

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

EXAMINATION REPORT

OF

NEW ALBANY TOWNSHIP

FLOYD COUNTY, INDIANA

January 1, 2005 to December 31, 2006



FILED

11/14/2007

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Thomas B. Cannon	01-01-03 to 12-31-06
	Eugene Frieberger	01-01-07 to 12-31-10
Chairman of the Township Board	Robert Hornung	01-01-05 to 12-31-05
	Matthew Nash	01-01-06 to 12-31-06
	Robert Hornung	01-01-07 to 12-31-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF NEW ALBANY TOWNSHIP, FLOYD COUNTY, INDIANA

We have examined the financial information presented herein of New Albany Township (Township), for the period of January 1, 2005 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 years ended December 31, 2005 and 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Long-Term Debt, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the basic financial information. It has not been subjected to the examination procedures applied to the basic financial information, and accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

August 2, 2007

NEW ALBANY TOWNSHIP, FLOYD COUNTY
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL FUND TYPES
As Of And For The Years Ended December 31, 2005 And 2006

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
Township	\$ 345,233	\$ 123,693	\$ 149,027	\$ 319,899
Dog	476	128	224	380
Township Assistance	113,695	138,696	150,604	101,787
Firefighting	100,767	95,914	153,300	43,381
Cumulative Fire	28,289	67,063	114,379	(19,027)
Totals	<u>\$ 588,460</u>	<u>\$ 425,494</u>	<u>\$ 567,534</u>	<u>\$ 446,420</u>

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
Township	\$ 319,899	\$ 255,398	\$ 126,957	\$ 448,340
Dog	380	110	490	-
Township Assistance	101,787	105,279	183,764	23,302
Firefighting	43,381	284,024	190,623	136,782
Cumulative Fire	(19,027)	276,423	166,169	91,227
Totals	<u>\$ 446,420</u>	<u>\$ 921,234</u>	<u>\$ 668,003</u>	<u>\$ 699,651</u>

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

NEW ALBANY TOWNSHIP, FLOYD 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.

NEW ALBANY TOWNSHIP, FLOYD 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.

NEW ALBANY TOWNSHIP
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT

December 31, 2006

Description of Debt	Ending Balance	Due Within One Year
Governmental Activities:		
Notes and loans payable:		
2002 Pierce Contender Fire Trucks	\$ 107,181	\$ 107,181

NEW ALBANY TOWNSHIP, FLOYD COUNTY
EXAMINATION RESULTS AND COMMENTS

INTERNAL CONTROLS

The following activities in controls over transaction recording were noted during the examination period:

1. Numerous checks were not listed on the Claim/Disbursement/Receipt Reports. Several of these checks were not presented for examination and several checks that were voided according to the monthly Claim/Disbursement/Receipt Reports had not been canceled.
2. A check that was listed as a void transaction on a Claim/Disbursement/Receipt Report for the year 2006 ran in February of 2007 was shown issued as a payroll transaction on the same report ran in March of 2007.
3. Numerous receipts that were written during the examination period identify from whom received as "refunds" or "miscellaneous receipts."

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)

Indiana Code 36-6-4-6(a) states in part: "For each sum of money received by the executive, the financial and appropriation record must show:

- (1) the date it was received;
- (2) from whom it was received; . . ."

CORRECTION OF ERRORS

Some corrections and adjustments were made in the records without retaining adequate supporting documentation such as:

1. Disbursements were posted on monthly reports, but were not included on annual reports.
2. Check 6757 was listed as a void transaction of the Claim/Disbursement/Receipt Report and not listed as an expenditure on the annual report. However, check 6757 was actually a payroll check dated December 29, 2006.
3. Some original checks that were not listed on the disbursement detail had not been canceled. Some checks not listed on the disbursement detail were not presented for examination.

Receipt and disbursement corrections or other errors should be corrected by memorandum entry with the issuance of a check and receipt to document the flow of the transactions. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

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)

NEW ALBANY TOWNSHIP, FLOYD COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

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)

APPROPRIATIONS

The records presented for examination indicated the following expenditures in excess of budgeted appropriations:

Fund	Years	Excess Amount Expended
Firefighting	2006	\$ 7,323
Township Assistance	2006	5,033

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."

SUPPORTING DOCUMENTATION

Several payments were observed which did not contain adequate supporting documentation, such as receipts, invoices, and other public records. Due to the lack of supporting information, the validity and accountability for some money 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)

CONFLICT OF INTEREST

A donation of \$1,800 was made on December 29, 2006, from New Albany Township to French Creek Settlement, Inc., listed as a nonprofit domestic corporation on January 16, 2007. French Creek Settlement, Inc.'s stated purpose is to preserve, maintain, and restore the historic nature of the French Creek Settlement. Thomas B. Cannon, former Trustee, was listed under principals, as an incorporator in the documents filed with the Indiana Secretary of State to incorporate French Creek Settlement, Inc. The secretary of French Creek Settlement, Inc., whom received the donation check, indicated that Thomas B. Cannon serves on the board and is the CEO of French Creek Settlement, Inc. No record was presented for examination to indicate that Thomas B. Cannon had filed a conflict of interest statement.

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."

NEW ALBANY TOWNSHIP, FLOYD COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

"(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."

