

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

EXAMINATION REPORT
OF
PAW PAW TOWNSHIP
WABASH COUNTY, INDIANA
January 1, 2006 to December 31, 2007



FILED
01/14/2009

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
Notes to Financial Information	5
Examination Results and Comments:	
Prescribed Forms	6
Condition of Records	6
Timely Recordkeeping.....	6
Bank Account Reconciliations	6-7
Condition of Payroll Records	7
Supporting Documentation – Township Assistance	7
Exit Conference.....	8

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Kraig A. Ahlfeld	01-01-03 to 12-31-10
Chairman of the Township Board	Jim Krom	01-01-06 to 12-31-06
	Donald Richardson	01-01-07 to 12-31-07
	Jim Krom	01-01-08 to 12-31-08



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 PAW PAW TOWNSHIP, WABASH COUNTY, INDIANA

We have examined the financial information presented herein of Paw Paw 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

November 18, 2008

PAW PAW TOWNSHIP, WABASH 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 Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
Township	\$ 75,766	\$ 40,894	\$ 21,610	\$ 95,050
Dog	583	231	450	364
Township Assistance	17,534	707	862	17,379
Firefighting	84,463	33,091	33,800	83,754
Park and Recreation	3,399	3,400	2,700	4,099
Roann Community Cemetery	107,885	5,717	7,550	106,052
Cumulative Fire	48,059	14,532	11,000	51,591
Levy Excess	798	-	798	-
Totals	<u>\$ 338,487</u>	<u>\$ 98,572</u>	<u>\$ 78,770</u>	<u>\$ 358,289</u>

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
Township	\$ 95,050	\$ 41,016	\$ 24,112	\$ 111,954
Dog	364	-	364	-
Township Assistance	17,379	297	719	16,957
Firefighting	83,754	33,269	55,378	61,645
Park and Recreation	4,099	4,721	2,715	6,105
Roann Community Cemetery	106,052	9,097	5,925	109,224
Cumulative Fire	51,591	13,686	25,062	40,215
Levy Excess	-	311	-	311
Totals	<u>\$ 358,289</u>	<u>\$ 102,397</u>	<u>\$ 114,275</u>	<u>\$ 346,411</u>

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

PAW PAW TOWNSHIP, WABASH 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.

PAW PAW TOWNSHIP, WABASH COUNTY
EXAMINATION RESULTS AND COMMENTS

PRESCRIBED FORMS

The Register of Investments, General Form 350, was not in use. Computerized "Monthly Bank Balance Summary" reports were presented as a substitute for the prescribed form. The monthly reports contained incorrect totals of investment purchases and incorrect certificate of deposit identification numbers.

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 2006 "Fund Balance Summary" report presented for examination was not reflective of the activity of the Firefighting Fund and the Roann Community Cemetery Fund. Investment transactions were not properly posted which resulted in incorrect fund balances.

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)

TIMELY RECORDKEEPING

A County Adjusted Gross Income Tax distribution check dated May 3, 2007, was not receipted or deposited until June 27, 2007.

All documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1 et seq., commonly referred to as the Public Records Law. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

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 . . ."

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were incorrect. Outstanding check lists provided for examination showed a "reconciling adjustment" at the end of 2006 and 2007. The outstanding check list at December 31, 2007, included a check that was actually a book transfer.

PAW PAW TOWNSHIP, WABASH COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

Indiana Code 5-13-6-1(e) states in part:

"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)

CONDITION OF PAYROLL RECORDS

There were a considerable number of payroll posting errors. The errors included salaries paid from the payroll withholding accounts and employee's share of payroll taxes paid from the General Fund.

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)

SUPPORTING DOCUMENTATION - TOWNSHIP ASSISTANCE

20% of Township assistance payments did not contain adequate supporting documentation, such as applicant's receipts or invoices. Township Assistance Purchase Order, Form TA-2, was not prepared for any of the assistance payments. Due to the lack of supporting information, the validity and accountability for some money 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)

PAW PAW TOWNSHIP, WABASH COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 18, 2008, with Kraig A. Ahlfeld, Trustee.
The official concurred with our findings.