

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2765

EXAMINATION REPORT

OF

TOWN OF NEW MIDDLETOWN

HARRISON COUNTY, INDIANA

January 1, 2004 to December 31, 2005



FILED
09/20/2006

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OFFICIALS

Office

Official

Term

Clerk-Treasurer

Cyndi Mattingly

01-01-04 to 12-31-07

President of the Town Council

Larry Mattingly

01-01-04 to 12-31-06



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 schedules of receipts, disbursements, and cash and investment balances of the Town of New Middletown (Town), for the period of January 1, 2004 to December 31, 2005. The Town's management is responsible for the schedules. 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 schedule of receipts, disbursements, and cash and investment balances 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 schedules referred to above present fairly, in all material respects, the cash transactions of the Town for the years ended December 31, 2004 and 2005, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

August 14, 2006

TOWN OF NEW MIDDLETOWN
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL FUND TYPES
As Of And For The Years Ended December 31, 2004 And 2005

	Cash and Investments 01-01-04	Receipts	Disbursements	Cash and Investments 12-31-04
Governmental Funds:				
General	\$ 78,732	\$ 74,580	\$ 25,420	\$ 127,892
Motor Vehicle Highway	6,398	2,510	2,060	6,848
Local Road and Street	2,236	876	-	3,112
Cumulative Capital Improvement	148	288	-	436
Festival	367	-	-	367
Totals	<u>\$ 87,881</u>	<u>\$ 78,254</u>	<u>\$ 27,480</u>	<u>\$ 138,655</u>

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General	\$ 127,892	\$ 49,868	\$ 43,396	\$ 134,364
Motor Vehicle Highway	6,848	2,317	2,879	6,286
Local Road and Street	3,112	812	-	3,924
Cumulative Capital Improvement	436	238	-	674
Festival	367	-	-	367
Totals	<u>\$ 138,655</u>	<u>\$ 53,235</u>	<u>\$ 46,275</u>	<u>\$ 145,615</u>

The accompanying notes are an integral part of the schedules.

TOWN OF NEW MIDDLETOWN
NOTES TO SCHEDULES

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. 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 NEW MIDDLETOWN
EXAMINATION RESULTS AND COMMENTS

PETTY CASH FUND

As stated in the prior Audit Report B24359, the Petty Cash Fund was originally established in the amount of \$1,000 on July 7, 2003. Petty Cash Fund activity consisted of receipts from fundraisers, a vending machine, and vendor refunds, and disbursements for fundraisers and festival expenses. There was no mention of the Petty Cash Fund being properly established by the fiscal body in the prior or current board minutes.

The Petty Cash Fund totaled \$542.52 on December 31, 2005, and August 7, 2006.

Indiana Code 36-1-8-3 states:

"(a) The fiscal body of a political subdivision may establish a petty cash fund for any of its offices in a like manner to that prescribed by section 2 of this chapter.

(b) The custodian of a petty cash fund shall use it to pay small or emergency items of operating expense. A receipt shall be taken for each expenditure made from the fund.

(c) The custodian of a petty cash fund shall periodically file a voucher, with all original receipts totaling the cash claimed expended being attached to it, so that the fund can be reimbursed for expenditures from it. Reimbursement must be approved and made in the same manner as is required for other expenditures of the political subdivision."

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CAPITAL ASSET RECORDS

The Town does not maintain a record of capital asset additions or disposals. An inventory of capital assets was not presented for audit.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded in the Capital Assets Ledger, City and Town Form 211, or properly approved form, as applicable. 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)

PRESCRIBED FORMS

The following prescribed or approved forms were not in use:

- (1) Ledger of Receipts, Disbursements and Balances, City and Town Form 208.
- (2) Ledger of Appropriations, Encumbrances, Disbursements and Balances, City and Town Form 209.
- (3) General Payroll Form 99.
- (4) Capital Asset Ledger, City and Town Form 211.

