

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

ADAMS TOWNSHIP

ALLEN COUNTY, INDIANA

January 1, 2010 to December 31, 2011



**FILED**  
10/29/2012



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Brian Yoh	01-01-07 to 12-31-14
Chairman of the Township Board	Herbert Baatz	01-01-10 to 12-31-10
	George Berghoff	01-01-11 to 12-31-11
	Herbert Baatz	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 ADAMS TOWNSHIP, ALLEN COUNTY, INDIANA

We have examined the accompanying financial statements of Adams 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 and Schedule of Capital Assets, 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.

The Township's response to the Examination Results and Comments identified in our examination is described in the accompanying section of the report entitled Official Response. We did not examine the Township's response and, accordingly, we express no opinion on it.

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

October 4, 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.

ADAMS TOWNSHIP, ALLEN 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	\$ 385,342	\$ 157,997	\$ 82,264	\$ 461,075
Township Assistance	343,567	260,737	268,252	336,052
Fire Fighting	61,130	194,113	201,283	53,960
Levy Excess	-	1,492	-	1,492
Rainy Day	5,463	11,889	-	17,352
EMS	43,587	25,755	36,493	32,849
Building	142,523	396	-	142,919
Payroll Withholdings	-	40,346	40,444	(98)
Totals	<u>\$ 981,612</u>	<u>\$ 692,725</u>	<u>\$ 628,736</u>	<u>\$ 1,045,601</u>

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

ADAMS TOWNSHIP, ALLEN 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	\$ 461,075	\$ 110,413	\$ 87,048	\$ 484,440
EMS	32,849	50,307	28,694	54,462
Township Assistance	336,052	292,516	255,945	372,623
Fire Fighting	53,960	208,457	190,408	72,009
Rainy Day	17,352	-	17,352	-
Levy Excess	1,492	-	-	1,492
Building	142,919	283	-	143,202
Payroll Withholdings	(98)	39,761	39,044	619
Totals	<u>\$ 1,045,601</u>	<u>\$ 701,737</u>	<u>\$ 618,491</u>	<u>\$ 1,128,847</u>

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

ADAMS TOWNSHIP, ALLEN 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), and general administrative services (weed 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.

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.

ADAMS TOWNSHIP, ALLEN COUNTY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

*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.

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

ADAMS TOWNSHIP, ALLEN COUNTY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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. These risks may also be mitigated by the Township by recording as a disbursement any replacement items purchased.

ADAMS TOWNSHIP, ALLEN COUNTY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

**Note 6. Pension Plan**

*Public Employees' Retirement Fund*

*Plan Description*

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give the Township authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Indiana Public Retirement System  
1 North Capital Street, Suite 001  
Indianapolis, IN 46204  
Ph. (888) 526-1687

*Funding Policy and Annual Pension Cost*

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS.

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## 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/](http://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.

ADAMS TOWNSHIP, ALLEN COUNTY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010

	<u>Township</u>	<u>Township Assistance</u>	<u>Fire Fighting</u>	<u>Levy Excess</u>	<u>Rainy Day</u>	<u>EMS</u>	<u>Building</u>	<u>Payroll Withholdings</u>	<u>Totals</u>
Cash and investments - beginning	\$ 385,342	\$ 343,567	\$ 61,130	\$ -	\$ 5,463	\$ 43,587	\$ 142,523	\$ -	\$ 981,612
Receipts:									
Taxes	155,827	255,068	194,113	-	-	25,755	-	-	630,763
Other receipts	<u>2,170</u>	<u>5,669</u>	<u>-</u>	<u>1,492</u>	<u>11,889</u>	<u>-</u>	<u>396</u>	<u>40,346</u>	<u>61,962</u>
Total receipts	<u>157,997</u>	<u>260,737</u>	<u>194,113</u>	<u>1,492</u>	<u>11,889</u>	<u>25,755</u>	<u>396</u>	<u>40,346</u>	<u>692,725</u>
Disbursements:									
Personal services	63,263	116,105	-	-	-	-	-	-	179,368
Supplies	2,326	3,881	-	-	-	-	-	-	6,207
Other services and charges	16,675	49,174	201,283	-	-	32,401	-	-	299,533
Capital outlay	-	-	-	-	-	4,092	-	-	4,092
Other disbursements	<u>-</u>	<u>99,092</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,444</u>	<u>139,536</u>
Total disbursements	<u>82,264</u>	<u>268,252</u>	<u>201,283</u>	<u>-</u>	<u>-</u>	<u>36,493</u>	<u>-</u>	<u>40,444</u>	<u>628,736</u>
Excess (deficiency) of receipts over disbursements	<u>75,733</u>	<u>(7,515)</u>	<u>(7,170)</u>	<u>1,492</u>	<u>11,889</u>	<u>(10,738)</u>	<u>396</u>	<u>(98)</u>	<u>63,989</u>
Cash and investments - ending	<u>\$ 461,075</u>	<u>\$ 336,052</u>	<u>\$ 53,960</u>	<u>\$ 1,492</u>	<u>\$ 17,352</u>	<u>\$ 32,849</u>	<u>\$ 142,919</u>	<u>\$ (98)</u>	<u>\$ 1,045,601</u>

