

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

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



**FILED**

05/13/2010



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OFFICIALS

| <u>Office</u>                     | <u>Official</u>     | <u>Term</u>          |
|-----------------------------------|---------------------|----------------------|
| Trustee                           | James Allen Bottoff | 01-01-07 to 12-31-10 |
| Chairman of the<br>Township Board | James Thomas Higdon | 01-01-07 to 12-31-10 |



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

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

We were to examine the financial information presented herein of Monroe 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.

Financial records did not support amounts reported on the financial information for the years 2007, 2008, and 2009.

Due to the restrictions on our examination, as discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial information based on the criteria set forth in the Uniform Compliance Guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

April 26, 2010

MONROE TOWNSHIP, CLARK COUNTY  
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL GOVERNMENTAL FUND TYPES  
As Of And For The Years Ended December 31, 2007, 2008, And 2009

|                     | Cash and<br>Investments<br>01-01-07 | Receipts          | Disbursements     | Cash and<br>Investments<br>12-31-07 |
|---------------------|-------------------------------------|-------------------|-------------------|-------------------------------------|
| Governmental Funds: |                                     |                   |                   |                                     |
| Township            | \$ 114,452                          | \$ 49,885         | \$ 44,738         | \$ 119,599                          |
| Dog                 | 300                                 | -                 | 300               | -                                   |
| Township Assistance | 1,505                               | 10,674            | 14,555            | (2,376)                             |
| Rainy Day           | -                                   | 19,640            | 8,501             | 11,139                              |
|                     | <u>          </u>                   | <u>          </u> | <u>          </u> | <u>          </u>                   |
| Totals              | <u>\$ 116,257</u>                   | <u>\$ 80,199</u>  | <u>\$ 68,094</u>  | <u>\$ 128,362</u>                   |
|                     |                                     |                   |                   |                                     |
|                     | Cash and<br>Investments<br>01-01-08 | Receipts          | Disbursements     | Cash and<br>Investments<br>12-31-08 |
| Governmental Funds: |                                     |                   |                   |                                     |
| Township            | \$ 119,599                          | \$ 37,826         | \$ 48,236         | \$ 109,189                          |
| Township Assistance | (2,376)                             | 10,317            | 9,714             | (1,773)                             |
| Rainy Day           | 11,139                              | 2,882             | 5,913             | 8,108                               |
|                     | <u>          </u>                   | <u>          </u> | <u>          </u> | <u>          </u>                   |
| Totals              | <u>\$ 128,362</u>                   | <u>\$ 51,025</u>  | <u>\$ 63,863</u>  | <u>\$ 115,524</u>                   |
|                     |                                     |                   |                   |                                     |
|                     | Cash and<br>Investments<br>01-01-09 | Receipts          | Disbursements     | Cash and<br>Investments<br>12-31-09 |
| Governmental Funds: |                                     |                   |                   |                                     |
| Township            | \$ 109,189                          | \$ 81,187         | \$ 55,460         | \$ 134,916                          |
| Township Assistance | (1,773)                             | 41,330            | 12,722            | 26,835                              |
| Rainy Day           | 8,108                               | 1,938             | 1,382             | 8,664                               |
|                     | <u>          </u>                   | <u>          </u> | <u>          </u> | <u>          </u>                   |
| Totals              | <u>\$ 115,524</u>                   | <u>\$ 124,455</u> | <u>\$ 69,564</u>  | <u>\$ 170,415</u>                   |

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

MONROE 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: 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.

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.

MONROE TOWNSHIP, CLARK COUNTY  
EXAMINATION RESULTS AND COMMENTS

CONDITION OF RECORDS

The following deficiencies were noted in the records presented for examination:

1. The Township did not maintain a Register of Investments (Form 350) or properly record and investment. For the years 2007 and 2008 the amount of the investment was included in the Township Annual Report (Form 15) thus resulting in discrepancies between the amount shown the Township Annual Report and the Township's financial records.

The Township Annual Report (Form 15) in 2009 did not properly reflect the financial activity for the year. The cash and investment balance reported for 2009 on the Annual Report did not include a \$50,000 certificate of deposit held. A register of Investment was not maintained for 2009 nor was the investment properly recorded. Adjustments were made to the financial statement amounts reported herein to include the investment balance at December 31, 2009.

