

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

EXAMINATION REPORT
OF
BAUGO TOWNSHIP
ELKHART COUNTY, INDIANA
January 1, 2008 to December 31, 2009



FILED
05/06/2010

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Katherine A. Weaver	01-01-07 to 12-31-10
Chairman of the Township Board	Elnora Jane Ferro Leonard L. Paff	01-01-08 to 12-31-08 01-01-09 to 12-31-10



STATE OF INDIANA
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF BAUGO TOWNSHIP, ELKHART COUNTY, INDIANA

We have examined the financial information presented herein of Baugo Township (Township), for the period of January 1, 2008 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.

Financial information presented for examination was incomplete and not reflective of the activity of the Township's funds. The records presented did not provide sufficient information to report the activity of the Township funds for 2009 and to examine receipts and disbursements or the accuracy or correctness of transactions for 2009. Bank reconciliations were incomplete for 2008 and were not provided for 2009.

Because of 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 whether the financial information referred to above presents fairly, in all material respects, the cash transactions and cash balances of the Township for the years ended December 31, 2008 and 2009, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

April 7, 2010

BAUGO TOWNSHIP, ELKHART 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, 2008 And 2009

	Cash and Investments <u>01-01-08</u>	Receipts <u> </u>	Disbursements <u> </u>	Cash and Investments <u>12-31-08</u>
Governmental Funds:				
Township	\$ 60,080	\$ 85,354	\$ 79,648	\$ 65,786
Township Assistance	75,139	33,944	82,024	27,059
Firefighting	320	756,144	808,905	(52,441)
Park and Recreation	5,249	4,539	4,000	5,788
Rainy Day	1,355	15,215	11,816	4,754
Levy Excess	8,078	-	8,078	-
Fire Debt	-	345,790	345,790	-
Cumulative Fire	452,252	427,238	299,744	579,746
Fiduciary Fund:				
Payroll Withholdings	<u>897</u>	<u>4,502</u>	<u>7,068</u>	<u>(1,669)</u>
Totals	<u>\$ 603,370</u>	<u>\$ 1,672,726</u>	<u>\$ 1,647,073</u>	<u>\$ 629,023</u>
				Balance at <u>12-31-09</u>
Balance in depositories				<u>\$ 1,406,204</u>

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

BAUGO TOWNSHIP, ELKHART 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.

BAUGO TOWNSHIP, ELKHART COUNTY
EXAMINATION RESULTS AND COMMENTS

CONDITION OF RECORDS

Financial records presented for examination were incomplete and not reflective of the activity of the Township Funds. Not all financial records for 2009 were presented for examination. There was no Annual Report for 2009 (Township Form 15). There were no ledgers for 2009 presented for examination. There were no monthly reconcilements for 2009 presented for examination and the monthly reconcilements for 2008 were incomplete.

The receipts, disbursements, ending balances, or the accuracy or correctness of the transactions for 2009 could not be determined. The Trustee is currently working on needed corrections to the financial transactions for 2009 so that the Annual Report can be prepared and filed.

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)

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."

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 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."

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)

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)

BAUGO TOWNSHIP, ELKHART COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

CAPITAL ASSET RECORDS

Information presented for examination did include an inventory of capital assets. However, most items on the inventory had no assigned cost and the inventory sheets were not always dated.

Every governmental unit should have a complete inventory of all fixed assets owned which reflects their acquisition value. Such inventory should be recorded on the applicable Capital Asset Ledger. A complete inventory should be taken at least every two years for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

APPROPRIATIONS

The records presented for examination indicated the following expenditures in excess of budgeted appropriations:

<u>Fund</u>	<u>Years</u>	<u>Excess Amount Expended</u>
Township Assistance	2008	\$ 17,524
Firefighting	2008	134,705

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."

OVERDRAWN CASH BALANCES

The cash balances of the Firefighting Fund and Payroll Withholdings Fund were overdrawn at December 31, 2008.

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)

BAUGO TOWNSHIP, ELKHART COUNTY
EXIT CONFERENCE

The contents of this report were discussed on April 7, 2010, with Katherine A. Weaver, Trustee. The official response has been made a part of this report and may be found on pages 9 and 10.

BAUGO TOWNSHIP

57955 County Road 3 - Elkhart IN 46517 (574) 293-5873

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TRUSTEE:

KATHERINE WEAVER

BOARD MEMBERS:

LEN PAFF
WENDELL NORWOOD
GARY COOK

INDIANA STATE BOARD OF ACCOUNTS

Township Division

302 W. Washington - Room E-148

Indianapolis IN 46204-2765

4/23/10

To Whom It Concerns:

On 4-15-10 I submitted a letter responding to comments on our Audit Exit summary. I received a call from our local auditor to rewrite a response, and address only the issues on the report.

CONDITION OF RECORDS:

Our accounting program is thru Data Systems. We had difficulty closing 2008 in balance, and our support person from DS finished our 08 Annual Report. After a lightning strike damaged one computer, which we had to replace, we began having further difficulties with 2009 entries, and could not balance. After working with the program for several weeks, the Data System representative backed out all of 2009, and we had to begin the accounting year back to January 1. We continue to work on inputting information, and hope to have the year end reports ready soon.

CAPITAL ASSET RECORDS

I have requested that our Fire Dept update their inventory list with proper documentation..

APPROPRIATIONS:

We did overspend Township Assistance, due to factory closings, and lay offs of over 7,000 persons in Elkhart County in short period of time. We tripled our client load from 2007, I failed to have my Board act on securing a resolution to address this situation.

Continued

BAUGO TOWNSHIP TRUSTEE

- Page 2 -

APPROPRIATION AND OVERDRAWN BALANCE - FIRE FUND:

During 2008, the Township took over running the Baugo Volunteer Fire Department, in order to take control of spending. We previously operated on a contract basis. An accounting firm came in to help organize their financial records on a monthly basis. The Township added the Fire Fund to our accounting program in January 2009. Data Systems helped me enter information at the end of 2008 so that we could begin with account balances in 2009.

During the year, there were several temporary loans from the Cum Fire Fund to the Fire Department since we did not receive tax payments in a timely manner from Elkhart County. The deficit at year end 2008 represents a \$50,000 temporary loan which remained unpaid to Cum Dec 30th,

I hope this sufficiently answers your questions. You may contact me as listed below.

Sincerely,



Katherine Weaver, Trustee

enclosures

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