

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

NEWCASTLE TOWNSHIP

FULTON COUNTY, INDIANA

January 1, 2010 to December 31, 2011



FILED
10/23/2012

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Accountant's Report.....	3
Financial Statements:	
Statements of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis	6-7
Notes to Financial Statements	8-10
Supplementary Information:	
Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis	12-13
Examination Results and Comments:	
Appropriations.....	14
Supporting Documentation	14
Federal and State Agencies – Compliance Requirements	14
Condition of Records	15
Bank Account Reconciliations	15
Interest on Investments	15
Annual Report.....	15
Exit Conference.....	16

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Linda L. Erp	01-01-07 to 12-31-14
Chairman of the Township Board	Virgil Biddinger	01-01-10 to 12-31-10
	Sandy Gunnels	01-01-11 to 12-31-11
	Teri Adamson	01-01-12 to 12-31-12



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF NEWCASTLE TOWNSHIP, FULTON COUNTY, INDIANA

We have examined the accompanying financial statements of Newcastle Township (Township), for the years ended December 31, 2010 and 2011. The financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on the financial statements 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 statements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Township for the years ended December 31, 2010 and 2011, on the basis of accounting described in Note 1.

Our examination was conducted for the purpose of forming an opinion on the Township's financial statements. The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statements. They have not been subjected to the examination procedures applied to the financial statements and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Township's management, Township Board, and others within the entity 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 13, 2012

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FINANCIAL STATEMENTS

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

NEWCASTLE TOWNSHIP, FULTON COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2010

Fund	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
Township	\$ 30,694	\$ 21,530	\$ 17,469	\$ 34,755
Township Assistance	6,631	3,427	4,156	5,902
Fire Fighting	33,007	28,986	25,186	36,807
Cumulative Fire	50,663	7,521	18,799	39,385
Fire Debt	5,240	7,691	7,647	5,284
Levy Excess	103	149	103	149
Rainy Day	2,267	-	-	2,267
Community Building	9,178	3,523	4,608	8,093
Community Host	20,884	-	2,672	18,212
Totals	<u>\$ 158,667</u>	<u>\$ 72,827</u>	<u>\$ 80,640</u>	<u>\$ 150,854</u>

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

NEWCASTLE TOWNSHIP, FULTON COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2011

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
Township	\$ 34,755	\$ 15,063	\$ 18,305	\$ 31,513
Township Assistance	5,902	3,870	4,109	5,663
Fire Fighting	36,807	21,256	32,228	25,835
Rainy Day	2,267	-	-	2,267
Levy Excess	149	-	149	-
Cumulative Fire	39,385	7,363	6,251	40,497
Community Building	8,093	4,084	4,946	7,231
Community Host	18,212	-	1,691	16,521
Fire Debt	5,284	3,934	7,661	1,557
Totals	<u>\$ 150,854</u>	<u>\$ 55,570</u>	<u>\$ 75,340</u>	<u>\$ 131,084</u>

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

NEWCASTLE TOWNSHIP, FULTON COUNTY
NOTES TO FINANCIAL STATEMENTS

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 statements present the financial information for the Township.

B. Basis of Accounting

The financial statements are 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 include 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.

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.

NEWCASTLE TOWNSHIP, FULTON COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 include 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.

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.

NEWCASTLE TOWNSHIP, FULTON COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Township's 2010 Annual Report can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

For additional financial information, the Township's 2011 Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statements contained in this report and the financial information presented in the Annual Reports of the Township which are 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 approved by management of the Township. It is presented as intended by the Township.

NEWCASTLE TOWNSHIP, FULTON 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	Fire Debt	Levy Excess	Rainy Day	Community Building	Community Host	Totals
Cash and investments - beginning	\$ 30,694	\$ 6,631	\$ 33,007	\$ 50,663	\$ 5,240	\$ 103	\$ 2,267	\$ 9,178	\$ 20,884	\$ 158,667
Receipts:										
Taxes	20,164	3,367	28,986	7,521	7,691	149	-	2,264	-	70,142
Other receipts	1,366	60	-	-	-	-	-	1,259	-	2,685
Total receipts	<u>21,530</u>	<u>3,427</u>	<u>28,986</u>	<u>7,521</u>	<u>7,691</u>	<u>149</u>	<u>-</u>	<u>3,523</u>	<u>-</u>	<u>72,827</u>
Disbursements:										
Personal services	6,023	-	-	-	-	-	-	520	-	6,543
Supplies	887	-	-	-	-	-	-	201	360	1,448
Other services and charges	10,559	1,070	25,186	-	7,647	-	-	3,887	2,312	50,661
Capital outlay	-	-	-	18,799	-	-	-	-	-	18,799
Other disbursements	-	3,086	-	-	-	103	-	-	-	3,189
Total disbursements	<u>17,469</u>	<u>4,156</u>	<u>25,186</u>	<u>18,799</u>	<u>7,647</u>	<u>103</u>	<u>-</u>	<u>4,608</u>	<u>2,672</u>	<u>80,640</u>
Excess (deficiency) of receipts over disbursements	<u>4,061</u>	<u>(729)</u>	<u>3,800</u>	<u>(11,278)</u>	<u>44</u>	<u>46</u>	<u>-</u>	<u>(1,085)</u>	<u>(2,672)</u>	<u>(7,813)</u>
Cash and investments - ending	<u>\$ 34,755</u>	<u>\$ 5,902</u>	<u>\$ 36,807</u>	<u>\$ 39,385</u>	<u>\$ 5,284</u>	<u>\$ 149</u>	<u>\$ 2,267</u>	<u>\$ 8,093</u>	<u>\$ 18,212</u>	<u>\$ 150,854</u>

