

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

EXAMINATION REPORT
OF
SUGAR CREEK TOWNSHIP
HANCOCK COUNTY, INDIANA
January 1, 2007 to December 31, 2009



FILED
01/03/2011

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Accountant's Report.....	3
Financial Information:	
Schedules of Receipts, Disbursements, and Cash and Investment Balances	4-5
Notes to Financial Information	6-7
Supplementary Information:	
Schedule of Capital Assets.....	8
Schedule of Long-Term Debt	9
Examination Results and Comments:	
Financial Report Opinion Modifications.....	10
Unapproved Software System.....	10
Condition of Records	10-12
Health Insurance Account – Separate Records	12
Bank Account Reconciliations	12-13
Overdrawn Cash Balances.....	13
Official Bond	13-14
Optical Images of Checks.....	14
Old Outstanding Checks.....	14-15
Exit Conference.....	16
Official Response	17-19

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Robert E. Boyer	01-01-07 to 12-31-10
Chairman of the Township Board	Cathy Fitzgerald	01-01-07 to 12-31-07
	John Gunn	01-01-08 to 12-31-08
	Douglas Dugger	01-01-09 to 12-31-09
	John Gunn	01-01-10 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 SUGAR CREEK TOWNSHIP, HANCOCK COUNTY, INDIANA

We have examined the financial information presented herein of Sugar Creek 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. 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.

The Township's management did not report accurate information in the Annual Financial Report filed with the Indiana Board of Accounts for the years examined. The Annual Financial Report is used to compile the financial information. The cash receipts, disbursements, and balances as shown in the Annual Financial Reports and the financial information for the years ended December 31, 2007, 2008, and 2009, do not reconcile to the Township's books and ledgers nor do they reconcile to the corresponding bank statements.

In our opinion, the financial information referred to above does not present fairly, in all material respects, the financial information of the Township for the years ended December 31, 2007, 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

October 12, 2010

SUGAR CREEK TOWNSHIP, HANCOCK 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, 2007, 2008, And 2009

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 32,031	\$ 94,732	\$ 95,597	\$ 31,166
Township Assistance	17,257	32,647	25,634	24,270
Recreation	20,620	41,639	15,907	46,352
Firefighting	(26,701)	3,769,303	3,647,096	95,506
Emergency Ambulance/Medical	107,217	165,182	75,257	197,142
Water Rescue	635	-	-	635
Hazardous Materials	1,275	-	-	1,275
Fire Prevention	7,323	10,666	-	17,989
Community Adult Center	75	-	-	75
Rainy Day	27,900	-	-	27,900
Levy Excess	89,875	-	-	89,875
Buggy License	-	-	50	(50)
Fire Equipment Debt	87,063	155,245	187,925	54,383
Fire Building Debt	160,093	354,647	372,806	141,934
Fire Building Loan	47,543	635,267	681,081	1,729
Park Bond	56,562	87,980	43,789	100,753
Park Non-Reverting Capital	103,865	68,442	135,849	36,458
Cumulative Fire	284,203	209,022	21,125	472,100
Schildmeir Cemetery	1,357	37	-	1,394
Fiduciary Fund:				
Payroll Withholdings	(3,409)	3,410	-	1
Totals	<u>\$ 1,014,784</u>	<u>\$ 5,628,219</u>	<u>\$ 5,302,116</u>	<u>\$ 1,340,887</u>

