

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

EXAMINATION REPORT

OF

UNION TOWNSHIP

RANDOLPH COUNTY, INDIANA

January 1, 2006 to December 31, 2007



**FILED**

10/31/2008



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OFFICIALS

Office

Official

Term

Trustee

Ernest N. Lumpkin

01-01-03 to 12-31-10

Chairman of the  
Township Board

James M. Burrows

01-01-06 to 12-31-08



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF UNION TOWNSHIP, RANDOLPH COUNTY, INDIANA

We have examined the financial information presented herein of Union Township (Township), for the period of January 1, 2006 to December 31, 2007. 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, 2006 and 2007, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

September 2, 2008

UNION TOWNSHIP, RANDOLPH COUNTY  
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL GOVERNMENTAL FUND TYPES  
As Of And For The Years Ended December 31, 2006 And 2007

|                     | Cash and<br>Investments<br>01-01-06 | Receipts         | Disbursements    | Cash and<br>Investments<br>12-31-06 |
|---------------------|-------------------------------------|------------------|------------------|-------------------------------------|
| Governmental Funds: |                                     |                  |                  |                                     |
| Township            | \$ 61,178                           | \$ 24,245        | \$ 21,470        | \$ 63,953                           |
| Township Assistance | 97,633                              | 7,150            | 12,901           | 91,882                              |
| Firefighting        | 19,650                              | 12,222           | 11,108           | 20,764                              |
| Cumulative Fire     | 192,668                             | 25,953           | 17,992           | 200,629                             |
| Dog                 | 1,331                               | 932              | 1,031            | 1,232                               |
| Levy Excess         | -                                   | 529              | 529              | -                                   |
| Totals              | <u>\$ 372,460</u>                   | <u>\$ 71,031</u> | <u>\$ 65,031</u> | <u>\$ 378,460</u>                   |

|                     | Cash and<br>Investments<br>01-01-07 | Receipts         | Disbursements    | Cash and<br>Investments<br>12-31-07 |
|---------------------|-------------------------------------|------------------|------------------|-------------------------------------|
| Governmental Funds: |                                     |                  |                  |                                     |
| Township            | \$ 63,953                           | \$ 24,643        | \$ 22,551        | \$ 66,045                           |
| Township Assistance | 91,882                              | 8,402            | 9,508            | 90,776                              |
| Firefighting        | 20,764                              | 11,861           | 11,000           | 21,625                              |
| Cumulative Fire     | 200,629                             | 27,954           | -                | 228,583                             |
| Dog                 | 1,232                               | -                | -                | 1,232                               |
| Rainy Day           | -                                   | 688              | -                | 688                                 |
| Totals              | <u>\$ 378,460</u>                   | <u>\$ 73,548</u> | <u>\$ 43,059</u> | <u>\$ 408,949</u>                   |

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

UNION TOWNSHIP, RANDOLPH 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.

UNION TOWNSHIP, RANDOLPH COUNTY  
EXAMINATION RESULTS AND COMMENTS

COMPENSATION AND BENEFITS

Due to a miscalculation of her monthly net pay, the Township Clerk received \$104.16 more than her established salary for the year 2007. Also, no withholdings were taken from the three Township Board Members' pay for the year 2007, even though the Township remitted \$41.42 of supposed payroll withholdings for each of them. (See Summary, page 10)

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. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 17)

PENALTIES, INTEREST, AND OTHER CHARGES

Penalties and interest totaling \$59.39 were paid to the Internal Revenue Service and the Indiana Department of Revenue for late payment of taxes for the third quarter of 2007. Also, the bank charged the Township \$66 for twice overdrawing its checking account in November of 2006. (See Summary, page 10)

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)

DEPOSIT OF PUBLIC FUNDS

Several tax distributions were not deposited for over a month, including the June 2006 tax distributions of \$22,444.70, which were not deposited until November 13, 2006.

Indiana Code 5-13-6-1(c) states in part: "The public funds collected by township trustees shall be deposited in the designated depository on or before the first and fifteenth day of each month."

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

The Township Trustee Annual Reports contained several errors, including the omission of the Levy Excess Fund, incorrect amounts of investments sold, and amounts corrected on the ledger after the Report was filed.

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)

UNION TOWNSHIP, RANDOLPH COUNTY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

SALES TAX

Sales tax totaling \$24.79 was paid on five purchases.