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

	<u>Township</u>	<u>EMS</u>	<u>Township Assistance</u>	<u>Fire Fighting</u>	<u>Rainy Day</u>	<u>Levy Excess</u>	<u>Building</u>	<u>Payroll Withholdings</u>	<u>Totals</u>
Cash and investments - beginning	\$ 461,075	\$ 32,849	\$ 336,052	\$ 53,960	\$ 17,352	\$ 1,492	\$ 142,919	\$ (98)	\$ 1,045,601
Receipts:									
Taxes	78,602	28,766	248,015	177,310	-	-	-	-	532,693
Intergovernmental	11,964	21,541	37,698	31,147	-	-	-	-	102,350
Other receipts	19,847	-	6,803	-	-	-	283	39,761	66,694
Total receipts	<u>110,413</u>	<u>50,307</u>	<u>292,516</u>	<u>208,457</u>	<u>-</u>	<u>-</u>	<u>283</u>	<u>39,761</u>	<u>701,737</u>
Disbursements:									
Personal services	63,349	-	117,602	-	-	-	-	-	180,951
Supplies	971	-	1,935	-	-	-	-	-	2,906
Other services and charges	22,728	28,694	136,408	189,057	-	-	-	-	376,887
Capital outlay	-	-	-	1,351	-	-	-	-	1,351
Other disbursements	-	-	-	-	17,352	-	-	39,044	56,396
Total disbursements	<u>87,048</u>	<u>28,694</u>	<u>255,945</u>	<u>190,408</u>	<u>17,352</u>	<u>-</u>	<u>-</u>	<u>39,044</u>	<u>618,491</u>
Excess (deficiency) of receipts over disbursements	<u>23,365</u>	<u>21,613</u>	<u>36,571</u>	<u>18,049</u>	<u>(17,352)</u>	<u>-</u>	<u>283</u>	<u>717</u>	<u>83,246</u>
Cash and investments - ending	<u>\$ 484,440</u>	<u>\$ 54,462</u>	<u>\$ 372,623</u>	<u>\$ 72,009</u>	<u>\$ -</u>	<u>\$ 1,492</u>	<u>\$ 143,202</u>	<u>\$ 619</u>	<u>\$ 1,128,847</u>

ADAMS TOWNSHIP, ALLEN COUNTY  
 SCHEDULE OF CAPITAL ASSETS  
 December 31, 2011

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

	Ending Balance
Governmental activities:	
Land	\$ 31,000
Infrastructure	1,000
Buildings	328,000
Improvements other than buildings	27,000
Total governmental activities	387,000
Total capital assets	\$ 387,000

ADAMS TOWNSHIP, ALLEN COUNTY  
EXAMINATION RESULTS AND COMMENTS

**OFFICIAL BOND**

The official bond coverage for the Trustee during the examination period was \$15,000. The minimum coverage amount per Indiana Code 5-4-1-18 was increased to \$30,000 effective July 1, 2009. When notified of this during the examination, the Trustee increased bond coverage and is currently in compliance.

Also, the official bond for the current term of January 1, 2011 to January 1, 2015, was not filed in the office of the County Recorder.

Indiana Code 5-4-1-18(c)(2) states in part: "The amount may not be less than thirty thousand dollars (\$30,000) nor more than three hundred thousand dollars (\$300,000) unless the fiscal body approves a greater amount for the officer or employee. . . ."

Indiana Code 5-4-1-5.1(b) states in part: "Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder . . ."

**ANNUAL REPORT - COMPLIANCE REQUIREMENTS**

The 2010 and 2011 Annual Reports did not reflect all of the receipts, disbursements and balances of the township records. The balances and transactions of the Building Fund and the Payroll Withholdings Fund were not included on the 2010 and 2011 Annual Reports. There was a similar comment in prior Report B36688.

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)

**PENALTIES, INTEREST, AND OTHER CHARGES**

The Township made several late payments to the Internal Revenue Service for federal income taxes and withholdings. Penalties and interest totaling \$551.42 were paid on August 3, 2011, for the period September 2009. Taxes for February, March, April, and May 2012 were remitted on July 9, 2012, which will likely result in penalties and interest. Finally, there are withholdings of \$319.75 for the period December 2011 that have not been remitted.

ADAMS TOWNSHIP, ALLEN COUNTY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

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

***PAYROLL WITHHOLDINGS FUND***

Errors were made in the Payroll Withholdings Fund during the period of January 2010 to September 2012 which caused it to be out of balance:

1. Insurance premiums were withheld in 2010 and 2011 that did not match the actual insurance payments resulting in a net difference of \$299.46 over withheld.
2. The unit incorrectly withheld 6.2 percent instead of 4.2 percent for the employees' Social Security withholdings from January 2011 to February 2012. An entry was made in February 2012 to correct this; however, when the taxes were later remitted, it was done at the 6.2 percent rate which caused a net overpayment of \$1,412.32.

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)

ADAMS TOWNSHIP, ALLEN COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on October 4, 2012, with Brian Yoh, Trustee, and Kim Yoh, Clerk. The officials indicated that they would be responding to the report, but an Official Response was not received.