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 31,166	\$ 103,613	\$ 68,849	\$ 65,930
Township Assistance	24,270	38,175	24,065	38,380
Recreation	46,352	29,247	59,631	15,968
Firefighting	95,505	4,874,244	4,402,048	567,701
Emergency Ambulance/Medical	197,142	173,970	156,359	214,753
Water Rescue	635	-	635	-
Hazardous Materials	1,275	4,572	444	5,403
Fire Prevention	17,989	-	17,989	-
Community Adult Center	75	-	75	-
Rainy Day	27,900	161,279	-	189,179
Levy Excess	89,875	-	-	89,875
Buggy License	(50)	50	-	-
Fire Equipment Debt	54,383	134,414	-	188,797
Fire Building Debt	141,934	128,131	133,500	136,565
Fire Building Loan	1,729	566,424	562,939	5,214
Park Bond	100,753	521,134	409,020	212,867
Park Non-Reverting Capital	36,458	297,825	172,761	161,522
Cumulative Fire	472,100	177,359	227,094	422,365
Schildmeir Cemetery	1,394	-	87	1,307
Fiduciary Fund:				
Payroll Withholdings	-	-	457,647	(457,647)
Totals	<u>\$ 1,340,885</u>	<u>\$ 7,210,437</u>	<u>\$ 6,693,143</u>	<u>\$ 1,858,179</u>

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

SUGAR CREEK TOWNSHIP, HANCOCK 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, 2007, 2008, And 2009
(Continued)

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ 65,930	\$ 103,672	\$ 84,378	\$ 85,224
Township Assistance	38,380	45,504	26,074	57,810
Recreation	15,968	67,045	41,247	41,766
Firefighting	567,701	4,608,728	4,087,168	1,089,261
Emergency Ambulance/Medical	214,753	66,589	114,847	166,495
Hazardous Materials	5,403	1,924	-	7,327
Fire Prevention	-	-	-	-
Community Adult Center	-	-	-	-
Rainy Day	189,179	90,457	-	279,636
Levy Excess	89,875	-	-	89,875
Fire Equipment Debt	188,797	127,037	127,564	188,270
Fire Building Debt	136,565	262,682	267,000	132,247
Fire Building Loan	5,214	209,362	206,759	7,817
Park Bond	212,867	137,959	173,805	177,021
Park Non-Reverting Capital	161,522	7,807	1,077	168,252
Cumulative Fire	422,365	131,033	460,064	93,334
Schildmeir Cemetery	1,307	-	-	1,307
Health Insurance Account	-	2,044	37	2,007
EMS	-	74,067	68,191	5,876
Fiduciary Fund:				
Payroll Withholdings	(457,647)	-	552,623	(1,010,270)
Totals	<u>\$ 1,858,179</u>	<u>\$ 5,935,910</u>	<u>\$ 6,210,834</u>	<u>\$ 1,583,255</u>

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

SUGAR CREEK TOWNSHIP, HANCOCK 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.

SUGAR CREEK TOWNSHIP, HANCOCK COUNTY
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Township contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the Township authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

SUGAR CREEK TOWNSHIP, HANCOCK 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.

General infrastructure assets are included if acquired (purchased, constructed, or donated) after July 1, 1980, or if they received major renovations, restorations, or improvements after that date. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are reported at historical cost.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 2,050,000
Infrastructure	-
Buildings	3,938,265
Improvements other than buildings	350,000
Machinery and equipment	4,079,764
Construction in progress	-
	-
 Total governmental activities, capital assets not being depreciated	 <u>\$ 10,418,029</u>

SUGAR CREEK TOWNSHIP, HANCOCK 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 Station No. 45	\$ 2,265,000	\$ 268,000
Park Land & Site Improvements - 2005	1,730,000	183,958
Bonds payable:		
General obligation bonds:		
Aerial Ladder Truck - 2005	<u>245,000</u>	<u>129,167</u>
Total governmental activities debt	<u>\$ 4,240,000</u>	<u>\$ 581,125</u>

SUGAR CREEK TOWNSHIP, HANCOCK COUNTY
EXAMINATION RESULTS AND COMMENTS

FINANCIAL REPORT OPINION MODIFICATIONS

The Townships' management did not report accurate information in the Annual Financial Reports filed with the Indiana State Board of Accounts for the years examined. The cash, receipts, disbursements, and balances as shown in the Annual Financial Reports and financial information for the years ended December 31, 2007, 2008, and 2009, do not reconcile to the Township's books and ledgers or to the corresponding bank statements. Therefore, the State Board of Accounts was unable to provide an unqualified opinion on the Independent Accountant's Report for the financial statements.

