

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

WARREN TOWNSHIP

MARION COUNTY, INDIANA

January 1, 2010 to December 31, 2011



**FILED**  
12/19/2012



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Jeffrey D. Bennett	01-01-07 to 12-31-14
Chairman of the Township Board	William Klepper	01-01-10 to 12-31-12



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF WARREN TOWNSHIP, MARION COUNTY, INDIANA

We have examined the accompanying financial statements of Warren 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 Result and Comment 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 8, 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.

WARREN TOWNSHIP, MARION 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	\$ 2,962,777	\$ 709,666	\$ 1,163,324	\$ 2,509,119
Township Assistance	606,333	805,381	340,620	1,071,094
Levy Excess	-	28,630	-	28,630
Rainy Day	250,000	-	-	250,000
Payroll Deductions	56	156,333	157,047	(658)
Small Claims Court Fees	15,461	1,021,896	985,706	51,651
Small Claims Court Trust	22,596	2,098,358	2,097,664	23,290
Totals	<u>\$ 3,857,223</u>	<u>\$ 4,820,264</u>	<u>\$ 4,744,361</u>	<u>\$ 3,933,126</u>

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

WARREN TOWNSHIP, MARION 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	\$ 2,509,119	\$ 1,321,476	\$ 1,078,704	\$ 2,751,891
Township Assistance	1,071,094	5,063	342,652	733,505
Rainy Day	250,000	-	-	250,000
Levy Excess	28,630	-	28,630	-
Payroll Deductions	(658)	134,256	133,761	(163)
Small Claims Court Fees	51,651	928,844	959,727	20,768
Small Claims Court Trust	23,290	2,296,288	2,301,215	18,363
Totals	<u>\$ 3,933,126</u>	<u>\$ 4,685,927</u>	<u>\$ 4,844,689</u>	<u>\$ 3,774,364</u>

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

WARREN TOWNSHIP, MARION 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: health and social services (township assistance), and general administrative services.

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, boat and trailer excise 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, auto excise surtax received from the state, commercial vehicle excise tax received from the state.

Charges for services which can include, but are not limited to the following: copies of public records, copy machine charges, 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).

WARREN TOWNSHIP, MARION 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.

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.

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

WARREN TOWNSHIP, MARION 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.

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

	Township	Township Assistance	Levy Excess	Rainy Day	Payroll Deductions	Small Claims Court Fees	Small Claims Court Trust	Totals
Cash and investments - beginning	\$ 2,962,777	\$ 606,333	\$ -	\$ 250,000	\$ 56	\$ 15,461	\$ 22,596	\$ 3,857,223
Receipts:								
Taxes	331,798	797,972	28,630	-	-	-	-	1,158,400
Charges for services	534	-	-	-	-	-	-	534
Fines and forfeits	251,302	-	-	-	-	-	-	251,302
Other receipts	126,032	7,409	-	-	156,333	1,021,896	2,098,358	3,410,028
Total receipts	<u>709,666</u>	<u>805,381</u>	<u>28,630</u>	<u>-</u>	<u>156,333</u>	<u>1,021,896</u>	<u>2,098,358</u>	<u>4,820,264</u>
Disbursements:								
Personal services	584,617	160,105	-	-	-	-	-	744,722
Supplies	50,043	609	-	-	-	-	-	50,652
Other services and charges	356,817	19,052	-	-	157,047	-	-	532,916
Capital outlay	171,847	-	-	-	-	-	-	171,847
Other disbursements	-	160,854	-	-	-	985,706	2,097,664	3,244,224
Total disbursements	<u>1,163,324</u>	<u>340,620</u>	<u>-</u>	<u>-</u>	<u>157,047</u>	<u>985,706</u>	<u>2,097,664</u>	<u>4,744,361</u>
Excess (deficiency) of receipts over disbursements	<u>(453,658)</u>	<u>464,761</u>	<u>28,630</u>	<u>-</u>	<u>(714)</u>	<u>36,190</u>	<u>694</u>	<u>75,903</u>
Cash and investments - ending	<u>\$ 2,509,119</u>	<u>\$ 1,071,094</u>	<u>\$ 28,630</u>	<u>\$ 250,000</u>	<u>\$ (658)</u>	<u>\$ 51,651</u>	<u>\$ 23,290</u>	<u>\$ 3,933,126</u>

