

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

EXAMINATION REPORT

OF

PATOKA TOWNSHIP

GIBSON COUNTY, INDIANA

January 1, 2006 to December 31, 2006



FILED

10/26/2007

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OFFICIALS

Office

Official

Term

Trustee

Neil A. Moody

01-01-03 to 12-31-10

Chairman of the
Township Board

Richard Fitch

01-01-06 to 12-31-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF PATOKA TOWNSHIP, GIBSON COUNTY, INDIANA

We have examined the financial information presented herein of Patoka Township (Township), for the period of January 1, 2006 to December 31, 2006. The Township'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 Township for the year ended December 31, 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

August 30, 2007

PATOKA TOWNSHIP, GIBSON COUNTY
 SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
 ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
 As Of And For The Year Ended December 31, 2006

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
Township	\$ 272,105	\$ 153,876	\$ 87,241	\$ 338,740
Dog	364	113	218	259
Township Assistance	142,030	87,550	53,388	176,192
Firefighting	622,158	877,406	727,591	771,973
Levy Excess	12,156	-	-	12,156
Fire Building Debt	2,479	-	-	2,479
Construction	3,256	-	-	3,256
Donation	4,415	1,270	4,779	906
Run Fund	24,536	22,335	24,809	22,062
Loan and Interest	3,639	15	-	3,654
Cumulative Fire	149,544	114,603	12,909	251,238
Fiduciary Fund:				
Payroll Withholdings	6,786	100,490	97,943	9,333
Totals	<u>\$ 1,243,468</u>	<u>\$ 1,357,658</u>	<u>\$ 1,008,878</u>	<u>\$ 1,592,248</u>

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

PATOKA TOWNSHIP, GIBSON COUNTY
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The Township was established under the laws of the State of Indiana. The Township provides the following services: public safety, health and social services, and general administrative services.

Note 2. Fund Accounting

The Township 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 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 Township 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 Township 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 Township 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.

PATOKA TOWNSHIP, GIBSON COUNTY
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Township 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 Township 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.

Note 7. Subsequent Event

Patoka Township and the City of Princeton have entered into an agreement whereby they have formed the Princeton Fire Territory to provide fire protection to the Township and the City of Princeton. Patoka Township is considered the provider and maintains the records of the Territory.

PATOKA TOWNSHIP, GIBSON COUNTY
EXAMINATION RESULTS AND COMMENTS

CONFLICT OF INTEREST DISCLOSURE

Gretchen Moody, Township Clerical Helper, is the spouse of Neil A. Moody, Township Trustee. A Uniform Conflict of Interest Disclosure Statement does not appear to have been filed.

Indiana Code 35-44-1-3 states in part:

"(a) A public servant who knowingly or intentionally: (1) has a pecuniary interest in; or (2) derives a profit from; a contract or purchase connected with an action by the governmental entity served by the public servant commits conflict of interest, a Class D felony."

"(c) This section does not prohibit a public servant from having a pecuniary interest in or deriving a profit from a contract or purchase connected with the governmental entity served . . . (3) if the public servant; (A) is an elected public servant . . . and (B) makes a disclosure under subsection (d)(1) through (d)(6)."

"(d) A disclosure required by this section must: (1) be in writing; (2) describe the contract or purchase to be made by the governmental entity; (3) describe the pecuniary interest that the public servant has in the contract or purchase; (4) be affirmed under penalty of perjury; (5) be submitted to the governmental entity and be accepted by the governmental entity in a public meeting of the governmental entity prior to final action on the contract or purchase; (6) be filed within fifteen (15) days after final action on the contract or purchase with: (A) the state board of accounts; and (B) . . . the clerk of the circuit court in the county where the governmental entity takes final action on the contract or purchase . . ."

"(g) A public servant has a pecuniary interest in a contract or purchase if the contract or purchase will result or is intended to result in an ascertainable increase in the income or net worth of: (1) the public servant; or (2) a dependent of the public servant who: (A) is under the direct or indirect administrative control of the public servant; or (B) receives a contract or purchase order that is reviewed, approved, or directly or indirectly administered by the public servant."