NEWCASTLE TOWNSHIP, FULTON COUNTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011

	Township	Township Assistance	Fire Fighting	Rainy Day	Levy Excess	Cumulative Fire	Community Building	Community Host	Fire Debt	Totals
Cash and investments - beginning	\$ 34,755	\$ 5,902	\$ 36,807	\$ 2,267	\$ 149	\$ 39,385	\$ 8,093	\$ 18,212	\$ 5,284	\$ 150,854
Receipts:										
Taxes	7,316	3,798	16,084	-	-	7,316	2,178	-	3,909	40,601
Intergovernmental	7,516	72	5,172	-	-	47	41	-	25	12,873
Other receipts	231	-	-	-	-	-	1,865	-	-	2,096
Total receipts	<u>15,063</u>	<u>3,870</u>	<u>21,256</u>	<u>-</u>	<u>-</u>	<u>7,363</u>	<u>4,084</u>	<u>-</u>	<u>3,934</u>	<u>55,570</u>
Disbursements:										
Personal services	6,372	-	-	-	-	-	-	-	-	6,372
Supplies	662	-	-	-	-	-	-	-	-	662
Other services and charges	11,271	4,109	32,228	-	149	-	4,946	1,691	-	54,394
Debt service - principal and interest	-	-	-	-	-	-	-	-	7,661	7,661
Capital outlay	-	-	-	-	-	6,251	-	-	-	6,251
Other disbursements	-	-	-	-	-	-	-	-	-	-
Total disbursements	<u>18,305</u>	<u>4,109</u>	<u>32,228</u>	<u>-</u>	<u>149</u>	<u>6,251</u>	<u>4,946</u>	<u>1,691</u>	<u>7,661</u>	<u>75,340</u>
Excess (deficiency) of receipts over disbursements	<u>(3,242)</u>	<u>(239)</u>	<u>(10,972)</u>	<u>-</u>	<u>(149)</u>	<u>1,112</u>	<u>(862)</u>	<u>(1,691)</u>	<u>(3,727)</u>	<u>(19,770)</u>
Cash and investments - ending	<u>\$ 31,513</u>	<u>\$ 5,663</u>	<u>\$ 25,835</u>	<u>\$ 2,267</u>	<u>\$ -</u>	<u>\$ 40,497</u>	<u>\$ 7,231</u>	<u>\$ 16,521</u>	<u>\$ 1,557</u>	<u>\$ 131,084</u>

NEWCASTLE TOWNSHIP, FULTON COUNTY
EXAMINATION RESULTS AND COMMENTS

APPROPRIATIONS

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

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
Cumulative Fire	2011	<u>\$ 1,251</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."

SUPPORTING DOCUMENTATION

Several payments were observed which did not contain adequate supporting documentation, such as receipts, invoices, and other public records. Due to the lack of supporting information, the validity and accountability for some money disbursed could not be established. A similar comment was noted in prior Reports B31862 and B36006.

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)

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

The Township did not issue 1099's for the office rent paid to the trustee/clerk or for mowing services at the cemeteries and community building in 2010 or 2011.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

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)

NEWCASTLE TOWNSHIP, FULTON COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

CONDITION OF RECORDS

There were a considerable number of posting errors made to the township records during the examination period. These errors included deposits not receipted, checks and receipts not recorded in the proper amounts, interest not posted, and nonsufficient funds checks incorrectly posted.

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)

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were not presented for examination. A similar comment was in prior Report B36006.

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."

INTEREST ON INVESTMENTS

Interest earned on investments was automatically added to the principal and not recorded in the records. A similar comment was noted in prior Reports B31862 and B36006.

Interest on investments should not be automatically added into the investment. Instead, interest on investments should be paid to the governmental unit at each maturity date and posted to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

ANNUAL REPORT

The Township annual report prepared by the Trustee was not an accurate reflection of the financial activity of the Township for 2010 or 2011. The report submitted contained errors in the beginning balances and receipts reported for the years 2010 and 2011. Additionally, the ending balances reflected in the report did not reconcile with the depository balances in either of the years presented.

Indiana Code 5-11-1-4(a) states: "The state examiner shall require 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."

NEWCASTLE TOWNSHIP, FULTON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 13, 2012, with Linda L. Erp, Trustee. The official concurred with our findings.