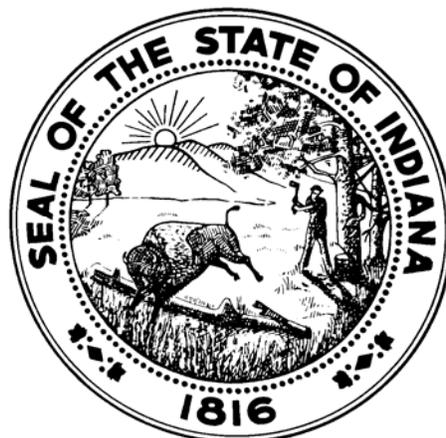


**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2765**

EXAMINATION REPORT  
OF  
SUGAR CREEK TOWNSHIP  
PARKE COUNTY, INDIANA  
January 1, 2004 to December 31, 2005



**FILED**  
11/06/2006



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OFFICIALS

Office

Official

Term

Trustee

Chad Hutson

01-01-03 to 12-31-06

Chairman of the  
Township Board

Albert Lucas

01-01-04 to 12-31-06



**STATE OF INDIANA**  
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF SUGAR CREEK TOWNSHIP, PARKE COUNTY, INDIANA

We attempted to examine the schedules of receipts, disbursements, and cash and investment balances of Sugar Creek Township (Township), for the period of January 1, 2004 to December 31, 2005. The Township's management is responsible for the schedules.

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 schedule of receipts, disbursements, and cash and investment balances and performing such other procedures as we considered necessary in the circumstances.

Financial records presented for audit for the years ended December 31, 2004 and 2005 were incomplete and not reflective of the activity of the Township's funds. The records presented did not provide sufficient information to examine or establish receipts, disbursements, ending balances, or the accuracy or correctness of the transactions. Accordingly, the financial information for the years ended December 31, 2004 and 2005 is not presented in the accompanying schedules. As a result, the validity and accountability of cash and investments as of January 1, 2006 could not be established.

Since records were not in the proper condition or not available to audit as described in the preceding paragraph, and we were unable to apply alternative auditing procedures, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on whether schedules referred to above present fairly, in all material respects, the cash transactions of the Township 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 31, 2006

SUGAR CREEK TOWNSHIP, PARKE COUNTY  
EXAMINATION RESULTS AND COMMENTS

BOARD MINUTES

Minutes of meetings of the governing body were not presented for audit for 2004 and 2005. The last meeting recorded in the minute book was January 18, 2001.

Indiana Code 5-14-1.5-4(b) states: "As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes taken, by individual members if there is a roll call.
- (5) Any additional information required under IC 5-1.5-2-2.5 or IC 20-12-63-7."

CERTIFIED REPORT NOT FILED

The Township did not file a Certified Report of Names, Addresses, Duties and Compensation of Officers and Employees Form 100-R with the State Board of Accounts for the years 2004 and 2005.

Indiana Code 5-11-13-1 states in part: "Every . . . township . . . 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 business 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."

ANNUAL REPORT

Annual reports for 2004 and 2005 were not presented for audit.

Indiana Code 5-11-1-4 states in part:

"(a) 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. . . . these reports shall be prepared, verified, and filed with the state examiner not later than thirty (30) days after the close of each fiscal year."

CONDITION OF RECORDS

- (1) Records were not posted for the entire examination period, including checks and receipts not recorded and interest not posted.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

SUGAR CREEK TOWNSHIP, PARKE COUNTY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

- (2) Record balances were not reconciled to depository balances.

Indiana Code 5-13-6-1(e): "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."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

DEPOSITS, RECORDING TRANSACTIONS, AND INTERNAL CONTROLS

The following deficiencies were noted:

- (1) Nine interest checks issued to the Township during the audit period were never cashed, recorded or deposited.
- (2) There were no dog tax receipts issued in 2004 or 2005. Dog taxes were not deposited for the audit period.
- (3) Checks were not written in sequential order.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

Indiana Code 5-13-6-1(c) states in part: "The public funds collected by township trustees shall be deposited in the designated depository on or before the first and fifteenth day of each month."

STATE AGENCIES - COMPLIANCE REQUIREMENTS

Sugar Creek Township did not comply with directives of the Indiana Department of Local Government Finance. The Township did not prepare a budget and they did not receive an authorized budget order or a tax levy for 2004 or 2005.

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 Townships, Chapter 13)

SUGAR CREEK TOWNSHIP, PARKE COUNTY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

DISBURSEMENT DOCUMENTATION

Several of the payments examined did not have adequate supporting invoices. Mileage was paid to the Township Trustee without a travel claim detailing the trips being reimbursed.

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 Townships, Chapter 13)

The township trustee is entitled to a sum for mileage in the performance of his official duties equal to the sum per mile paid to state officers and employees (IC 36-6-8-3). (The current rate allowed is \$.40 per mile). See Township Vehicles, below. Mileage Claim Form Number 101 shall be properly completed, listing dates of authorized travel, details of travel, miles traveled, nature of business, etc., for reimbursements for mileage before payment is made. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

CONTRACTS

Records presented for audit indicated payments were made to a contractor for cemetery care in 2004 and 2005 without a contract.

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

APPROPRIATIONS

The records presented for audit indicated that all expenditures were in excess of budgeted appropriations. The Township did not receive approved budget orders for 2004 or 2005.

Indiana Code 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."

FEDERAL AGENCIES - COMPLIANCE REQUIREMENTS

The Township Trustee paid to have his Employer's Quarterly Federal Tax Return, Form 941, prepared by an accounting firm for 2004. The forms prepared and the corresponding payments were never submitted to the Internal Revenue Service.

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 Townships, Chapter 13)

SUGAR CREEK TOWNSHIP, PARKE COUNTY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

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 Townships, Chapter 13)

SUGAR CREEK TOWNSHIP, PARKE COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on August 31, 2006, with Chad Hutson, Trustee. The official concurred with our findings.