

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

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



FILED

05/17/2010

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Melanie I. Higdon	01-01-07 to 12-31-10
Chairman of the Township Board	Nora Stoner	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

INDEPENDENT ACCOUNTANT'S REPORT

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

We were engaged to examine the financial information presented herein of Bethlehem 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. In addition, bank reconciliations were not presented for examination to support cash and investment balances reported on the Township's 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 upon the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

April 26, 2010

BETHLEHEM 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 Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
Township	\$ 17,113	\$ 6,933	\$ 11,136	\$ 12,910
Dog	134	-	134	-
Township Assistance	9,114	331	250	9,195
Totals	<u>\$ 26,361</u>	<u>\$ 7,264</u>	<u>\$ 11,520</u>	<u>\$ 22,105</u>

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
Township	\$ 12,910	\$ 4,515	\$ 7,017	\$ 10,408
Township Assistance	9,195	230	325	9,100
Rainy Day	-	461	63	398
Totals	<u>\$ 22,105</u>	<u>\$ 5,206</u>	<u>\$ 7,405</u>	<u>\$ 19,906</u>

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
Township	\$ 10,408	\$ 6,979	\$ 9,155	\$ 8,232
Township Assistance	9,100	513	100	9,513
Rainy Day	398	240	-	638
Totals	<u>\$ 19,906</u>	<u>\$ 7,732</u>	<u>\$ 9,255</u>	<u>\$ 18,383</u>

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

BETHLEHEM, 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.

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.

BETHLEHEM TOWNSHIP, CLARK COUNTY
EXAMINATION RESULTS AND COMMENTS

CONDITION OF RECORDS

The following were deficiencies relating to the recordkeeping:

1. Cash and Investment balances were not recorded on the Financial and Appropriation Record (Form 1C) and not all financial transactions were recorded in the Form 1C.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

2. Bank reconciliations of record balances of cash and investments to depository balances were not performed.

IC 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

3. The Annual Report (Township Form 15), which reports the Township's financial activity and cash and investment balances, was not presented for examination for the years 2007, 2008, and 2009.

IC 5-11-1-4 states: "The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be filed electronically, in a manner prescribed by the state examiner that is compatible with the technology employed by the political subdivision."

4. The approved budgets from the Indiana Department of Local Governmental Finance were not presented for examination for the years 2007, 2008, and 2009. Accordingly, we were unable to determine if Township disbursements for the Township Fund and the Township Assistance Fund exceeded budgeted disbursements for the respective years.

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."

Similar comments were reported in prior Reports B26935 and B31413.

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

FINANCIAL REPORT OPINION MODIFICATION

Due to the deficiencies identified in the comments titled "Condition of Records," the State Board of Accounts was unable to provide an unqualified opinion on the Independent Accountant's Report for the financial information.

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)

PAYROLL PROCEDURES

The following deficiencies were found regarding the processing of payroll:

1. We were unable to determine the approved compensation paid to Township officers and employees because the Resolutions Establishing Salaries of Township Officers and Employees (Form 17) were not presented for examination for the years 2007, 2008, and 2009.

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)

2. Employees Earnings Record (Form 99B) was not used to record payments made to Township officers and employees and payroll withholdings. As a result, we were unable to determine if all the proper payments were made to the Internal Revenue Service and the Indiana Department of Revenue Service.

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)

3. Not all Federal forms used to report federal payroll taxes (Internal Revenue Service Form 941 - Employer's Quarterly Federal Tax Return and Internal Revenue Service Form W-3 - Reconciliation of Income Tax Withheld and Transmittal Wage and Tax Statements) were presented for examination.

The Township did not present Internal Revenue Service Form W-2 (Wage and Tax Statement) for examination for all officials and employees. Additionally, no taxes were withheld from the Township Board members' salaries.

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)

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

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)

Similar comments were reported in prior Reports B26935 and B31413.

BOARD MINUTES

Minutes of the meetings of the governing body were not presented for examination.

IC 5-14-1.5-4(b) states:

"As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes taken, by individual members if there is a roll call.
- (5) Any additional information required under IC 5-1.5-2-2.5."

IC 36-6-6-8 states:

"The legislative body shall keep a permanent record of its proceedings in a book furnished by the executive. The secretary of the legislative body shall, under the direction of the legislative body, record the minutes of the proceedings of each meeting in full and shall provide copies of the minutes to each member of the legislative body before the next meeting is convened. After the minutes are approved by the legislative body, the secretary of the legislative body shall place the minutes in the permanent record book. The chairman of the legislative body shall retain the record in his custody."

A similar comment was reported in prior Report B31413.

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

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 reported in prior Report B31413.

BETHLEHEM TOWNSHIP, CLARK COUNTY
EXIT CONFERENCE

The contents of this report were discussed on April 26, 2010, with Melanie I. Higdon, Trustee.