

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

EXAMINATION REPORT

OF

GUTHRIE TOWNSHIP

LAWRENCE COUNTY, INDIANA

January 1, 2005 to December 31, 2006



FILED
12/21/2007

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OFFICIALS

Office

Official

Term

Trustee

Nickie R. Hubbard

03-01-03 to 12-31-10

Chairman of the
Township Board

David Lee

01-01-05 to 12-31-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF GUTHRIE TOWNSHIP, LAWRENCE COUNTY, INDIANA

We have examined the financial information presented herein of Guthrie Township (Township), for the period of January 1, 2005 to December 31, 2006. 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, 2005 and 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Long-Term Debt, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the basic financial information. It has not been subjected to the examination procedures applied to the basic financial information, and accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

October 24, 2007

GUTHRIE TOWNSHIP, LAWRENCE COUNTY
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL FUND TYPES
As Of And For The Years Ended December 31, 2005 And 2006

| | Cash and Investments 01-01-05 | Receipts | Disbursements | Cash and Investments 12-31-05 |
|---------------------|-------------------------------------|------------------|------------------|-------------------------------------|
| Governmental Funds: | | | | |
| Township | \$ 37,752 | \$ 17,034 | \$ 14,574 | \$ 40,212 |
| Dog | 1,251 | 398 | 466 | 1,183 |
| Firefighting | 5,227 | 22,092 | 10,827 | 16,492 |
| Cumulative Fire | 14,851 | 38,194 | 42,996 | 10,049 |
| Township Assistance | <u>8,605</u> | <u>8,308</u> | <u>1,351</u> | <u>15,562</u> |
| Totals | <u>\$ 67,686</u> | <u>\$ 86,026</u> | <u>\$ 70,214</u> | <u>\$ 83,498</u> |

| | Cash and Investments 01-01-06 | Receipts | Disbursements | Cash and Investments 12-31-06 |
|---------------------|-------------------------------------|------------------|------------------|-------------------------------------|
| Governmental Funds: | | | | |
| Township | \$ 40,212 | \$ 9,391 | \$ 14,394 | \$ 35,209 |
| Dog | 1,183 | 682 | 883 | 982 |
| Firefighting | 16,492 | 10,062 | 10,800 | 15,754 |
| Cumulative Fire | 10,049 | 3,816 | 4,403 | 9,462 |
| Township Assistance | <u>15,562</u> | <u>1,613</u> | <u>2,211</u> | <u>14,964</u> |
| Totals | <u>\$ 83,498</u> | <u>\$ 25,564</u> | <u>\$ 32,691</u> | <u>\$ 76,371</u> |

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

GUTHRIE TOWNSHIP, LAWRENCE 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 Events

The Township made a \$2,689 payment on February 2, 2007, on the Buddah Fire Station Loan. This payment paid off the outstanding balance of the loan.

GUTHRIE TOWNSHIP
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT

December 31, 2006

| Description of Debt | Ending Balance | Due Within One Year |
|--------------------------|-------------------|---------------------------|
| Governmental Activities: | | |
| Buddah Fire Station Loan | \$ 2,689 | \$ 2,689 |

GUTHRIE TOWNSHIP, LAWRENCE COUNTY
EXAMINATION RESULTS AND COMMENTS

APPROPRIATION

The records presented for examination indicated the following expenditure in excess of budgeted appropriation:

| <u>Fund</u> | <u>Year</u> | <u>Excess Amount Expended</u> |
|----------------------|-------------|---------------------------------------|
| Cumulative Fire Fund | 2005 | <u>\$ 20,966</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."

CONDITION OF RECORDS

Financial records presented for examination were inaccurate. The individual funds ending balances did not agree with the Totals of All Funds ending balances. As a result, the bank balance did not reconcile with the individual funds balances.

Indiana Code 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)

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)

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

The Township remitted \$1,170.00, during the current examination period, in federal income tax withholdings, \$483.60 in employee Social Security withholdings, \$113.12 in employee Medicare withholdings, and paid \$596.72 in employer Social Security and Medicare matching taxes for 2001, 2002, and the first quarter of 2003. The payroll withholdings and taxes were for obligations that the Internal Revenue Service claimed had not been remitted by the former Trustee, Jeannie Harris. The Township also paid \$1,688.45 in penalties and interest for not remitting the payroll taxes in a timely manner.

Jeannie Harris, former Trustee, presented us with documentation at the exit conference, that she had paid all applicable federal and state taxes when she filed her annual tax returns for the years 2001, 2002, and 2003.

GUTHRIE TOWNSHIP, LAWRENCE COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

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 government unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

PAYROLL DEDUCTIONS

Payments to Township Board members in 2005 and 2006 were made without payroll deductions for Social Security and Medicare taxes.

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Any penalties, interest, or other charges paid by the government unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

OFFICIAL BOND

The official bond for the Trustee during the examination period was for \$8,500. The current official bond for the Trustee has been increased to the \$15,000 minimum requirement.

The trustee shall file an individual official surety bond. The township board shall fix the amount of the bond as follows: (a) The amount should 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. (b) The amount may not be less than fifteen thousand dollars (\$15,000) nor more than three hundred thousand dollars (\$300,000). (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

GUTHRIE TOWNSHIP, LAWRENCE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 3, 2007, with Nickie R. Hubbard, Trustee.

The applicable portions of this report were also discussed on October 24, 2007, with Jeannie Harris, former Trustee.