

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

EXAMINATION REPORT  
OF  
MONROE TOWNSHIP  
DELAWARE COUNTY, INDIANA  
January 1, 2007 to December 31, 2008



**FILED**

04/05/2010



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OFFICIALS

Office

Official

Term

Trustee

Nykoa Johnson

01-01-07 to 12-31-10

Chairman of the  
Township Board

Lawrence Shirey

01-01-07 to 12-31-09



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF MONROE TOWNSHIP, DELAWARE COUNTY, INDIANA

We have examined the financial information presented herein of Monroe Township (Township), for the period of January 1, 2007 to December 31, 2008. 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, 2007 and 2008, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets, 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

November 12, 2009

MONROE TOWNSHIP, DELAWARE 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, 2007 And 2008

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
Township	\$ 10,986	\$ 46,832	\$ 35,131	\$ 22,687
Township Assistance	8,212	8,946	14,968	2,190
Firefighting	8,165	45,172	41,129	12,208
Fire Donation	615	479	388	706
Rainy Day	1,980	-	-	1,980
Levy Excess	1,202	-	132	1,070
Fire Debt	22,201	79,423	86,835	14,789
Fire Equipment	271	-	271	-
Cumulative Fire	60,277	27,176	17,608	69,845
Cemetery Restoration	25	5,050	3,289	1,786
Fiduciary Fund:				
Payroll Withholdings	(1,059)	3,589	5,628	(3,098)
Totals	<u>\$ 112,875</u>	<u>\$ 216,667</u>	<u>\$ 205,379</u>	<u>\$ 124,163</u>
	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
Township	\$ 22,687	\$ 28,152	\$ 35,692	\$ 15,147
Township Assistance	2,190	12,440	17,817	(3,187)
Firefighting	12,208	36,858	58,274	(9,208)
Fire Donation	706	200	530	376
Rainy Day	1,980	387	300	2,067
Levy Excess	1,070	-	-	1,070
Fire Debt	14,789	34,258	21,545	27,502
Cumulative Fire	69,845	25,484	24,691	70,638
Cemetery Restoration	1,786	1,530	882	2,434
Fiduciary Fund:				
Payroll Withholdings	(3,098)	2,758	7,004	(7,344)
Totals	<u>\$ 124,163</u>	<u>\$ 142,067</u>	<u>\$ 166,735</u>	<u>\$ 99,495</u>

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

MONROE TOWNSHIP, DELAWARE 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. Property tax collections were delayed in 2008 due to reassessment delays resulting in the second installment for 2008 not payable until January 10, 2009 and not distributed until March 31, 2009.

Note 5. Deposits and Investments

Deposits, made in accordance with IC 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.

MONROE TOWNSHIP  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF CAPITAL ASSETS

For The Year Ended December 31, 2008

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

General infrastructure assets do not apply at the Township level.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Buildings	\$ 153,000
Machinery and equipment	<u>1,138,670</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 1,291,670</u>

MONROE TOWNSHIP, DELAWARE COUNTY  
EXAMINATION RESULTS AND COMMENTS

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 are not being paid until after the due date of those payments.

Penalties and interest totaling \$1,863.24 were paid from the prior exit date to the end of 2008. Nykoa Johnson, Trustee, was requested to reimburse the Township for penalties paid. (See Summary, page 15)

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)

SALES TAX

Sales tax was paid for some purchases. The total amount of sales tax paid after the prior examination exit date was \$60.79. Nykoa Johnson, Trustee, was requested to reimburse the Township for the sales tax paid. (See Summary, page 15)

Governmental funds generally are exempt from the payment of sales tax on qualifying purchases. Respective tax agencies should always be contacted concerning tax exemptions and payments. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

CONTRACTS

Records presented for examination indicate payments were made for cemetery care in 2007 and 2008 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)

SUPPORTING DOCUMENTATION

Some 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)

MONROE TOWNSHIP, DELAWARE COUNTY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

APPROPRIATIONS

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

Fund	Years	Excess Amount Expended
Township	2007	\$ 5,506
Fire Equipment Debt	2007	16,379
Township Assistance	2007	247
Township	2008	577
Firefighting	2008	12,735

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."