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

	<u>TOWNSHIP</u>	<u>TOWNSHIP ASSISTANCE</u>	<u>RAINY DAY</u>	<u>LEVY EXCESS</u>	<u>PAYROLL DEDUCTIONS</u>	<u>SMALL CLAIMS COURT FEES</u>	<u>SMALL CLAIMS COURT TRUST</u>	<u>TOTALS</u>
Cash and investments - beginning	\$ 2,509,119	\$ 1,071,094	\$ 250,000	\$ 28,630	\$ (658)	\$ 51,651	\$ 23,290	\$ 3,933,126
Receipts:								
Taxes	218,875	-	-	-	-	-	-	218,875
Intergovernmental	645,367	-	-	-	-	-	-	645,367
Charges for services	8	-	-	-	-	-	-	8
Fines and forfeits	317,029	-	-	-	-	-	-	317,029
Other receipts	<u>140,197</u>	<u>5,063</u>	<u>-</u>	<u>-</u>	<u>134,256</u>	<u>928,844</u>	<u>2,296,288</u>	<u>3,504,648</u>
Total receipts	<u>1,321,476</u>	<u>5,063</u>	<u>-</u>	<u>-</u>	<u>134,256</u>	<u>928,844</u>	<u>2,296,288</u>	<u>4,685,927</u>
Disbursements:								
Personal services	561,374	172,258	-	-	-	-	-	733,632
Supplies	45,210	1,106	-	-	-	-	-	46,316
Other services and charges	435,484	169,288	-	-	-	-	-	604,772
Capital outlay	34,986	-	-	-	-	-	-	34,986
Other disbursements	<u>1,650</u>	<u>-</u>	<u>-</u>	<u>28,630</u>	<u>133,761</u>	<u>959,727</u>	<u>2,301,215</u>	<u>3,424,983</u>
Total disbursements	<u>1,078,704</u>	<u>342,652</u>	<u>-</u>	<u>28,630</u>	<u>133,761</u>	<u>959,727</u>	<u>2,301,215</u>	<u>4,844,689</u>
Excess (deficiency) of receipts over disbursements	<u>242,772</u>	<u>(337,589)</u>	<u>-</u>	<u>(28,630)</u>	<u>495</u>	<u>(30,883)</u>	<u>(4,927)</u>	<u>(158,762)</u>
Cash and investments - ending	<u>\$ 2,751,891</u>	<u>\$ 733,505</u>	<u>\$ 250,000</u>	<u>\$ -</u>	<u>\$ (163)</u>	<u>\$ 20,768</u>	<u>\$ 18,363</u>	<u>\$ 3,774,364</u>

WARREN TOWNSHIP, MARION 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	\$ 439,100
Buildings	2,100,000
Improvements other than buildings	86,392
Machinery, equipment and vehicles	<u>66,024</u>
Total governmental activities	<u>2,691,516</u>
Total capital assets	<u><u>\$ 2,691,516</u></u>

WARREN TOWNSHIP, MARION COUNTY  
EXAMINATION RESULT AND COMMENT

***PENALTIES***

Penalties totaling \$1,650 were paid to the U.S. Treasury on September 8, 2011, for the failure to provide taxpayer identification numbers for the tax period ending December 31, 2008.

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)

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)

WARREN TOWNSHIP, MARION COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on November 8, 2012, with Jeffrey D. Bennett, Trustee; William Keppler, Chairman of the Township Board; Kay Nagey, CFO; and Sarah Steele Riordan, Township Attorney. The Official Response has been made a part of this report and may be found on pages 19 and 20.