TOWN OF NEW MIDDLETOWN
EXAMINATION RESULTS AND COMMENTS
(Continued)

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 2005 was not presented for audit.

Indiana Code 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 . . ."

LIST OF EMPLOYEES NOT FILED WITH COUNTY TREASURER

A list of Town employees was not certified to the County Treasurer.

Indiana Code 6-1.1-22-14(a) states, in part: "On or before June 1 and December 1 of each year . . . the disbursing officer of each political subdivision . . . shall certify the names and addresses of each person who has money due from the political subdivision to the treasurer of each county in which the political subdivision is located."

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 W-2's in the years 2004 and 2005 to the Clerk-Treasurer, Town Council President, and two (2) other Town Council members.

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 2004 and 2005 to report payments for services to applicable vendors.

Also, as stated in the prior Audit Report B24359 (covering audit years 1999-2003), the employee's portion of Medicare and social security taxes were not withheld nor were the employee's and employer's portions submitted to the Department of the Treasury - Internal Revenue Service.

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 NEW MIDDLETOWN
EXAMINATION RESULTS AND COMMENTS
(Continued)

ADVANCE PAYMENTS

The dates of transactions indicate that Town officials received payments for compensation in advance of their services to the Town. See schedule below:

<u>Official</u>	<u>Payment Dates</u>	<u>2004 Payments</u>	<u>2005 Payments</u>
<u>Cyndi Mattingly</u>	April 2, 2004	\$ 500.00	
	April 12, 2004	500.00	
	May 14, 2004	<u>1,000.00</u>	
	January 10, 2005		\$ 1,433.20
	February 10, 2005		500.00
	March 1, 2005		<u>66.80</u>
Totals		<u>\$ 2,000.00</u>	<u>\$ 2,000.00</u>
<u>Larry Mattingly</u>	April 2, 2004	\$ 375.00	
	April 12, 2004	125.00	
	May 17, 2004	300.00	
	June 3, 2004	600.00	
	October 11, 2004	<u>100.00</u>	
	January 10, 2005		\$ 1,000.00
February 14, 2005		<u>500.00</u>	
Totals		<u>\$ 1,500.00</u>	<u>\$ 1,500.00</u>
<u>Fred Lawson</u>	January 10, 2005		\$ 500.00
	December 14, 2005		<u>700.00</u>
Totals			<u>\$ 1,200.00</u>
<u>Paul Pate</u>	April 2, 2004	\$ 400.00	
	May 7, 2004	200.00	
	May 26, 2004	100.00	
	June 18, 2004	100.00	
	August 27, 2004	100.00	
	September 11, 2004	100.00	
	December 13, 2004	<u>200.00</u>	
	January 10, 2005		\$ 550.00
	March 8, 2005		200.00
	April 11, 2005		200.00
May 14, 2005		100.00	
June 13, 2005		<u>150.00</u>	
Totals		<u>\$ 1,200.00</u>	<u>\$ 1,200.00</u>

TOWN OF NEW MIDDLETOWN
EXAMINATION RESULTS AND COMMENTS
(Continued)

Indiana Code 5-7-3-1(a) states: "Public officers may not draw or receive salaries in advance."

Compensation and any other payments for goods and services should not be paid in advance of receipt of the goods or services unless specifically authorized by statute. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ERRORS ON CLAIMS

The following deficiencies were noted on claims during the audit period:

- (1) Claims were not prepared for all disbursements.
- (2) Some claims were not adequately itemized.
- (3) Some claims did not have board approval.
- (4) Some claims or invoices did not have evidence to support receipt of goods or services.

Indiana Code 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;
- (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."

TOWN OF NEW MIDDLETOWN
EXIT CONFERENCE

The contents of this report were discussed on August 14, 2006, with Larry Mattingly, President of the Town Council; and Cyndi Mattingly, Clerk-Treasurer. The officials concurred with our findings.