At the time investments are purchased, the treasurer and/or bookkeeper should enter the full cost of the securities (purchase price plus accrued interest) as a disbursement from the fund or funds from which the investment is made.

Where the investment is made from "total monies on deposit," the warrant issued will not be posted in the ledger, but a memorandum account should be set up in a separate section of the ledger to which the investment transaction will be posted.

When an investment is made from a specific fund, a new fund entitled "Investments Fund" should be set up on the records. The net price (purchase price less accrued interest) should be entered as a receipt to this fund.

The Investment Register, General Form 350, should be used for keeping a record of all investments purchased by the political subdivision.

(Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 18)

2. The Township did not use the prescribed Financial and Appropriation Record (Form 1C). The Township used a spreadsheet program which was not approved by the State Board of Accounts. The spreadsheet program was deficient in the following areas:
  - a. The record did not contain month and year to date totals.
  - b. Individual transactions were not recorded to the record utilized as the appropriation record for monitoring of budget compliance. The appropriation record only had totals for the month.
  - c. Reports showing individual fund financial activity were not printed for all months.

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)

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

FINANCIAL REPORT OPINION MODIFICATIONS

The Township Annual Reports (financial reports) for the years 2007, 2008, and 2009 were not supported with the financial activity recorded the Financial and Appropriation Record. (See Examination and Result Comment titled "Condition of Records")

Accounting records and other public records must be maintained in a manner that will support accurate financial statements. Anything other than an unqualified opinion on the Independent Auditors' Report on the financial statements may have adverse financial consequences with the possibility of an increase in interest rate cost to the taxpayers of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

DEFICIT CASH AND INVESTMENT BALANCES

The Township Assistance Fund was overdrawn at December 31, 2007 and 2008, in the amounts of \$2,376 and \$1,773.

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)

PENALTIES, INTEREST, AND OTHER CHARGES

Penalties and interest totaling \$323 were paid to the Internal Revenue Service on September 1, 2007, for the period ending June 30, 2007.

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)

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)

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

RAINY DAY FUND

Expenditures during the year 2007, in the amount of \$8,501 were made from the Rainy Day Fund. Information was not presented for examination showing the monies were appropriated.

IC 36-1-8-5.1(c) states: "The rainy day fund is subject to the same appropriation process as other funds that receive tax money."

ADVANCE PAYMENT OF SALARIES

Instances were noted in 2007 and 2008 for which salaries were paid in advance. As a result of the advance payment of salaries in 2007, one employee was paid \$755 in excess of the approved salary. The overpayment was recaptured in 2008, by a reduction in the employee's salary.

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)

ASSESSING DISBURSEMENTS

Assessing expenses in 2008, in the amount of \$1,200 were paid from Township funds for the purchase of a computer and assessing software.

All supplies necessary for the annual assessment of property are to be furnished and paid for by the county. No part of the expense of assessing is to be paid from township funds. (Township Bulletin and Uniform Compliance Guidelines, February 2006)

TEMPORARY LOAN

A temporary loan of \$5,000 was made on July 13, 2004, from the Township Fund to the Township Assistance Fund. As of December 31, 2009, the temporary loan was not repaid.

IC 36-1-8-4 concerning temporary loans states in part:

"(a) . . . (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 . . ."

"(b) If the fiscal body of a political subdivision determines that an emergency exists that requires an extension of the prescribed period of a transfer under this section, the prescribed period may be extended for not more than six (6) months beyond the budget year of the year in which the transfer occurs if the fiscal body does the following:

- (1) Passes an ordinance or a resolution that contains the following:
  - (A) A statement that the fiscal body has determined that an emergency exists.

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

- (B) A brief description of the grounds for the emergency.
- (C) The date the loan will be repaid that is not more than six (6) months beyond the budget year in which the transfer occurs.
- (2) Immediately forwards the ordinance or resolution to the state board of accounts and the Department of Local Government Finance."

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. Neither cancelled checks nor optical images of checks for June 2008 were presented for examination.

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)."

MONROE TOWNSHIP, CLARK COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on April 26, 2010, with James Allen Bottorff, Trustee.