

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

EXAMINATION REPORT  
OF  
CHARLESTOWN TOWNSHIP  
CLARK COUNTY, INDIANA  
January 1, 2007 to December 31, 2009



**FILED**  
05/12/2010



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials .....	2
Independent Accountant's Report.....	3
Financial Information:	
Schedules of Receipts, Disbursements, and Cash and Investment Balances .....	4
Notes to Financial Information .....	5-6
Examination Results and Comments:	
Excess Salary Payment.....	7
Advance Salary Payments .....	7
Payroll Withholdings .....	7-8
Optical Images of Checks.....	8
Exit Conference.....	9
Summary .....	10

OFFICIALS

Office

Official

Term

Trustee

Ernie L. Thompson

01-01-07 to 12-31-10

Chairman of the  
Township Board

Harold Goodlet, Jr.

01-01-07 to 12-31-10



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF CHARLESTOWN TOWNSHIP, CLARK COUNTY, INDIANA

We have examined the financial information presented herein of Charlestown Township (Township), for the period of January 1, 2007 to December 31, 2009. 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, 2008 and 2009, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

April 13, 2010

CHARLESTOWN TOWNSHIP, CLARK 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, 2008 And 2009

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
Township	\$ 252,812	\$ 89,479	\$ 90,867	\$ 251,424
Dog	447	10	-	457
Township Assistance	<u>124,909</u>	<u>29,171</u>	<u>80,333</u>	<u>73,747</u>
Totals	<u>\$ 378,168</u>	<u>\$ 118,660</u>	<u>\$ 171,200</u>	<u>\$ 325,628</u>
	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
Township	\$ 251,424	\$ 78,477	\$ 89,198	\$ 240,703
Dog	457	-	-	457
Township Assistance	73,747	90,712	113,017	51,442
Fiduciary Fund:				
Payroll Withholding	<u>-</u>	<u>17,546</u>	<u>22,017</u>	<u>(4,471)</u>
Totals	<u>\$ 325,628</u>	<u>\$ 186,735</u>	<u>\$ 224,232</u>	<u>\$ 288,131</u>
	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
Township	\$ 240,703	\$ 148,995	\$ 85,389	\$ 304,309
Dog	457	-	447	10
Township Assistance	51,442	57,957	108,247	1,152
Fiduciary Fund:				
Payroll Withholding	<u>(4,471)</u>	<u>17,577</u>	<u>26,069</u>	<u>(12,963)</u>
Totals	<u>\$ 288,131</u>	<u>\$ 224,529</u>	<u>\$ 220,152</u>	<u>\$ 292,508</u>

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

CHARLESTOWN TOWNSHIP, CLARK 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: 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.

CHARLESTOWN TOWNSHIP, CLARK COUNTY  
NOTES TO FINANCIAL INFORMATION  
(Continued)

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. 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.

CHARLESTOWN TOWNSHIP, CLARK COUNTY  
EXAMINATION RESULTS AND COMMENTS

EXCESS SALARY PAYMENTS

Virginia Hyde, Township Clerk, was paid \$751.92 in excess of the salary approved by the Township Board for the year 2007.

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

Upon our request, the excess salary payment was refunded on April 8, 2010. (See Summary, page 10)

ADVANCE SALARY PAYMENTS

Advance salary payments were made to the Trustee and Clerk during the years 2007, 2008 and 2009. Payments were normally made twice a month at the beginning and the middle of each month prior to the services being rendered.

IC 5-7-3-1 states: "(a) Public officers may not draw or receive their salaries in advance."

Compensation and any other payments for goods and services should not be paid in advance of receipt of the goods or services unless specifically authorized by statute. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

PAYROLL WITHHOLDINGS

The Payroll Withholding Fund incurred deficit cash balances at December 31, 2008 and 2009, in the amounts of \$4,471 and \$12,963, respectively. We noted the following deficiencies related to the processing of payroll withholdings:

1. The employers' share of Social Security and Medicare tax was paid from the Payroll Withholding Fund and was not reimbursed from the Township Fund and Township Assistance Fund. The unreimbursed amounts approximated \$4,023 and \$4,840 for 2008 and 2009, respectively.
2. Payments to the Public Employees Retirement Fund (PERF) were paid from the Payroll Withholding Fund in the amount of \$271 and \$3,544 for 2008 and 2009, respectively. These amounts were not reimbursed from the Township Fund and the Township Assistance Fund.
3. The wages and withholdings reported on the Internal Revenue Service Form W-2 did not always reflect the actual amount paid and withheld from employees for the years 2008 and 2009.
4. There were errors in the calculation of the amount of Social Security and Medicare Tax withheld by the Township. This occurred for five out of the six officials and employees for the years 2008 and 2009. Too much was withheld from employees, in some instances, and, in other instances, insufficient amounts were withheld.

CHARLESTOWN TOWNSHIP, CLARK COUNTY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

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)

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)

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.

OPTICAL IMAGES OF CHECKS

The financial institution did not return the actual cancelled checks with the monthly bank statements, but instead returned an optical image of only the front side of the checks.

IC 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, IC 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)."

A similar comment was included in prior Report B31459.

CHARLESTOWN TOWNSHIP, CLARK COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on April 13, 2010, with Ernie L. Thompson, Trustee.

CHARLESTOWN TOWNSHIP, CLARK COUNTY  
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Virginia Hyde, Township Clerk: Excess Salary Payment, page 7	\$ 751.92	\$	\$
Refund by Virginia Hyde, Township Clerk, Deposited April 8, 2010	<u>                    </u>	<u>751.92</u>	<u>-</u>
Totals	<u>\$ 751.92</u>	<u>\$ 751.92</u>	<u>\$ -</u>