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)

CONFLICT OF INTEREST DISCLOSURE

Cynthia Dee Lumpkin, Township Clerk, is the spouse of Ernest N. Lumpkin, Township Trustee. She also received \$300 from the Township for mowing a cemetery in 2007. They also own a business, ABC Consulting, to which the Township paid \$560.36 in 2006 and \$95 in 2007. No Uniform Conflict of Interest Disclosure Statements were filed.

Indiana Code 35-44-1-3 states in part:

"(a) A public servant who knowingly or intentionally: (1) has a pecuniary interest in; or (2) derives a profit from; a contract or purchase connected with an action by the governmental entity served by the public servant commits conflict of interest, a Class D felony . . ."

"(c) This section does not prohibit a public servant from having a pecuniary interest in or deriving a profit from a contract or purchase connected with the governmental entity served . . . (3) if the public servant; (A) is an elected public servant . . . and (B) makes a disclosure under subsection (d)(1) through (d)(6)."

"(d) A disclosure required by this section must: (1) be in writing; (2) describe the contract or purchase to be made by the governmental entity; (3) describe the pecuniary interest that the public servant has in the contract or purchase; (4) be affirmed under penalty of perjury; (5) be submitted to the governmental entity and be accepted by the governmental entity in a public meeting of the governmental entity prior to final action on the contract or purchase; (6) be filed within fifteen (15) days after final action on the contract or purchase with: (A) the state board of accounts; and (B) . . . the clerk of the circuit court in the county where the governmental entity takes final action on the contract or purchase . . ."

"(g) A public servant has a pecuniary interest in a contract or purchase if the contract or purchase will result or is intended to result in an ascertainable increase in the income or net worth of: (1) the public servant; or (2) a dependent of the public servant who: (A) is under the direct or indirect administrative control of the public servant; or (B) receives a contract or purchase order that is reviewed, approved, or directly or indirectly administered by the public servant . . ."

"(k) As used in this section, 'dependent' means any of the following: (1) The spouse of a public servant. (2) A child, stepchild, or adoptee (as defined in IC 31-3-4-1) of a public servant who is: (A) unemancipated; and (B) less than eighteen (18) years of age. (3) Any individual more than one-half (2) of whose support is provided during a year by the public servant."

UNION TOWNSHIP, RANDOLPH COUNTY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

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)

We are not aware of any statutory provisions which would allow a trustee to circumvent a township board's authority to "fix the salaries" of a trustee by "contracting with themselves" to provide cemetery care, paying themselves from poor relief, etc. Therefore, the State Board of Accounts is of the audit position that (with the exception provided for assessing) compensation provided by a township board in accordance with IC 36-6-6-10 is all inclusive for duties performed by a trustee. (Township Bulletin and Uniform Compliance Guidelines, Vol. 262, August 2003)

LISTS OF EMPLOYEES

Officials or employees of the Township had money due from the Township, but no lists of such employees were certified to the County Treasurer.

Indiana Code 6-1.1-22-14(a) states in part: "On or before June 1 and December 1 of each year . . . the disbursing officer of each political subdivision . . . shall certify the names and addresses of each person who has money due from the political subdivision to the treasurer of each county in which the political subdivision is located."

APPROPRIATIONS

Disbursements exceeded approved appropriations by \$659.18 in the Township Assistance Fund in 2006.

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."

UNION TOWNSHIP, RANDOLPH COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on September 2, 2008, with Ernest N. Lumpkin, Trustee; and James M. Burrows, Chairman of the Township Board.

UNION TOWNSHIP, RANDOLPH COUNTY  
SUMMARY

|  | <u>Charges</u>              | <u>Credits</u>              | <u>Balance Due</u>          |
|--|-----------------------------|-----------------------------|-----------------------------|
| Ernest N. Lumpkin, Trustee:  |                             |                             |                             |
| Penalties, Interest, and Other Charges, page 6   | \$ 125.39                   | \$                          | \$                          |
| Received from Township Trustee Ernest N.<br>Lumpkin on September 2, 2008                           |                             | 59.39                       |                             |
| Received from Township Trustee Ernest N.<br>Lumpkin on September 2, 2008                           |                             | 66.00                       |                             |
| Compensation and Benefits, page 6  | 228.42                      |                             |                             |
| Received from Township Clerk Cynthia Dee<br>Lumpkin on September 2, 2008                           |                             | 104.16                      |                             |
| Deducted from Township Board members'<br>gross salaries for first half of 2008, three<br>@ \$41.42 |                             | 124.26                      | -                           |
|  | <u>                    </u> | <u>                    </u> | <u>                    </u> |
| Totals   | <u>\$ 353.81</u>            | <u>\$ 353.81</u>            | <u>\$ -</u>                 |