

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

JEFFERSON TOWNSHIP

WAYNE COUNTY, INDIANA

January 1, 2010 to December 31, 2011



FILED
12/11/2012

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
Schedule of Capital Assets	14
Examination Results and Comments:	
Deposits of Public Funds	15
Disbursement Documentation	15
Sales Tax.....	15
Official Bond	15
Exit Conference.....	16
Official Response	17-18

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Joseph P. Smith	01-01-07 to 12-31-14
Chairman of the Township Board	Marvin Culy	01-01-10 to 12-31-12



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF JEFFERSON TOWNSHIP, WAYNE COUNTY, INDIANA

We have examined the accompanying financial statements of Jefferson 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

November 1, 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.

JEFFERSON TOWNSHIP, WAYNE 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	\$ 121,344	\$ 74,886	\$ 42,442	\$ 153,788
Township Assistance	44,467	18,774	34,057	29,184
Fire Fighting	33,127	25,595	22,323	36,399
Cumulative Fire	40,759	10,545	4,500	46,804
Park and Recreation	30,858	-	3,385	27,473
Levy Excess	510	259	-	769
Rainy Day	10,025	-	-	10,025
Donation	1,881	12,583	9,105	5,359
Payroll Deductions	-	4,313	4,313	-
Totals	<u>\$ 282,971</u>	<u>\$ 146,955</u>	<u>\$ 120,125</u>	<u>\$ 309,801</u>

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

JEFFERSON TOWNSHIP, WAYNE 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	\$ 153,788	\$ 64,646	\$ 57,699	\$ 160,735
Park and Recreation	27,473	20	1,300	26,193
Township Assistance	29,184	19,955	27,000	22,139
Fire Fighting	36,399	27,089	25,941	37,547
Rainy Day	10,025	-	-	10,025
Levy Excess	769	-	769	-
Cumulative Fire	46,804	10,239	13,000	44,043
Payroll Deductions	-	4,552	4,552	-
Donation	5,359	8,441	8,374	5,426
Totals	<u>\$ 309,801</u>	<u>\$ 134,942</u>	<u>\$ 138,635</u>	<u>\$ 306,108</u>

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

JEFFERSON TOWNSHIP, WAYNE 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), 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.

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

JEFFERSON TOWNSHIP, WAYNE COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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.

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.

JEFFERSON TOWNSHIP, WAYNE 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.

JEFFERSON TOWNSHIP, WAYNE 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>Cumulative Fire</u>	<u>Park and Recreation</u>	<u>Levy Excess</u>	<u>Rainy Day</u>	<u>Donation</u>	<u>Payroll Deductions</u>	<u>Totals</u>
Cash and investments - beginning	\$ 121,344	\$ 44,467	\$ 33,127	\$ 40,759	\$ 30,858	\$ 510	\$ 10,025	\$ 1,881	\$ -	\$ 282,971
Receipts:										
Taxes	61,478	13,836	23,595	10,545	-	259	-	-	-	109,713
Charges for services	-	-	2,000	-	-	-	-	-	-	2,000
Other receipts	13,408	4,938	-	-	-	-	-	12,583	4,313	35,242
Total receipts	<u>74,886</u>	<u>18,774</u>	<u>25,595</u>	<u>10,545</u>	<u>-</u>	<u>259</u>	<u>-</u>	<u>12,583</u>	<u>4,313</u>	<u>146,955</u>
Disbursements:										
Personal services	23,482	7,889	-	-	-	-	-	-	-	31,371
Supplies	1,744	55	-	-	-	-	-	-	-	1,799
Other services and charges	16,285	975	18,323	-	3,385	-	-	9,105	-	48,073
Capital outlay	931	1,465	4,000	4,500	-	-	-	-	-	10,896
Other disbursements	-	23,673	-	-	-	-	-	-	4,313	27,986
Total disbursements	<u>42,442</u>	<u>34,057</u>	<u>22,323</u>	<u>4,500</u>	<u>3,385</u>	<u>-</u>	<u>-</u>	<u>9,105</u>	<u>4,313</u>	<u>120,125</u>
Excess (deficiency) of receipts over disbursements	<u>32,444</u>	<u>(15,283)</u>	<u>3,272</u>	<u>6,045</u>	<u>(3,385)</u>	<u>259</u>	<u>-</u>	<u>3,478</u>	<u>-</u>	<u>26,830</u>
Cash and investments - ending	<u>\$ 153,788</u>	<u>\$ 29,184</u>	<u>\$ 36,399</u>	<u>\$ 46,804</u>	<u>\$ 27,473</u>	<u>\$ 769</u>	<u>\$ 10,025</u>	<u>\$ 5,359</u>	<u>\$ -</u>	<u>\$ 309,801</u>