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)

UNAPPROVED SOFTWARE SYSTEM

The Township switched to an unapproved accounting software package on January 1, 2008. The software system used does not provide the required forms or provide for audit trails sufficient to trace all transactions from original source of entry into the system.

IC 5-11-1-21 states:

"All public officers shall adopt and use the books, forms, records, and systems of accounting and reporting adopted by the state board of accounts, when directed so to do by the board, and all forms, books, and records shall be purchased by those officers in the manner provided by law. An officer who refuses to provide such books, forms, or records, fails to use them, or fails to keep the accounts of his office as directed by the board commits a Class C infraction and forfeits his office."

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)

CONDITION OF RECORDS

The following deficiencies relating to the recordkeeping were noted:

- (1) The ledgers provided for the years ended 2008 and 2009 included a Certificate of Deposit (CD) in the amount of \$75,000 held by Ameriana Bank for the Park and Recreation Fund. However, the \$75,000 CD was redeemed and deposited to the Park and Recreation Fund Bank Account on June 10, 2008.
- (2) The 2007 Annual Financial Report (Township Form 15) reported a negative \$103,293.61 cash balance in Part 4 with the description of Payroll Withholdings. No records were presented for examination to match or verify the negative \$103,293.61. Additionally, the Annual Financial Report did not report the Payroll Withholdings Fund in the Part 1, Statement of Receipts, Disbursements, and Cash Balances and Investment Balances.

SUGAR CREEK TOWNSHIP, HANCOCK COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (3) When the new accounting system was started in 2008, the initial balances did not agree with the preceding December 31, 2007, balances. No explanation was presented for the difference.
- (4) Cash and investment reconciliations did not agree with the record balance on December 31, 2008, and December 31, 2009. Also, the record balances on these dates did not agree with the Annual Financial Reports for the same years.
- (5) Some specific errors noted while verifying the record information for the 2008 Annual Financial Report include the following: Township Fund disbursements per records were \$19,391.78 and the Annual Financial Report indicated disbursements were \$24,065.67; and, Fire Equipment Debt Fund receipts per records were \$137,383.96 and the Annual Financial Report indicated receipts were \$134,413.96. These differences in both cases then affect the 2008 ending balances. The 2009 Annual Financial Report initial balances did not agree with the records, because of errors as noted and other differences from the financial records.
- (6) The record's transaction posting (Profit and Loss detailed report) included receipts and disbursements which were not always in agreement with the amounts recorded on the annual report, i.e., local tax distributions, salaries paid.
- (7) The postings made did not always reflect the transactions. The Township received \$350,000 in park grant money in 2008 which was receipted to the Firefighting Fund to repay a "loan" for some prior construction costs. The grant money was not properly recorded in the records of the Park and Recreation Fund and the loan repayment was not properly recorded in the Firefighting Fund. Initially, the information presented was misleading and appeared that the park grant funds were receipted to the wrong fund.
- (8) Receipts (Township General Form 16) were not in use. Postings to detailed ledgers (Profit and Loss) for receipts identify the transaction by the payee's check number rather than a township receipt number. The ledger posts receipts (and disbursements) first by the type of receipt (or expense) rather than tracking the receipt by fund.

A similar comment appeared in the last two reports, most currently Report B32943.

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)

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)

IC 36-1-8-4 states in part:

"(a) The fiscal body of a political subdivision may, by . . . resolution, permit the transfer of a prescribed amount, for a prescribed period, to a fund in need of money for cash flow purposes from another fund of the political subdivision if all these conditions are met:

- (1) It must be necessary to borrow money to enhance the fund that is in need of money for cash flow purposes.

SUGAR CREEK TOWNSHIP, HANCOCK COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (2) There must be sufficient money on deposit to the credit of the other fund that can be temporarily transferred.
- (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.
- (5) Only revenues derived from the levying and collection of property taxes or special taxes or from operation of the political subdivision may be included in the amount transferred.

