

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

OLIVE TOWNSHIP

ST. JOSEPH COUNTY, INDIANA

January 1, 2010 to December 31, 2010



FILED

10/18/2011

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Accountant's Report.....	3
Financial Statement:	
Statement of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis	6
Notes to Financial Statement.....	7-10
Supplementary Information:	
Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis	12
Examination Results and Comments:	
Capital Asset Records	13
Condition of Records - All Funds and Individual Funds	13
Bank Account Reconciliations	13
Financial Report Opinion Modifications.....	14
Appropriations.....	14
Condition of Records - Appropriations	14-15
Donations.....	15
Annual Report.....	15
List of Employees Not Filed with County Treasurer	15
Exit Conference.....	16

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	John J. Michalski	01-01-07 to 12-31-14
Chairman of the Township Board	Myles L. Hooten James C. Rodgers	01-01-10 to 12-31-10 01-01-11 to 12-31-11



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 OLIVE TOWNSHIP, ST. JOSEPH COUNTY, INDIANA

We were engaged to examine the financial statement of Olive Township (Township), for the period of January 1, 2010 to December 31, 2010. The Township's management is responsible for the financial statement.

As discussed in Note 1, the Township prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis noted above is a different basis than that used in the prior year.

The Township did not properly maintain accounting records. The Township's records do not permit the application of other examination procedures to ascertain if the financial statement is fairly stated.

Since the Township did not properly maintain accounting records and we were not able to apply other examination procedures to satisfy ourselves as to whether the financial statement is fairly stated, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statement.

The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis as listed in the Table of Contents, is presented for additional analysis and is not a required part of the financial statement. It has not been subjected to the examination procedures applied to the financial statement and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Township's management and the Township Board, and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

September 7, 2011

(This page intentionally left blank.)

FINANCIAL STATEMENT

The financial statement and accompanying notes were approved by management of the Township. The financial statement and notes are presented as intended by the Township.

OLIVE TOWNSHIP, ST. JOSEPH COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2010

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
Township	\$ 242,715	\$ 61,338	\$ 73,984	\$ 230,069
Township Assistance	90,900	100,852	68,927	122,825
Fire Fighting	(19,211)	183,335	100,220	63,904
Cumulative Fire	189,927	56,809	62,099	184,637
Park And Recreation	19,588	6,957	5,529	21,016
Levy Excess	-	704	-	704
EMS	53,613	89,330	70,108	72,835
Fire Equipment	10,000	-	-	10,000
Totals	<u>\$ 587,532</u>	<u>\$ 499,325</u>	<u>\$ 380,867</u>	<u>\$ 705,990</u>

The notes to the financial statement are an integral part of this statement.

OLIVE TOWNSHIP, ST. JOSEPH COUNTY
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The Township was established under the laws of the State of Indiana. The Township operates under a township trustee/township board form of government and provides some or all of the following services: public safety (fire), health and social services (township assistance), culture and recreation (parks and/or community centers), and general administrative services (weed and dog control).

The accompanying financial statement presents the financial information for the Township (primary government), and does not include financial information for any of the Township's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of the Township (primary government).

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

C. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

D. Receipts

Receipts are presented in the aggregate on the face of the financial statements. The aggregate receipts may include, but are not limited to, the following sources:

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the Township.

Licenses and permits which include amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

OLIVE TOWNSHIP, ST. JOSEPH COUNTY
NOTES TO FINANCIAL STATEMENT
(Continued)

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state, local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits which include receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statements. The aggregate disbursements may include, but are not limited to, the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies, which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service principal and interest which include fixed obligations resulting from financial transactions previously entered into by the Township. It includes all expenditures for the reduction of the principal and interest of the Township's general obligation indebtedness.

OLIVE TOWNSHIP, ST. JOSEPH COUNTY
NOTES TO FINANCIAL STATEMENT
(Continued)

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

F. Interfund Transfers

The Township may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the Township. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the Township. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the Township in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the Township submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the Township in June and December; however, situations can arise which would delay the distributions. 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 percent 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 normally become delinquent if not paid by May 10 and November 10, respectively.

OLIVE TOWNSHIP, ST. JOSEPH COUNTY
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 4. *Deposits and Investments*

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be 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 statutes authorize 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 5. *Risk Management*

The Township may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the Township to set aside money for claim settlements. The self-insurance fund would be included in the financial statements. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the Township by recording as a disbursement and replacement items purchased.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Township's Annual Report can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Annual Report of the Township which is referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the examination. This is a common occurrence in any financial statement examination. The financial information presented in this report is examined information, and the accuracy of such information can be determined by reading the opinion given in the Independent Accountant's Report.

The supplementary information presented was prepared and/or approved by management of the Township. It is presented as intended by the Township.

OLIVE TOWNSHIP, ST. JOSEPH COUNTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010