PAYROLL DEDUCTIONS

Payments to Board members were made without payroll deductions for taxes.

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)

ORDINANCES AND RESOLUTIONS

The Township has a resolution concerning payroll. The resolution indicated the Trustee was to be paid \$13,110 in 2007 and \$15,155 in 2008. However, the Trustee only received \$12,903 in 2007 and \$14,655 in 2008, resulting in an underpayment of a total of \$707.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

PAYROLL TAXES - IMPROPER REMITTANCE

The Township did not comply with directives of the Internal Revenue Service by not withholding the proper amounts from employee wages for Social Security and Medicare taxes which resulted in the Township overpaying the Township share of Social Security and Medicare taxes by \$568 and \$439 in 2007 and 2008, respectively. We also noted that in 2007 the form 941s filed quarterly did not agree with the federal withholding tax as reported on form W3 and form W2s. Nykoa Johnson, Trustee, was requested to reimburse the Township for improper remittance of payroll taxes. (See Summary, page 15)

MONROE TOWNSHIP, DELAWARE COUNTY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

Additionally, the proper amounts were not paid to the Indiana Department of Revenue for State and County withholding taxes.

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)

INVESTMENTS IN CERTIFICATES OF DEPOSIT

No record of quotes taken for investment in certificates of deposit was available for examination.

IC 5-13-9-4(b) states in part:

"The investing officer making a deposit in a certificate of deposit shall obtain quotes of the specific rates of interest for the term of that certificate of deposit that each designated depository will pay on the certificate of deposit. Quotes may be solicited and taken by telephone. A memorandum of all quotes solicited and taken shall be retained by the investing officer as a public record of the political subdivision under Indiana Code 5-14-3. A deposit made under this subsection shall be placed in the designated depository quoting the highest rate of interest. If more than one (1) depository submits a quote of the highest interest rate quoted for the investment, the deposit may be placed in any or all of the designated depositories quoting the highest rate in the amount or amounts determined by the investing officer, in the investing officer's discretion."

OVERDRAWN FUND BALANCES

The Payroll Withholdings Fund, Township Assistance Fund, and Firefighting Fund were overdrawn by \$7,344, \$3,187, and \$9,208, respectively in 2008. Additionally, the Payroll Withholding Fund was overdrawn by \$3,098 in 2007.

The 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)

MONROE TOWNSHIP, DELAWARE COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on November 12, 2009, with Nykoa Johnson, Trustee. The official response has been made a part of this report and may be found on page 11.

**PENALTIES, INTEREST AND OTHER CHARGES**

The reason the penalties and interest were incurred was because the State of Indiana did not manage to send the regular budgeted tax draws to my unit, Monroe Township, Delaware County. The charges were because the money was not received in a timely manner.

Monroe Township during the 15 years prior under my management has never been late on loan payments that incurred late interest and penalties because the tax draws were adequate to meet the budget established by my board for repayment.

The person responsible for the situation that incurred the penalties is Governor Mitch Daniels. It is through his poor management the township was not able to receive the money to pay for the new fire truck. All necessary procedures were followed when the debt was created to provide funds for that specific item in the Fire Debt fund. The fault was his, so repayment should be requested from him.

I sincerely regret spending unnecessary money for penalties and interest from the taxpayers in my township. However, this is a situation that requires my personal money to fund a municipal loan penalty and interest for a township fire truck. Legally I cannot own township property, nor incur debt for the township for my personal use. Therefore, I cannot repay money that I derive no benefit from, precisely the penalties and interest for the fire truck.

**Sales Tax**

The charges were for heating fuel paid from the Poor Relief fund. The carriers changed ownership and the sales tax info did not get transferred. The Companies are sending refunds.

