

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

EXAMINATION REPORT
OF
MADISON TOWNSHIP
MORGAN COUNTY, INDIANA
January 1, 2006 to December 31, 2007



FILED
04/15/2009

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Rodger Birchfield James E. Bolin	01-01-06 to 12-31-06 01-01-07 to 12-31-10
Chairman of the Township Board	Virginia Perry Larry Campbell Kelly Alcala	01-01-06 to 12-31-06 01-01-07 to 12-31-08 01-01-09 to 12-31-09



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF MADISON TOWNSHIP, MORGAN COUNTY, INDIANA

We have examined the financial information presented herein of Madison Township (Township), for the period of January 1, 2006 to December 31, 2007. 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, 2006 and 2007, 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

February 9, 2009

MADISON TOWNSHIP, MORGAN COUNTY
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
As Of And For The Years Ended December 31, 2006 And 2007

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
Township	\$ 63,147	\$ 130,797	\$ 117,697	\$ 76,247
Dog Fund	1,147	957	1,058	1,046
Township Assistance	13,382	11,848	11,059	14,171
Firefighting	127,705	1,541,579	1,588,247	81,037
Capital Project	23,670	-	23,670	-
Levy Excess	61	-	-	61
Fire Equipment Debt	33,537	71,998	74,128	31,407
Building or Remodeling	74,875	155,973	155,245	75,603
Cumulative Fire	24,322	103,266	40,000	87,588
Loan and Interest Payment	7,036	562,863	537,808	32,091
Fiduciary Fund:				
Payroll Withholdings	(8,807)	197,963	197,963	(8,807)
Totals	<u>\$ 360,075</u>	<u>\$ 2,777,244</u>	<u>\$ 2,746,875</u>	<u>\$ 390,444</u>
	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
Township	\$ 76,247	\$ 140,700	\$ 216,016	\$ 931
Dog Fund	1,046	-	1,046	-
Township Assistance	14,171	9,872	21,232	2,811
Firefighting	81,037	2,011,764	2,049,305	43,496
Capital Project	-	650,129	-	650,129
Levy Excess	61	-	-	61
Fire Equipment Debt	31,407	79,771	74,128	37,050
Building or Remodeling	75,603	151,033	154,787	71,849
Cumulative Fire	87,588	276,912	221,849	142,651
Loan and Interest Payment	32,091	292	32,383	-
Emergency Fire Loan	-	599,288	594,660	4,628
Fiduciary Fund:				
Payroll Withholdings	(8,807)	192,864	184,057	-
Totals	<u>\$ 390,444</u>	<u>\$ 4,112,625</u>	<u>\$ 3,549,463</u>	<u>\$ 953,606</u>

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

MADISON TOWNSHIP, MORGAN 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, culture and recreation, 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.

MADISON TOWNSHIP, MORGAN COUNTY
NOTES TO FINANCIAL INFORMATION
(Continued)

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.

Note 6. Subsequent Event

The Township incurred the following debt. On April 11, 2008, the Township incurred a Temporary Loan Tax Anticipation Time Warrant for \$675,000 from Regions Bank to be repaid on December 31, 2008. On September 23, 2008, they incurred an emergency note from Regions Bank for \$511,363 to be repaid by December 31, 2009. On January 8, 2009, they entered into an apparatus loan for \$220,000 to be paid back by January 1, 2015.

MADISON TOWNSHIP, MORGAN COUNTY
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2007

The Township has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital leases:		
Fire Clothing	\$ 86,038	\$ 24,297
Claims and judgments		
Notes and loans payable	1,130,537	557,732
Bonds payable:		
General obligation bonds:		
Fire Station	<u>755,000</u>	<u>152,095</u>
Total governmental activities debt	<u>\$ 1,971,575</u>	<u>\$ 734,124</u>

MADISON TOWNSHIP, MORGAN COUNTY
EXAMINATION RESULTS AND COMMENTS

OFFICIAL BOND

The following official bond was not filed in the Office of the County Recorder:

James E. Brolin for the period of January 1, 2007 to December 31, 2007.

IC 5-4-1-5.1(b) states in part: "Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder . . ."

PRESCRIBED FORMS

The following prescribed forms were not in use:

Township Ledger Form 1C
Receipt Form 16

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 Townships, Chapter 13)

OLD OUTSTANDING CHECKS

Our review of the bank reconciliements as of December 31, 2007, revealed checks outstanding in excess of two years.

IC 5-11-10.5-2 states in part: "All warrants or checks drawn upon public funds of a political subdivision that are outstanding and unpaid for a period of two (2) or more years as of the last day of December of each year are void."

