

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

EXAMINATION REPORT
OF
MADISON TOWNSHIP
MORGAN COUNTY, INDIANA
January 1, 2008 to December 31, 2009



FILED
06/11/2010

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OFFICIALS

Office

Official

Term

Trustee

James E. Bolin

01-01-08 to 12-31-10

Chairman of the
Township Board

Larry Campbell
Kelly Alcala

01-01-08 to 12-31-08
01-01-09 to 12-31-10



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, 2008 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 present fairly, in all material respects, the financial information of the Township for the years ended December 31, 2008 and 2009, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

April 22, 2010

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, 2008 And 2009

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
Township	\$ 931	\$ 190,335	\$ 191,954	\$ (688)
Township Assistance	2,811	39,865	38,537	4,139
Firefighting	43,496	2,452,714	2,615,871	(119,661)
Capital Projects	650,129	311,002	759,281	201,850
Levy Excess	61	-	-	61
Fire Equipment Debt	37,050	130,198	98,881	68,367
Building or Remodeling	71,849	93,629	154,095	11,383
Cumulative Fire	142,651	47,288	27,385	162,554
Emergency Fire Loan	4,628	242,427	210,850	36,205
Rainy Day	-	66,736	66,736	-
Fiduciary Fund:				
Payroll Withholdings	-	1,327,818	1,324,713	3,105
Totals	<u>\$ 953,606</u>	<u>\$ 4,902,012</u>	<u>\$ 5,488,303</u>	<u>\$ 367,315</u>
	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
Township	\$ (688)	\$ 239,760	\$ 232,636	\$ 6,436
Township Assistance	4,139	50,813	25,029	29,923
Firefighting	(119,661)	3,015,397	2,750,428	145,308
Capital Projects (Fire)	201,850	-	172,036	29,814
Capital Projects (2009)	-	220,000	220,000	-
Levy Excess	61	-	-	61
Fire Equipment Debt	68,367	280,837	272,551	76,653
Building or Remodeling	11,383	234,314	152,895	92,802
Cumulative Fire	162,554	104,489	109,686	157,357
Emergency Fire Loan	36,205	752,347	739,952	48,600
Rainy Day	-	40,276	-	40,276
Fiduciary Fund:				
Payroll Withholdings	3,105	1,426,603	1,429,708	-
Totals	<u>\$ 367,315</u>	<u>\$ 6,364,836</u>	<u>\$ 6,104,921</u>	<u>\$ 627,230</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, 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.

Note 6. Subsequent Event

The Township incurred the following debt. On March 18, 2010, the Township incurred a Temporary Loan Tax Anticipation Warrant for \$808,868 from Regions Bank to be repaid by December 31, 2010.

MADISON TOWNSHIP, MORGAN COUNTY
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 For The Year Ended December 31, 2009

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.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 65,100
Buildings	1,073,400
Machinery and equipment	<u>2,183,774</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 3,322,274</u>

MADISON TOWNSHIP, MORGAN COUNTY
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2009

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	\$ 43,220	\$ 24,297
Notes and loans payable	1,237,471	786,274
Bonds payable:		
General obligation bonds:		
Fire Station	520,000	154,310
Total governmental activities debt	\$ 1,800,691	\$ 964,881

MADISON TOWNSHIP, MORGAN COUNTY
EXAMINATION RESULTS AND COMMENTS

OVERDRAWN FUND BALANCES

The Township Fund and the Firefighting Fund were overdrawn as of December 31, 2008.

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)

PRESCRIBED FORMS

Prescribed Township Form Number 1C was not in use.

A similar comment was included in prior Report B34246.

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)

COMPENSATION AND BENEFITS

The Township Clerk, Rebecca VanSlyke, was overpaid \$769.21 for the year 2008. The Township Clerk has agreed to repay the Township \$769.21 over the remainder of 2010.

The Township Trustee was underpaid \$2,127.75 for the year 2008.

Numerous other employees were paid hourly rates in the payroll records in 2008 and in 2009. The salary resolutions for 2008 and 2009 state those employees were to be paid salary as their rate of compensation.

All firefighting employees were paid yearly clothing allowances in 2008 and 2009. The clothing allowances were not stated on the salary resolution for 2008 or for 2009.

A similar comment was included in prior Report B34246.

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)

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

OLD OUTSTANDING CHECKS

Our review of the bank reconciliements as of December 31, 2009, revealed checks outstanding in excess of two years.

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

A similar comment was included in prior Report B34246.

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."

SUPPORTING DOCUMENTATION

Numerous 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.

A similar comment was included in prior Report B34246.

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
EXAMINATION RESULTS AND COMMENTS
(Continued)

OPTICAL IMAGES OF CHECKS

The financial institution did not return either the actual cancelled checks or optical images of the checks with the monthly bank statements.

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)."

PENALTIES, INTEREST, AND OTHER CHARGES

Finance charges totaling \$34.09 were paid to First Bankcard in 2008 for credit card purchases. Finance charges totaling \$67.94 and late payment charges of \$25.00 were paid to M & I Bank in 2009 for credit card purchases.

A similar comment was included in prior Report B34246.

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)

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

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

EXCESSIVE OR UNREASONABLE COSTS

The Township paid \$39,180.73 in 2008 to private accounting firms and \$33,453.54 in 2009 to private accounting firms for accounting services. The fees were billed at an hourly rate of up to \$140 in 2008 and up to \$150 in 2009.

A similar comment was included in prior Report B34246.

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 accounting services, payroll services, and legal services in 2008 and 2009 without contracts.

An engagement letter signed by the Township Trustee and the accounting firms for 2008 and 2009 was used to describe accounting services that were performed. Payments made to the accounting firms for accounting services included out of pocket costs or reimbursable costs that were not detailed in the invoices.

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)

A similar comment was included in prior Report B34246.

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)

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

The Federal Form 941 Quarterly Reports in total did not reconcile to the Federal Form W-2's for 2009.

Kenneth VanSlyke is the Madison Township Clerk's husband. He is a part-time firefighter for the Township and contracted with the Township for 2009 to do cemetery maintenance. He also is a full-time fire inspector and fire investigator for Wayne Township in Marion County. He was erroneously issued a W-2 for 2009 Madison Township wages, which included his 2009 cemetery contract. The private accounting service is in the process of having taxes adjusted so that the financial records will be corrected.

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,

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

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)

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)

APPROPRIATIONS

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

Fund	Years	Excess Amount Expended
Township Assistance	2008	\$ 0,832
Capital Projects	2008	159,281
Fire Equipment Debt	2009	107,340
Emergency Fire Loan	2009	210,812

A similar comment was included in prior Report B34246.

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."

MADISON TOWNSHIP, MORGAN COUNTY
EXIT CONFERENCE

The contents of this report were discussed on April 22, 2010, with James E. Bolin, Trustee; and Rebecca VanSlyke, Township Clerk. The officials concurred with our findings.