Government funds should not be donated or given to other organizations, individuals or governmental units unless specifically authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

POLITICAL EXPENDITURES

Payments were made to Halo Applications and Communications, LLC and Innerflame Media, LLC for the name registration, Web site hosting, and Web site development for the Web site firetruth.com. Additionally, over 7,000 postcards were mailed to Township residents living outside the New Albany City limits informing the residents of the Web site. The Web site was maintained and updated by Thomas B. Cannon, Trustee, during the examination period for the purpose of showing the negative impact of having the Township's fire protection services controlled through the formation of a fire district. Mr. Cannon indicated that the Web site had been established at the request of the New Chapel Volunteer Fire Department. However, the Fire Chief indicated that he was unaware of the Web site until he started receiving calls after the postcards were mailed.

Expenditures for political purposes, contributions to political campaigns, directly or indirectly, which are not authorized by statute may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

PERSONAL EXPENSES

We noted during the review of expenditures for the examination period, several items that did not appear to be related to Township business. The items included a breakfast at Mount St. Francis, flower arrangements, and the cleaning of a fish tank in the Township Office.

Through discussion with Radio Shack customer service officials and a copy of the itemized receipt, we determined that a Sony Camcorder battery was purchased with Township funds using check 6044 for \$52.99. Current Township Officials stated that the Township Office does not possess a Sony camcorder or battery. No record was presented for examination to indicate that the Township had ever purchased a Sony camcorder.

NEW ALBANY TOWNSHIP, FLOYD COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental entity may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

Thomas B. Cannon, former Trustee, was requested to reimburse \$52.99 to the Township Fund. (See Summary, page 15)

EXPENSE REIMBURSEMENT ITEMIZATION

Records presented for examination included invoices and meal receipts for reimbursement to the Trustee and employees while in travel status. Detailed documentation was not attached to the information presented for reimbursement in some instances which would enable a determination that all expenses were for employees conducting governmental business.

One instance was noted on a mileage reimbursement claim paid to Thomas B. Cannon, former Trustee, where a clerical error was made that resulted in an overpayment of \$35.52.

All claims, invoices, receipts and accounts payable vouchers, including those presented to the governing body for approval in accordance with IC 5-11-10, should contain adequate detailed documentation. All claims, invoices, receipts, and accounts payable vouchers regarding reimbursement for meals and expenses for individuals must have specific detailed information of the names of all individuals for whom amounts are claimed, including the nature, name and purpose of the business meeting, to enable the governing body to authorize payment. Payments which do not have proper itemization showing the business nature of the claim may be the personal obligation of the responsible official, employee or other person for whom the claim is made. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

Thomas B. Cannon, former Trustee, was requested to reimburse the Township \$35.52 for a mileage reimbursement overpayment. (See Summary, page 15)

PENALTIES, INTEREST, AND OTHER CHARGES

Penalties and interest were paid to the Internal Revenue Service and Indiana Department of Revenue during the year 2006 for taxing periods subsequent to completion of the prior examination.

The following penalties and interest amounts were paid by the Township during the examination period:

<u>Vendor</u>	<u>Amount</u>
Penalties and Interest paid to Internal Revenue Service	\$ 395.81
Penalties and Interest paid to Indiana Department of Revenue	<u>190.57</u>
Total	<u>\$ 586.38</u>

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.

NEW ALBANY TOWNSHIP, FLOYD COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

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)

Thomas B. Cannon, former Trustee, was requested to reimburse the Township Fund \$586.38 for the payments of penalties and interest. (See Summary, page 15)

OVERDRAWN CASH BALANCES

The cash balance of the Cumulative Fire Fund was overdrawn at December 31, 2005, in the amount of \$19,027.

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 governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

TRAVEL POLICY

An approved written travel policy was not presented for examination.

Each governmental unit should adopt a written travel policy in conformity with applicable statutes. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

The New Albany Township did not comply with directives of the Internal Revenue Service and Indiana Department of Revenue. The Township did not timely remit the State and Federal taxes for the months of May and November of 2006.

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)

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)

NEW ALBANY TOWNSHIP, FLOYD COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

CAPITAL ASSET RECORDS

Information presented for examination did not indicate an inventory or record of capital assets using General Form 369.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded on the applicable Capital Asset Ledger. A complete inventory should be taken at least every two years for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

OFFICIAL BOND

The former Trustee, Thomas B. Cannon, had an Indiana Public Official Bond with Pekin Insurance Company in the amount of \$15,000. The term of the official surety bond was January 1, 2003, until successor duly qualified, and was recorded in the Floyd County Recorder's Office as instrument 200301548.

NEW ALBANY TOWNSHIP, FLOYD COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 2, 2007, with Eugenea Frieberger, Trustee.

The contents of this report were discussed on August 2, 2007, with Thomas B. Cannon, former Trustee.

NEW ALBANY TOWNSHIP, FLOYD COUNTY
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Thomas B. Cannon, former Trustee:			
Personal Expenses, pages 10-11	\$ 52.99	\$ -	\$ 52.99
Expense Reimbursement Itemization, page 11	35.52	-	35.52
Penalties, Interest, and Other Charges, pages 11-12	<u>586.38</u>	<u>-</u>	<u>586.38</u>
 Totals	 <u>\$ 674.89</u>	 <u>\$ -</u>	 <u>\$ 674.89</u>

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