IC 5-11-10.5-3 states in part: "Not later than March 1 of each year, the treasurer of each political subdivision shall prepare or cause to be prepared a list in triplicate of all warrants or checks that have been outstanding for a period of two (2) or more years as of December 31 of the preceding year. The original copy of each list shall be filed with the: (1) board of finance of the political subdivision; or (2) the fiscal body of a city or town. The duplicate copy shall be transmitted to the disbursing officer of the political subdivision. The triplicate copy of each list shall be filed in the office of the treasurer of the political subdivision. If the treasurer serves also as the disbursing officer of the political subdivision, only two (2) copies of each list need be prepared or caused to be prepared by the treasurer."

IC 5-11-10.5-5 states: "(a) Upon the preparation and transmission of the copies of the list of the outstanding warrants or checks, the treasurer of the political subdivision shall enter the amounts so listed as a receipt into the fund or funds from which they were originally drawn and shall also remove the warrants or checks from the record of outstanding warrants or checks. (b) If the disbursing officer does not serve also as treasurer of the political subdivision, the disbursing officer shall also enter the amounts so listed as a receipt into the fund or funds from which the warrants or checks were originally drawn. If the fund from which the warrant or check was originally drawn is not in existence, or cannot be ascertained, the amount of the outstanding warrant or check shall be receipted into the general fund of the political subdivision."

MADISON TOWNSHIP, MORGAN COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

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)

COMPENSATION AND BENEFITS

Salary resolutions for 2006 and 2007 had been amended and were unclear as to the total salary to be paid to the Trustee, Clerk and Township Assistance Investigator. James E. Bolin, Trustee, had an approved salary of \$15,000 for 2007 he was paid \$13,499.93 leaving an amount due of \$1,500.07.

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)

PENALTIES, INTEREST, AND OTHER CHARGES

Information presented for examination indicates that, in some cases, amounts payable to vendors and other suppliers of goods and services were not being paid until two months after the invoice dates.

Penalties and interest totaling \$14,911.76 were paid to the Indiana Bank on July 23, 2007 on a temporary loan payment of \$274,880.50 principal and \$23,354.76 interest due on June 30, 2007. The loan was not paid timely due to tax revenues not being distributed to the township timely.

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)

DISPOSITION OF ASSETS

The Township Trustee sold a 1986 tanker in February 2006 and received \$25,000. No information was presented for examination to indicate the sale was advertised or had Board approval.

MADISON TOWNSHIP, MORGAN COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

IC 5-22-22-4(a) states in part: "If the personal property to be sold is: (1) one (1) item, with an estimated value of one thousand dollars (\$1,000) or more; or (2) more than one (1) item, with an estimated total value of five thousand dollars (\$5,000) or more; the purchasing agent may engage an auctioneer licensed under IC 25-6.1 to advertise the sale and conduct a public auction." IC 5-22-22-5 states in part (a): "If an auctioneer is not engaged, . . . the purchasing agent shall sell the property at a public sale or by sealed bids delivered to the office of the purchasing agency before the date of sale. (b) Advertisement of the sale shall be made in accordance with IC 5-3-1. (c) All sales shall be made to the highest responsible bidder."

EXCESSIVE OR UNREASONABLE COSTS

The Township paid \$23,791.66 for 2006 and \$35,540.31 for 2007 for accounting services provided by an Indianapolis accounting firm. The fees were billed at an hourly rate of \$110 or \$130.

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)

CONTRACTS

Records presented for examination indicate payments were made for payroll services, accounting services, and legal services in 2006 and 2007 without contracts.

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)

EXPENSE REIMBURSEMENT ITEMIZATION

Records presented for examination included a claim for reimbursement totaling \$245.86 for meals for more than one individual. Detailed documentation was not attached to the information presented for reimbursement which would enable a determination that all expenses were for employees conducting governmental business.

The restaurant was in Greenwood and no evidence was presented to support the travel status of those involved. Sales tax and tips were part of the total.

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)

MADISON TOWNSHIP, MORGAN COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

INTERNAL CONTROLS

The controls over the receipting, disbursing, recording, and accounting for the financial activities: were insufficient. Many records were not being kept at the Trustee's office. Bank statements, ledgers, additional appropriation documents, minutes for 2006 and W-2's had to be obtained from other sources. Much time was spent obtaining records for examination.

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)

APPROPRIATIONS

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

<u>Fund</u>	<u>Years</u>	<u>Excess Amount Expended</u>
Township Assistance	2006	\$ 2,560
General	2007	13,823
Emergency Fire Loan	2007	15,559
Cumulative Fire	2007	181,849

IC 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 FOR PAYROLL WITHHOLDINGS

A transfer was made from the Township General Fund to the Payroll Withholding Fund for \$8,807.37 to eliminate a negative fund balance. The Township did not have adequate supporting documentation as to why the negative balance existed in the Payroll Withholding Fund.

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)

MADISON TOWNSHIP, MORGAN COUNTY
EXIT CONFERENCE

The contents of this report were discussed on February 12, 2009, with James E. Bolin, Trustee; and Becky Vanslyke, Township Clerk. The officials concurred with our findings.