020, the Town receipted MVH - Restricted funds in the amount of \$1,765 in the Motor Vehicle Highway fund as a result of not properly establishing the MVH - Restricted fund in 2019. The Town also failed to segregate 50 percent of two state MVH distributions in 2021 and 2022, totaling \$258, to the MVH - Restricted fund.

TOWN OF NEW MIDDLETOWN  
COMMENTS  
(Continued)

*Criteria*

Indiana Code 8-14-1-5(c) states: "Except as provided in subsection (d), for funds distributed to a city or town from the motor vehicle highway account, the city or town shall use at least fifty percent (50%) of the money for the construction, reconstruction, and preservation of the city's or town's highways."

The purpose of this Directive is to authorize and require counties, cities, and towns that receive distributions from the State Motor Vehicle Highway Account to **create a new sub-fund within the MVH Fund** to properly manage and account for the usage restrictions that were included in House Enrolled Act 1002-2017 and House Enrolled Act 1290-2018.

The sub-fund will be referred to throughout this Directive as "MVH Restricted" and will be used to account for MVH monies which have been statutorily restricted for construction, reconstruction, and preservation purposes. . . .

Starting on January 1, 2019, the political subdivision must post at the time of receipt of the distribution from the State Motor Vehicle Highway Account fifty percent (50%) of the distribution to MVH Restricted.

(State Examiner Directive 2018-2)

**OVERDRAWN CASH BALANCES**

*Condition and Context*

Internal controls were not in place to ensure funds were not overdrawn. The HCFF Endowment Fund was overdrawn at December 31, 2022, by \$5,260. This was a result of disbursements exceeding receipts and available funds on hand.

*Criteria*

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 unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

**CAPITAL ASSETS**

*Condition and Context*

Internal controls were not in place to ensure compliance with requirements over capital assets. The Town does not have a capital asset policy that detailed the threshold at which an item is considered a capital asset. The Town did not properly maintain a detailed listing of capital assets during the engagement period. Evidence that the Town took a complete physical inventory at least every two years was not provided during the engagement period.

TOWN OF NEW MIDDLETOWN  
COMMENTS  
(Continued)

*Criteria*

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns , Chapter 1)

**TRAINING ON INTERNAL CONTROL STANDARDS**

A similar comment also appeared in prior Report B55511.

*Condition and Context*

Internal controls were not in place to ensure compliance with requirements over training on internal control standards. The Town did not provide training for employees whose official duties included receiving, processing, depositing, disbursing, or otherwise having access to funds that belonged to the Town over the internal control standards and procedures it adopted.

*Criteria*

Indiana Code 5-11-1-27(g) states:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that:

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CASH  
AND INVESTMENT BALANCES - REGULATORY BASIS

TOWN OF NEW MIDDLETOWN  
 STATEMENT OF RECEIPTS, DISBURSEMENTS,  
 AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Years Ended December 31, 2020 and 2021

Fund	Cash and Investments 01-01-20	Receipts	Disbursements	Cash and Investments 12-31-20	Receipts	Disbursements	Cash and Investments 12-31-21
General	\$ 20,159	\$ 51,576	\$ 45,621	\$ 26,114	\$ 43,297	\$ 41,102	\$ 28,309
Motor Vehicle Highway	26,665	3,567	1,988	28,244	2,119	662	29,701
Local Road and Street	16,726	1,361	-	18,087	1,443	-	19,530
Cumulative Capital Improvement	3,510	202	-	3,712	124	-	3,836
Restricted MVH	-	-	-	-	1,782	-	1,782
Donation-Festival	(482)	482	-	-	240	-	240
State-Local Government Grant	-	-	-	-	6,000	6,000	-
ARP American Rescue Plan	-	-	-	-	9,821	-	9,821
<b>Totals</b>	<u>\$ 66,578</u>	<u>\$ 57,188</u>	<u>\$ 47,609</u>	<u>\$ 76,157</u>	<u>\$ 64,826</u>	<u>\$ 47,764</u>	<u>\$ 93,219</u>

TOWN OF NEW MIDDLETOWN  
 STATEMENT OF RECEIPTS, DISBURSEMENTS,  
 AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Years Ended December 31, 2022 and 2023

Fund	Cash and Investments 01-01-22	Receipts	Disbursements	Cash and Investments 12-31-22	Receipts	Disbursements	Cash and Investments 12-31-23
General	\$ 28,309	\$ 47,579	\$ 41,766	\$ 34,122	\$ 40,162	\$ 55,736	\$ 18,548
Motor Vehicle Highway	29,701	2,015	1,208	30,508	1,938	-	32,446
Local Road and Street	19,530	1,470	-	21,000	1,529	-	22,529
Cumulative Capital Improvement	3,836	208	-	4,044	209	4,253	-
Restricted MVH	1,782	1,837	-	3,619	1,938	1,007	4,550
HCFF Endowment Fund	-	-	5,260	(5,260)	5,260	-	-
Donation-Festival	240	-	-	240	-	-	240
State-Local Government Grant	-	9,246	7,087	2,159	-	-	2,159
ARP American Rescue Plan	9,821	9,895	-	19,716	-	-	19,716
Totals	<u>\$ 93,219</u>	<u>\$ 72,250</u>	<u>\$ 55,321</u>	<u>\$ 110,148</u>	<u>\$ 51,036</u>	<u>\$ 60,996</u>	<u>\$ 100,188</u>