**Contracts**

I had an appointment contract for the original appointment. But it was not currently dated. The township Board has issued a newly dated one.

**PAYROLL DEDUCTIONS**

The wrong amounts were withheld because of an accounting error. I am correcting the error and will pay the township \$568. For 2007 and \$439. For 2008. I used the wrong percentage for the FICA AND MEDICARE.

However, I correctly filed the W2's, and I calculated the correct amount to send with the 941. This caused the township to pay more than their percentage for those two years. The 941's did not agree with the W2's. I am correcting that also.

**CERTIFICATES OF DEPOSIT**

I did call for current rates before renewal. I did not date, or properly document it. The only documentation was just written percentages and the banks names.

**OVERDRAWN FUND BALANCES**

I did not want to transfer funds when the reason for the shortage was due to not collecting from the usual tax draw. I was concerned with messing up the balances, so I just operated the funds in arrears. I knew that I had extra money in the cash reserve so I was not actually overdrawn. When the tax draws came in for the year, these balances self corrected.



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February 8, 2010

File: Townships

Ms. Nykoa Johnson, Trustee  
Monroe Township, Delaware County  
2701 E. Co. Rd. 700 S.  
Muncie, IN 47302

Dear Ms. Johnson:

We have reviewed your Official Response to our examination and the following will serve as a response and clarification of our audit position. You state in part "The reason the penalties and interest were incurred was because the State of Indiana did not manage to send the regular budgeted tax draws to my unit, Monroe Township, Delaware County. The charges were because the money was not received in a timely manner."

Please be advised tax draws are provided through the County and not the State of Indiana. Various other mechanisms were available for you to avoid paying penalty and interest payments from taxpayer funds.

IC 36-1-8-4 concerning loans between funds provides in part "(a) The fiscal body of a political subdivision may, by ordinance or resolution, permit the transfer of a prescribed amount, for a prescribed period, to a fund in need of money for cash flow purposes from another fund of the political subdivision if all these conditions are met: (1) It must be necessary to borrow money to enhance the fund that is in need of money for cash flow purposes. (2) There must be sufficient money on deposit to the credit of the other fund that can be temporarily transferred. (3) Except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs. (4) The amount transferred must be returned to the other fund at the end of the prescribed period. (5) Only revenues derived from the levying and collection of property taxes or special taxes or from operation of the political subdivision may be included in the amount transferred."

IC 36-6-6-15 concerning tax anticipation warrants states "(a) If the legislative body finds that an emergency requires the borrowing of money to meet the township's current expenses, it may take out temporary loans in an amount not more than eighty percent (80%) of the total anticipated revenue for the remainder of the year in which the loans are taken out. (b) The legislative body must authorize the temporary loans by a resolution: (1) stating the nature of the consideration for the loans; (2) stating the time the loans are payable; (3) stating the place the loans are payable; (4) stating a rate of interest; (5) stating the anticipated revenues on which the loans are based and out of which they are payable; and (6) appropriating a sufficient amount of the anticipated revenues on which the loans are based and out of which they are payable for the payment of the loans. (c) The loans must be evidenced by time warrants of the township stating: (1) the nature of the consideration; (2) the time payable; (3) the place payable; and (4) the anticipated revenues on which they are based and out of which they are payable."

IC 5-13-6-3 concerning tax advances states in part "(b) Every county treasurer who, by virtue of the treasurer's office, is the collector of any taxes for any political subdivision wholly or partly within the county shall, not later than thirty (30) days after receipt of a written request for funds filed with the treasurer by a proper officer of any political subdivision within the county, advance to that political subdivision a portion of the taxes collected before the semiannual distribution. The amount advanced may not exceed the lesser of: (1) ninety-five percent (95%) of the total amount collected at the time of the advance; or (2) ninety-five percent (95%) of the amount to be distributed at the semiannual distribution. (c) Upon notice from the county treasurer of the amount to be advanced, the county auditor shall draw a warrant upon the county treasurer for the amount. The amount of the advance must be available immediately for the use of the political subdivision."