(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 . . . a resolution that contains the following:
 - (A) A statement that the fiscal body has determined that an emergency exists.
 - (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 . . . resolution to the state board of accounts and the department of local government finance.

HEALTH INSURANCE ACCOUNT - SEPARATE RECORDS

The Township records did not include the records related to the Health Insurance Bank Account. A separate set of records have been maintained, and these transactions were not listed on most of the Township reports. The 2007 and 2008 Annual Financial Reports did not contain the financial information for this Health Insurance Account Fund.

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, then 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)

BANK ACCOUNT RECONCILIATIONS

The Township utilizes an outside vendor to prepare depository reconciliations of the fund balances to the bank account balances. The reconciliations presented for examination at December 31, 2007, 2008, and 2009, did not agree to the ending book balance on the Township's ledger. A similar comment appeared in prior Report B32943.

SUGAR CREEK TOWNSHIP, HANCOCK COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

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, then 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)

OVERDRAWN CASH BALANCES

The cash balances reported on the Annual Financial Reports for the Payroll Withholding Fund was overdrawn at December 31, 2008, and December 31, 2009, in the amounts of \$457,648.08 and \$1,001,268.69, respectively. No receipts were posted to the Payroll Withholding Fund in 2008 or 2009 on the Annual Financial Reports. The record balance at December 31, 2009, was negative \$1,059,122.90.

The cash 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)

OFFICIAL BOND

The official bond coverage was not sufficient. Currently a four year bond is filed with the Hancock County Recorder's Office for the period January 1, 2007 to January 1, 2011. The total amount of the bond is \$75,000.

Until July 1, 2009, IC 5-4-1-18 stated in part:

"(c) The fiscal bodies of the respective units shall fix the amount of the bond . . . township trustees . . . as follows:

- (1) The amount must equal fifteen thousand dollars (\$15,000) for each one million dollars (\$1,000,000) of receipts of the officer's office during the last complete fiscal year before the purchase of the bond, subject to subdivision (2).
- (2) The amount may not be less than fifteen thousand dollars (\$15,000) nor more than three hundred thousand dollars (\$300,000) . . ."

Effective July 1, 2009, IC 5-4-1-18 states in part:

"(c) Except as provided in subsections (h) and (i), the fiscal bodies of the respective units shall fix the amount of the bond of . . . township trustees . . . as follows:

- (1) The amount of annual coverage must equal thirty thousand dollars (\$30,000) for each one million dollars (\$1,000,000) of receipts of the officer's office during the last complete fiscal year before the purchase of the bond, subject to subdivision (2).

SUGAR CREEK TOWNSHIP, HANCOCK COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (2) The amount of annual coverage may not be less than thirty thousand dollars (\$30,000) nor more than three hundred thousand dollars (\$300,000) unless the fiscal body approves a greater amount of annual coverage for the officer or employee . . ."

The State Board of Accounts is of the audit position continuation certificates or renewals should not be used in lieu of obtaining the required annual bond coverage. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

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. A similar comment was in the prior Report B32943.

IC 5-15-6-3 concerning optical imaging of checks states in part:

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

Further, 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)."

OLD OUTSTANDING CHECKS

Our review of the bank reconciliements as of December 31, 2009, revealed checks outstanding in excess of two years. Two checks on the list were written in 2004, three checks were written in 2005, and two checks were written in unknown years prior to 2004.

SUGAR CREEK TOWNSHIP, HANCOCK COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

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:

"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 board of finance of the political subdivision or 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."

SUGAR CREEK TOWNSHIP, HANCOCK COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 12, 2010, with Robert E. Boyer, Trustee. The official response has been made a part of this report and may be found on pages 17 through 19.