	Township	Township Assistance	Fire Fighting	Cumulative Fire	Park And Recreation	Levy Excess	EMS	Fire Equipment	Totals
Cash and investments - beginning	\$ 242,715	\$ 90,900	\$ (19,211)	\$ 189,927	\$ 19,588	\$ -	\$ 53,613	\$ 10,000	\$ 587,532
Receipts:									
Taxes	61,323	100,339	183,335	56,809	6,957	704	89,330	-	498,797
Other receipts	15	513	-	-	-	-	-	-	528
Total receipts	<u>61,338</u>	<u>100,852</u>	<u>183,335</u>	<u>56,809</u>	<u>6,957</u>	<u>704</u>	<u>89,330</u>	<u>-</u>	<u>499,325</u>
Disbursements:									
Personal services	26,929	-	27,705	-	-	-	4,600	-	59,234
Supplies	6,553	-	-	-	-	-	-	-	6,553
Other services and charges	40,502	-	72,515	-	5,529	-	65,508	-	184,054
Capital outlay	-	-	-	62,099	-	-	-	-	62,099
Other disbursements	-	68,927	-	-	-	-	-	-	68,927
Total disbursements	<u>73,984</u>	<u>68,927</u>	<u>100,220</u>	<u>62,099</u>	<u>5,529</u>	<u>-</u>	<u>70,108</u>	<u>-</u>	<u>380,867</u>
Excess (deficiency) of receipts over disbursements	<u>(12,646)</u>	<u>31,925</u>	<u>83,115</u>	<u>(5,290)</u>	<u>1,428</u>	<u>704</u>	<u>19,222</u>	<u>-</u>	<u>118,458</u>
Cash and investments - ending	<u>\$ 230,069</u>	<u>\$ 122,825</u>	<u>\$ 63,904</u>	<u>\$ 184,637</u>	<u>\$ 21,016</u>	<u>\$ 704</u>	<u>\$ 72,835</u>	<u>\$ 10,000</u>	<u>\$ 705,990</u>

OLIVE TOWNSHIP, ST. JOSEPH COUNTY
EXAMINATION RESULTS AND COMMENTS

CAPITAL ASSET RECORDS

Information presented for examination did not indicate an inventory or record of capital assets. A similar comment was included in the prior Report B36505.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded on the applicable Capital Assets 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)

CONDITION OF RECORDS - ALL FUNDS AND INDIVIDUAL FUNDS

The all funds column of the financial and appropriation record (ledger), was not in balance with totals of the individual funds. The balance in the all funds column was \$12,807.20 less than the individual funds at January 1, 2009. At the end of 2009, the difference was \$24,487.00, an increase of \$11,679.80. We found two errors totaling \$10,370.96, leaving an unidentified difference of \$1,308.84 for 2009. For 2010, the difference between the all funds column and the total of the individual funds decreased from \$24,487.00 to \$17,051.71, a difference of \$7,435.29. Of this difference, \$7,550.41 was due to the Rainy Day Fund being eliminated from the ledger with no transfer being posted, and \$115.12 was not identified. Errors were caused because the ledger was not properly footed, and individual funds were not reconciled to all funds.

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)

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were not completed properly. At December 31, 2010, the net balance in the depository was \$406,958.53; the balance in the all funds column of the ledger was \$408,684.57, leaving cash necessary to balance of \$1,726.04. Outstanding checks and footings in the reconcilements were not always accurate. Out of twelve months in 2010, the reconcilement difference only remained constant two times. A similar comment was noted in the prior examination report B36505.

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."

OLIVE TOWNSHIP, ST. JOSEPH COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

FINANCIAL REPORT OPINION MODIFICATIONS

As noted above in the "Condition of Records - All Funds and Individual Funds" comment, the all funds column of the ledger did not agree with the individual funds. A review of the ledger revealed that the Annual Report for 2010 was prepared from the individual funds, which contained errors and were not always properly posted. Therefore, the State Board of Accounts was unable to provide an unqualified opinion on the Statement of Receipts, Disbursements and Cash and Investment Balances-Regulatory Basis, for the period of January 1, 2010 to December 31, 2010.

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)

APPROPRIATIONS

The records presented for examination indicated the expenditures for the EMS Fund were in excess of the state approved budgeted appropriations by \$23,518 for the year 2010.

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 - APPROPRIATIONS

The appropriation (budget) section of the financial and appropriation ledger was not posted.

Show the date of payment, voucher number, name of payee, nature or purpose of disbursement, and the amount in Columns A-2, Total All Funds, and the appropriate fund or funds to which the disbursements belong in B-2, C-2, etc. Distribution of the amounts disbursed should be made at the same time by charging the appropriation account or accounts (the number columns in each fund). The total postings to the numbered columns in each fund will equal the postings to B-2, C-2, etc., and the total of these columns will equal A-2. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

After the funds have been proved to the control account, prove the various appropriation expenditures of each fund to total disbursements for each fund. As a check, the total of all appropriation (numbered) accounts must equal the total of Column A-2, plus the balance of Column M-7. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 3)

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)

OLIVE TOWNSHIP, ST. JOSEPH COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

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)

DONATIONS

The Township donated \$2,250 to the Girl Scouts, \$2,000 to the Olive Township 4-H Club, \$200 to the Olive Township Livestock Boosters, and \$100 to the Leukemia and Lymphoma Society in 2010. A similar comment was noted in the prior Report B36505.

Governmental funds should not be donated or given to other organizations, individuals, or governmental units unless specifically authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

ANNUAL REPORT

None of the fund balances reported in the annual financial report for 2010 was in agreement with the balances in the financial and appropriation record. A similar comment was made in the two prior Reports, B31527 and B 36505.

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)

LIST OF EMPLOYEES NOT FILED WITH COUNTY TREASURER

Officials or employees of the Township had money due from the Township, but a list of such employees was not certified to the County Treasurer. A similar comment was noted in the prior Report B36505.

Indiana Code 6-1.1-22-14(a) states in part:

"On or before June 1 and December 1 of each year . . . the disbursing officer of each political subdivision and the township executive shall certify the name and address of each person who has money due the person from the political subdivision to the treasurer of each county in which the political subdivision is located."

OLIVE TOWNSHIP, ST. JOSEPH COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 7, 2011, with John J. Michalski, Trustee; and James C. Rodgers, Chairman of the Township Board. The officials concurred with our findings.