

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

EXAMINATION REPORT

OF

MADISON TOWNSHIP

MORGAN COUNTY, INDIANA

January 1, 2004 to December 31, 2005



FILED
12/27/2007

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OFFICIALS

Office

Official

Term

Trustee

Rodger Birchfield
James E. Bolin

01-01-03 to 12-31-06
01-01-07 to 12-31-10

Chairman of the
Township Board

Virginia Perry
Larry Campbell

01-01-04 to 12-31-06
01-01-07 to 12-31-07



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 schedules of receipts, disbursements, and cash and investment balances of Madison Township (Township), for the period of January 1, 2004, to December 31, 2005. The Township's management is responsible for the schedules. 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 schedule of receipts, disbursements, and cash and investment balances 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 schedules referred to above presents fairly, in all material respects, the cash transactions of the Township for the years ended December 31, 2004 and 2005, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

December 18, 2006

MADISON TOWNSHIP, MORGAN COUNTY
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
As Of And For The Years Ended December 31, 2004 And 2005

	Cash 01-01-04	Receipts	Disbursements	Cash 12-31-04
Governmental Funds:				
Township	\$ 29,483	\$ 165,243	\$ 117,865	\$ 76,861
Dog	1,233	-	908	325
Township Assistance	6,804	4,744	8,394	3,154
Firefighting	108,352	1,294,330	1,246,487	156,195
Capital Project	217,501	-	48,449	169,052
Levy Excess	61	-	-	61
Fire Equipment Debt	34,336	42,196	75,812	720
Building or Remodeling	77,191	146,993	154,975	69,209
Cumulative Fire	48,592	74,656	91,498	31,750
Fiduciary Fund:				
Payroll	(7,419)	80,782	79,222	(5,859)
Totals	<u>\$ 516,134</u>	<u>\$ 1,808,944</u>	<u>\$ 1,823,610</u>	<u>\$ 501,468</u>

	Cash 01-01-05	Receipts	Disbursements	Cash 12-31-05
Governmental Funds:				
Township	\$ 76,861	\$ 122,773	\$ 136,487	\$ 63,147
Dog	325	836	14	1,147
Township Assistance	3,154	22,616	12,388	13,382
Firefighting	156,195	1,582,103	1,603,557	134,741
Capital Projects	169,052	-	145,382	23,670
Levy Excess	61	-	-	61
Fire Equipment Debt	720	106,944	74,127	33,537
Building or Remodeling	69,209	160,886	155,220	74,875
Cumulative Fire	31,750	217,945	225,373	24,322
Fiduciary Fund:				
Payroll	(5,859)	191,997	194,945	(8,807)
Totals	<u>\$ 501,468</u>	<u>\$ 2,406,100</u>	<u>\$ 2,547,493</u>	<u>\$ 360,075</u>

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

MADISON TOWNSHIP, MORGAN COUNTY
NOTES TO SCHEDULES

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 Department of Local Government Finance.

Note 4. Property Taxes

Normally, 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 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 Department of Local Government Finance). Taxes may be paid in two equal installments which may 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 SCHEDULES
(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. Long-Term Debt

The Township has entered into various debts including loans for current operating expenses, capital leases, fire equipment, fire trucks and a fire station. The outstanding principal at December 31, 2005, was \$1,690,183.37.

Note 7. Subsequent Event

The Township closed on an emergency loan for \$549,761 on July 28, 2006.

For the tax period ending December 31, 2003, the Internal Revenue Service charged the Township \$52,810.90 in penalty and interest for failing to provide W-2 and W-3 forms; the unit disputed the charge and allegation. Consequently, the Internal Revenue Service made an adjustment removing the full amount of the penalty. The remaining interest of \$534.51 is in dispute by the unit and has not been paid as of August 16, 2007.

MADISON TOWNSHIP, MORGAN COUNTY
EXAMINATION RESULTS AND COMMENTS

APPROPRIATIONS

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

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
Fire Equipment Debt	2004	\$ <u>1,684</u>

Indiana Code 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."

OLD OUTSTANDING CHECKS (WARRANTS)

Our review of the bank reconcilements as of December 31, 2005, revealed checks outstanding in excess of two years.

Indiana Code 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."

Indiana Code 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."

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

Indiana Code 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."

OVERDRAWN FUND BALANCES

The Payroll Fund was overdrawn in 2004 and 2005.

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)

DISBURSEMENT DOCUMENTATION

Several payments were observed which did not contain adequate supporting documentation such as receipts, and invoices.

Due to the lack of supporting information, the validity and accountability for some monies 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)

MADISON TOWNSHIP, MORGAN COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 7, 2007, with James E. Bolin, Trustee.
The official concurred with our findings.