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

	<u>Township</u>	<u>Park and Recreation</u>	<u>Township Assistance</u>	<u>Fire Fighting</u>	<u>Rainy Day</u>	<u>Levy Excess</u>	<u>Cumulative Fire</u>	<u>Payroll Deductions</u>	<u>Donation</u>	<u>Totals</u>
Cash and investments - beginning	\$ 153,788	\$ 27,473	\$ 29,184	\$ 36,399	\$ 10,025	\$ 769	\$ 46,804	\$ -	\$ 5,359	\$ 309,801
Receipts:										
Taxes	49,350	-	15,870	22,589	-	-	9,177	-	-	96,986
Intergovernmental	3,616	-	1,766	2,326	-	-	945	-	-	8,653
Charges for services	10,556	-	-	2,000	-	-	-	-	-	12,556
Other receipts	1,124	20	2,319	174	-	-	117	4,552	8,441	16,747
Total receipts	<u>64,646</u>	<u>20</u>	<u>19,955</u>	<u>27,089</u>	<u>-</u>	<u>-</u>	<u>10,239</u>	<u>4,552</u>	<u>8,441</u>	<u>134,942</u>
Disbursements:										
Personal services	24,730	-	7,888	-	-	-	-	-	-	32,618
Supplies	1,821	-	594	1,500	-	-	-	-	-	3,915
Other services and charges	17,802	1,300	17,643	20,441	-	-	-	-	8,374	65,560
Capital outlay	13,346	-	875	4,000	-	-	13,000	-	-	31,221
Other disbursements	-	-	-	-	-	769	-	4,552	-	5,321
Total disbursements	<u>57,699</u>	<u>1,300</u>	<u>27,000</u>	<u>25,941</u>	<u>-</u>	<u>769</u>	<u>13,000</u>	<u>4,552</u>	<u>8,374</u>	<u>138,635</u>
Excess (deficiency) of receipts over disbursements	<u>6,947</u>	<u>(1,280)</u>	<u>(7,045)</u>	<u>1,148</u>	<u>-</u>	<u>(769)</u>	<u>(2,761)</u>	<u>-</u>	<u>67</u>	<u>(3,693)</u>
Cash and investments - ending	<u>\$ 160,735</u>	<u>\$ 26,193</u>	<u>\$ 22,139</u>	<u>\$ 37,547</u>	<u>\$ 10,025</u>	<u>\$ -</u>	<u>\$ 44,043</u>	<u>\$ -</u>	<u>\$ 5,426</u>	<u>\$ 306,108</u>

JEFFERSON TOWNSHIP, WAYNE 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.

	<u>Ending Balance</u>
Governmental activities:	
Land	\$ 15,000
Buildings	<u>100,000</u>
Total governmental activities	<u>115,000</u>
Total capital assets	<u><u>\$ 115,000</u></u>

JEFFERSON TOWNSHIP, WAYNE COUNTY
EXAMINATION RESULTS AND COMMENTS

DEPOSIT OF PUBLIC FUNDS

Of the receipts tested, three were found that were not deposited by the first or fifteenth day of the appropriate month. Two of these receipts were not deposited until 59 days after the date of the receipt.

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."

DISBURSEMENT DOCUMENTATION

Two payments were made to an individual that were reimbursements for items purchased on behalf of the Township. However, the supporting documentation showed that the items had been returned to the vendor. Joseph P. Smith, the Trustee provided a spreadsheet that showed two other purchases that did not agree with the supporting documentation. In addition, the Trustee later provided documentation that had been misplaced. The documentation that was eventually provided agreed with the net total of the payments that did not include proper documentation. We were not able to match any one document to any individual purchase.