**ROBERT E. BOYER
SUGAR CREEK TOWNSHIP
HANCOCK COUNTY**

TRUSTEE

P.O. BOX 417
NEW PALESTINE, IN 46163
PHONE: 317.861.6148
FAX: 317.861.0415

October 28, 2010

OFFICIAL RESPONSE

State Board of Accounts
302 W. Washington Street
Room E418
Indianapolis, IN 46204-2765

Gentlemen;

This is the official response to your draft of the examination results and comments regarding the audit of the years ending December 31, 2007, December 31, 2008 and December 31, 2009 by your office. The response will address each individual item.

UNAPPROVED SOFTWARE SYSTEM

The township uses the most widely used accounting software in the small business world which is the Quickbooks accounting program. Every transaction including all receipts and disbursements are printed at the time of the transaction so that an absolute printed record and audit trail is available for every transaction. The software is inexpensive and provides easy access to historical information to trace any transaction. However the trustee will look into an approved system to determine if it will meet the townships needs.

CONDITION OF RECORDS

1. Agreed, this was an error because this CD and the accounting for it was set up by the prior administration separate from the accounting system.
2. This report was prepared using the approved accounting system that was in place in 2007. The system is a data base system that produced mounds of paper and little useful information. It cannot be determined why the system produced these amounts.
3. The township relied on an outside accountant to initially enter the information into the new system and the accountant cannot determine why there were differences.

4. Bank account reconciliations were provided to the auditors that showed every transaction was balanced with the bank for the years 2008 through 2009 without specific information it is impossible to further respond to this statement.
5. There may have been adjusting entries not recorded that were discovered in the process of completing the annual report.
6. The profit and loss report will show net salaries paid, where the annual report shows gross salaries paid. Those two will never match up for that reason. The profit and loss report also lumps all tax distributions together and will not show the individual fund amounts. Specific detail is however available for each receipt of tax distributions.
7. The township agrees that this error occurred. The township was doing some initial development of park property which was to be funded by a land and water conservation grant and a road to trails grant. Unfortunately these grant funds are only made available upon the completion and inspection of the project(s). The firefighting fund was used to provide the cash for the construction wherein the proper action would have been to formally borrow from the fire fund for the disbursements. Due to the extremely late (very end of the year) distribution of the grant funds an error was made in posting the receipts to the fire fund (from whence the disbursements had been made rather than to the Park and Recreation fund with a subsequent transfer to the Fire Fund.
8. Virtually all receipts are received via check and are deposited with the deposit detail identifying the fund to which the amounts are posted.

Controls **are in place for the receipting, disbursing, recording, and accounting for all the financial transactions of Sugar Creek Township.**

HEALTH INSURANCE ACCOUNT – SEPARATE RECORDS

These records are being consolidated into the township records for 2010.

BANK ACCOUNT RECONCILIATIONS

The 2007 bank account reconciliations were done each month as required by the “approved” accounting system in place in 2007 so they had to balance. In 2008 and 2009 bank reconciliations were prepared for every month **and balanced to the accounts.** In the very on again and off again audit conducted by multiple personnel of the State Board of Accounts no specific detail or request for information was provided to verify this statement.

OVERDRAWN CASH BALANCES

Sugar Creek Township like many other units of government does not utilize a formal payroll fund where payroll withholding and the like are transferred to said fund and held until paid out. The amount in the payroll fund on the annual report should be reported as part of the various funds that have payroll transactions.

OFFICIAL BOND

The bond put in place upon assumption of the office in 2007 was for four years. This will be changed to an annual bond beginning in 2011.

OPTICAL IMAGES OF CHECKS:

The banking institution which serves as a depository of township funds retains an optical image of both the front and back of all checks which are available for audit purposes. Additionally, the online banking feature which the township currently uses allows the trustee to view the front and back of all checks for internal control purposes. I believe that the bank retention of the electronic images of the checks meets the intent of the law.

OLD OUTSTANDING CHECKS

This will be corrected before the end of 2010.

If you have any questions feel free to give me a call at the number shown above.

Sincerely,

A handwritten signature in cursive script, appearing to read "Robert E. Boyer", with a long horizontal flourish extending to the right.

Robert E. Boyer
Sugar Creek Township Trustee