WARREN TOWNSHIP  
of MARION COUNTY  
Jeff Bennett, Trustee



**OFFICIAL RESPONSE**

November 16, 2012

State Board of Accounts  
302 West Washington Street, Room E418  
Indianapolis, IN 46204-2765

SENT VIA EMAIL: [smcannon@sboafe.in.gov](mailto:smcannon@sboafe.in.gov)

To Whom It May Concern:

Thank you for the opportunity to submit an official response for inclusion in the audit of Warren Township, Marion County, for the period January 1, 2010, to December 31, 2011. The contents of the audit report were discussed at an exit conference held on November 8, 2012, with Field Examiner Alan Weber.

The IRS assessed a \$50 penalty on the Township for each of the 33 small claims court litigants for whom the Township did not submit taxpayer identification numbers (TINs) in 2008. The Township made diligent efforts to obtain this information from the litigants themselves and even the Township IRS liaison advised the Township to issue 1099-MISC forms for these litigants without TINs. Nonetheless, the IRS insisted on assessing a penalty. Rather than expend additional time, resources, and legal fees fighting the \$1,650 penalty, the Township paid it in September 2011 as indicated in the audit comment.

In late 2008, we learned that we needed to obtain an IRS Form W-9 and TINs for certain court cases in which a taxpayer received a reportable payment or payments of \$600 or more in a calendar year. At that time, the Township implemented a procedure whereby the court obtains TIN information from all litigants at the time a small claims case is filed. The Township also contacted every taxpayer who received \$600 or more from small claims court cases during the first eight months of 2008 in order to obtain TINs from them. The Township contacted each affected taxpayer twice and succeeded in reaching and obtaining TINs from the vast majority of those taxpayers. However, 51 taxpayers failed to respond or provide TIN information.

During an IRS compliance check in early 2009, the Township explained these follow up efforts to collect TINs as well as its implemented process for gathering TINs at the beginning of each case. At that time, the Township's IRS liaison advised the Township to issue a form 1099-MISC for each taxpayer, even when we did not have a TIN. She also advised us that the IRS has

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Indianapolis, IN 46219  
p 317.327.8947  
f 317.327.8948

the capability to match 1099-MISC forms with TINs already on file with the IRS. Accordingly, and in reliance on that advice, we issued 1099-MISC forms for 2008 for all taxpayers who received payments of \$600 or more, including those for whom we were not able to obtain TINs. In the Township's 2008 information return to the IRS, we provided address information but left the TIN blank for the 51 taxpayers from whom we were not able to collect TINs.

In August 2010, the IRS notified the Township of a proposed \$50 penalty for each instance in which the Township issued a 1099-MISC but did not provide a TIN. The Township protested the penalty, explained the circumstances, and again attempted to contact each of the taxpayers for whom TINs were missing. As a result of the Township's efforts, we obtained 18 additional TINs from taxpayers who had not provided the information in 2008. Thirty-three taxpayers continued not to respond with necessary TIN information.

The Township's counsel contacted the IRS, attempting to protest the penalty or seek a reduction or waiver, but to no avail. After weeks of unsuccessful efforts to contact taxpayers and work with the IRS, and after having resolved the issue of collecting TINs from August 2008 going forward, the Township elected to resolve the entire matter by paying the \$1,650 penalty rather than expending additional time, effort, legal fees, and incurring the risk of additional penalties.

It should be noted that at the September 26, 2012, State Board of Accounts meeting during the Indiana Township Association conference, the IRS representative who advised the Township to issue 1099-MISC forms without TINs gave the same advice to those assembled without mentioning the possibility of a penalty being assessed.

Sincerely,



Jeff Bennett

cc: Kay Nagey  
William Klepper, Chairman, Warren Township Board  
Sarah Steele Riordan, Frost Brown Todd, LLC