IC 36-6-6-14 concerning borrowing states "(a) At any special meeting, if two (2) or more members give their consent, the legislative body may determine whether there is a need for fire and emergency services or other emergency requiring the expenditure of money not included in the township's budget estimates and levy. (b) Subject to section 14.5 of this chapter, if the legislative body finds that a need for fire and emergency services or other emergency exists, it may issue a special order, entered and signed on the record, authorizing the executive to borrow a specified amount of money sufficient to meet the emergency. (c) Notwithstanding IC 36-8-13-4(a), the legislative body may authorize the executive to borrow a specified sum from a township fund other than the township firefighting fund if the legislative body finds that the emergency requiring the expenditure of money is related to paying the operating expenses of a township fire department or a volunteer fire department. At its next annual session, the legislative body shall cover the debt created by making a levy to the credit of the fund for which the amount was borrowed under this subsection. (d) In determining whether a fire and emergency services need exists requiring the expenditure of money not included in the township's budget estimates and levy, the legislative body and any reviewing authority considering the approval of the additional borrowing shall consider the following factors: (1) The current and projected certified and noncertified public safety payroll needs of the township. (2) The current and projected need for fire and emergency services within the jurisdiction served by the township. (3) Any applicable national standards or recommendations for the provision of fire protection and emergency services. (4) Current and projected growth in the number of residents and other citizens served by the township, emergency service runs, certified and noncertified personnel, and other appropriate measures of public safety needs in the jurisdiction served by the township. (5) Salary comparisons for certified and noncertified public safety personnel in the township and other surrounding or comparable jurisdictions. (6) Prior annual expenditures for fire and emergency services, including all amounts budgeted under this chapter. (7) Current and projected growth in the assessed value of property requiring protection in the jurisdiction served by the township. (8) Other factors directly related to the provision of public safety within the jurisdiction served by the township. (e) In the event the township received additional funds under this chapter in the immediately preceding budget year for an approved expenditure, any reviewing authority shall take into consideration the use of the funds in the immediately preceding budget year and the continued need for funding the services and operations to be funded with the proceeds of the loan."

Ms. Nykoa Johnson, Trustee  
February 8, 2010  
Page 3

Additionally, governmental units can contact various creditors to discuss renegotiation of terms to delay payment and change rates, payment dates, etc., to minimize or help avoid getting into situations that require payments of penalty and interest. Consequently, the State Board of Accounts is of the audit position taxpayer dollars should not be used to pay for penalties and interest which could have been avoided. Therefore you are being requested to make repayment for penalties and interest paid in the amount of the \$1,863.24. Additionally, you have only paid \$952.56 of the \$1,007.00 owed for improper remittance of payroll taxes. Therefore, you owe an additional \$54.44 for a total of \$1,917.68.

Sincerely,



Bruce A. Hartman, CPA  
State Examiner

CWN/SAM/bgf

cc: Date File

MONROE TOWNSHIP, DELAWARE COUNTY  
SUMMARY

	Charges	Credits	Balance Due
Nykoa Johnson, Trustee:			
Penalties, Interest, and Other Charges, page 7	\$ 1,863.24	\$ -	\$ 1,863.24
Sales Tax, page 7	60.79	60.79	-
Payroll Taxes - Improper Remittance, page 8	1,007.00	952.56	54.44
 Totals	 \$ 2,931.03	 \$ 1,013.35	 \$ 1,917.68

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AFFIDAVIT

STATE OF INDIANA            )  
WAYNE COUNTY            )

I, William K. Prybylla, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of the Monroe Township, Delaware County, Indiana, for the period from January 1, 2007 to December 31, 2008, is true and correct to the best of my knowledge and belief.

William K. Prybylla  
Field Examiner

Subscribed and sworn to before me this 16<sup>th</sup> day of February, 2010.

Elizabeth H. Fields  
Notary Public

My Commission Expires: Oct 12, 2017

County of Residence: WAYNE