"(k) As used in this section, 'dependent' means any of the following: (1) The spouse of a public servant. (2) A child, stepchild, or adoptee (as defined in IC 31-3-4-1) of a public servant who is: (A) unemancipated; and (B) less than eighteen (18) years of age. (3) Any individual more than one-half (1/2) of whose support is provided during a year by the public servant."

DISBURSEMENT DOCUMENTATION

Several payments were observed which did not contain adequate supporting documentation such as receipts and invoices.

Due to the lack of supporting information, the validity and accountability for some monies disbursed could not be established.

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)

PATOKA TOWNSHIP, GIBSON COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

EXCESSIVE OR UNREASONABLE COSTS

The Township paid \$18,789 to an Indianapolis firm for professional accounting services for assistance in budget preparation.

Every effort should be made by the governmental unit to avoid unreasonable or excessive costs. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

OPTICAL IMAGES OF CHECKS

The financial institution did not return the actual cancelled checks or optical images with the monthly bank statements for the first several months of 2006.

Indiana Code 5-15-6-3(a) concerning optical imaging of checks states in part:

". . . 'original records' includes the optical image of a check or deposit document when:

- (1) the check or deposit document is recorded, copied, or reproduced by an optical imaging process . . . ; and
- (2) the drawer of the check receives an optical image of the check after the check is processed for payment . . ."

Furthermore, Indiana Code 26-2-8-111 states in part:

"(a) If a law requires that certain records be retained, that requirement is met by retaining an electronic record of the information in the record that:

- (1) accurately reflects the information set forth in the record after it was first generated in its final form as an electronic record or otherwise; and
- (2) remains accessible for later reference."

"(e) If a law requires retention of a check, that requirement is satisfied by retention of an electronic record of the information on the front and back of the check in accordance with subsection (a)."

PAYROLL DEDUCTIONS

Gretchen Moody, spouse of the Trustee, received \$1,591 in payments for the year 2006 which were not included in the payroll system.

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)

PATOKA TOWNSHIP, GIBSON COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

INTERNAL CONTROLS

The controls over the disbursing and accounting for the financial activities were insufficient. Some disbursements were made without adequate documentation and/or adequate oversight approvals.

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 Townships, Chapter 13)

OVERPAYMENT COLLECTIONS IN SUBSEQUENT YEAR

Overpayments of \$10,420 and \$450 were made to Neil A. Moody, Trustee, and Gretchen Moody, Clerical Assistant, during January through July 2007 from the Fire Territory Fund.

The overpayments were refunded in full to Patoka Township on August 13, 2007 and August 24, 2007, respectively, and were recorded on Township Receipts 127 and 132, respectively. (See Summary, page 11)

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 17)

Governmental units should collect any overpayments made. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

An agreement dated March 20, 2006, between the City of Princeton and Patoka Township established a fire protection territory with Patoka Township designated as the provider unit. Indiana Code 36-8-19-8 states in part: ". . . the designated provider unit must establish a fire protection territory fund . . ."

The Trustee shall maintain general accounts showing the total of all township receipts and expenditures. The Trustee shall maintain a financial and appropriation record, which must include an itemized and accurate account of the township's financial affairs. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

OFFICIAL BOND

Neil A. Moody is covered by a Hartford Fire Insurance Company Public Official Bond in the amount of \$15,000 for the period January 1, 2007 to January 1, 2010.

PATOKA TOWNSHIP, GIBSON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 4, 2007, with Neil A. Moody, Trustee; and Richard Fitch, Chairman of the Township Board. The officials concurred with our findings.

PATOKA TOWNSHIP, GIBSON COUNTY
SUMMARY

	Charges	Credits	Balance Due
Neil A. Moody, Trustee:			
Overpayment of Salary, page 9	\$ 10,420	\$	\$
Repayment, Receipt 127, August 13, 2007		10,420	-
Gretchen Moody, Clerical Assistant:			
Overpayment of Salary, page 9	450		
Repayment, Receipt 132, August 24, 2007		450	-
Totals	\$ 10,870	\$ 10,870	\$ -