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)

SALES TAX

Ten payments to reimburse individuals for expenses purchased included sales tax. A total of \$230.27 in sales tax was paid by the Township.

Governmental funds generally are exempt from the payment of sales tax on qualifying purchases. Respective tax agencies should always be contacted concerning tax exemptions and payments. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

OFFICIAL BOND

Joseph P. Smith, Trustee, did not record with the County Recorder the official bond that covered him during the examination period.

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 . . ."

JEFFERSON TOWNSHIP, WAYNE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 1, 2012, with Joseph P. Smith, Trustee. The Official Response has been made a part of this report and may be found on pages 17 and 18.

As we discussed I told you I would like to respond in writing. Listed below are my thoughts. Please consider these in the final summation.

- **Three receipts were found that were not deposited by the first or fifteen of the month** – You flagged two of the checks from David Federico our tenant who pays rent quarterly. As he receives lump sum payments periodically, he writes his rent checks in advance during those times and holds them until rent is due. We did not discuss the other check but I have a feeling it was from our donation fund. Ladies of the community have a Warm and Cozy Tea Party to raise funds for assisting winter time expenses for Nettle Creek Area citizens. We receive checks after they have been compiled by the organizing group and recorded. It may be as much as 60 days after they have their event that we receive checks.
- **Two payments were made to Mindy Smith that were reimbursements for items purchased by Mrs. Smith.** As discussed, I made you aware of the emergency move situation of our office due to building safety. That move began in Apr 2012 and we moved back to our original office in Oct. 2012. During that time we were operating from packed boxes. When I brought my records to your location, I told the ladies I was not able to locate all of the records requested and to alert you to contact me for any missing items. I appreciate you contacting me when you couldn't find the missing receipts. I searched my boxes and found the missing receipts in the bottom of a box. In finishing our Back to School and Christmas programs records in December 2011, I discovered I had shorted our personal reimbursements. I decided to close the 2011 books and submit the remaining receipts in 2012 since it was in the Township's favor. I understand the receipts were to have been there, but our emergency packing procedures didn't produce a seamless transition.
- **Sales tax** – As in our past audits we have maintained a Donation Account to coordinate community wide programs for Christmas, Back to School, and Neighbors helping Neighbors. These programs are open to the Nettle Creek School Corporation which entails 5 different Townships (Jefferson, Dalton, Perry, Clay, Harrison) in Wayne County and one Township (Liberty) in Henry County. We are a coordination center for drop offs of items and cash donations. To maintain confidentiality our School System procures permission slips from the applicants for the Christmas and Back to School programs. For Christmas we are given names, ages, sizes of clothing and shoes, and one special wish request. For Back to School we are given again the names, ages, sizes of clothing and shoes. In addition we are given the grade and the school supply list for that particular grade. We then contact all of the area Churches, Businesses, Civic Clubs, and individuals who have expressed interest. The donators choose how they want to participate – some choose to donate cash, some choose to donate items, some choose to shop for a family, some choose to shop for a family, some choose to provide gift cards, etc. These programs have been a blessing to an average of 450 individual recipients each year. Early in the formulation of these programs we discussed the sales tax issue. We knew we could not or should not provide our tax exempt number to individuals donating items to these programs. We knew persons donating cash and receiving a receipt may use that as a tax deduction. Therefore we made the decision to provide receipts for the total donated shopping items on their list. To refuse donated items and only accept cash donations so we could then shop with our tax exempt status would put such a strain on our office of two we would be forced to close the program. Having willing shoppers keeps this program running. If these opportunities were for Jefferson Township only we may manage, but potentially tripling the target area population would overwhelm our present capabilities.
- **Official Bond** – In talking with our insurance representative, our thought process was centered on the language contained in the Official Bond – “for the term beginning ... and until a successor is duly qualified” and ... “during his continuance in office”. We assumed recording once as long as we continued in office was sufficient. I have since recorded our bonds. We have read IC5-4-1 and find it to be a little ambiguous in stating the bond must be recorded each year?

Please take these comments in to consideration when filing the examination.

Respectfully,

Joe P. Smith
Jefferson Township Trustee
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Hagerstown, IN 47346
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765-914-2654 Cell
765-489-3394 Fax