

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

MILL TOWNSHIP

GRANT 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	Carolyn L. Armes	01-01-07 to 12-31-14
Chairman of the Township Board	Bryan Elliott Charles W. Armes	01-01-10 to 12-31-10 01-01-11 to 12-31-12



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF MILL TOWNSHIP, GRANT COUNTY, INDIANA

We have examined the accompanying financial statements of Mill 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 period.

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, Schedule of Leases and Debt, 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.

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 29, 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.

MILL TOWNSHIP, GRANT 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	\$ 176,588	\$ 75,621	\$ 98,575	\$ 153,634
Township Assistance	65,750	98,367	80,449	83,668
Fire Fighting	104,206	90,747	109,250	85,703
Cumulative Fire	15,712	57,250	60,352	12,610
Park and Recreation	8,747	22,958	13,000	18,705
Rainy Day	27,156	37,379	58,030	6,505
Fire Debt	-	258,235	259,350	(1,115)
Totals	<u>\$ 398,159</u>	<u>\$ 640,557</u>	<u>\$ 679,006</u>	<u>\$ 359,710</u>

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

MILL TOWNSHIP, GRANT 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	\$ 153,634	\$ 55,486	\$ 88,722	\$ 120,398
Park and Recreation	18,705	16,235	15,000	19,940
Township Assistance	83,668	80,563	79,580	84,651
Fire Fighting	85,703	89,634	103,329	72,008
Rainy Day	6,505	33,061	15	39,551
Cumulative Fire	12,610	21,337	12,037	21,910
Fire Debt	(1,115)	73,722	46,703	25,904
Totals	<u>\$ 359,710</u>	<u>\$ 370,038</u>	<u>\$ 345,386</u>	<u>\$ 384,362</u>

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

MILL TOWNSHIP, GRANT 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.

MILL TOWNSHIP, GRANT 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.

MILL TOWNSHIP, GRANT 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.

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

	Township	Township Assistance	Fire Fighting	Cumulative Fire	Park and Recreation	Rainy Day	Fire Debt	Totals
Cash and investments - beginning	\$ 176,588	\$ 65,750	\$ 104,206	\$ 15,712	\$ 8,747	\$ 27,156	\$ -	\$ 398,159
Receipts:								
Taxes	74,642	97,105	88,744	57,250	22,958	-	-	340,699
Other receipts	979	1,262	2,003	-	-	37,379	258,235	299,858
Total receipts	75,621	98,367	90,747	57,250	22,958	37,379	258,235	640,557
Disbursements:								
Personal services	15,695	13,739	30,000	-	13,000	-	-	72,434
Supplies	212	354	24,733	-	-	-	-	25,299
Other services and charges	44,917	5,710	36,984	-	-	-	-	87,611
Capital outlay	37,751	-	17,533	60,352	-	58,030	259,350	433,016
Other disbursements	-	60,646	-	-	-	-	-	60,646
Total disbursements	98,575	80,449	109,250	60,352	13,000	58,030	259,350	679,006
Excess (deficiency) of receipts over disbursements	(22,954)	17,918	(18,503)	(3,102)	9,958	(20,651)	(1,115)	(38,449)
Cash and investments - ending	\$ 153,634	\$ 83,668	\$ 85,703	\$ 12,610	\$ 18,705	\$ 6,505	\$ (1,115)	\$ 359,710

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

	Township	Park and Recreation	Township Assistance	Fire Fighting	Rainy Day	Cumulative Fire	Fire Debt	Totals
Cash and investments - beginning	\$ 153,634	\$ 18,705	\$ 83,668	\$ 85,703	\$ 6,505	\$ 12,610	\$ (1,115)	\$ 359,710
Receipts:								
Taxes	54,182	16,179	71,095	89,634	-	21,337	72,607	325,034
Intergovernmental	240	56	9,468	-	-	-	-	9,764
Other receipts	1,064	-	-	-	33,061	-	1,115	35,240
Total receipts	55,486	16,235	80,563	89,634	33,061	21,337	73,722	370,038
Disbursements:								
Personal services	17,066	-	15,424	29,997	-	-	-	62,487
Supplies	-	-	308	18,681	-	12,037	-	31,026
Other services and charges	32,341	-	63,848	36,999	-	-	-	133,188
Capital outlay	5,200	-	-	17,652	-	-	-	22,852
Other disbursements	34,115	15,000	-	-	15	-	46,703	95,833
Total disbursements	88,722	15,000	79,580	103,329	15	12,037	46,703	345,386
Excess (deficiency) of receipts over disbursements	(33,236)	1,235	983	(13,695)	33,046	9,300	27,019	24,652
Cash and investments - ending	\$ 120,398	\$ 19,940	\$ 84,651	\$ 72,008	\$ 39,551	\$ 21,910	\$ 25,904	\$ 384,362

MILL TOWNSHIP, GRANT COUNTY
 SCHEDULE OF LEASES AND DEBT
 December 31, 2011

Description of Debt		Ending	Principal and
Type	Purpose	Principal	Interest Due
		Balance	Within One
			Year
Governmental activities:			
Notes and loans payable	Fire Truck Purchase	\$ 195,535	\$ 46,703

MILL TOWNSHIP, GRANT 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	\$ 23,300
Buildings	458,000
Improvements other than buildings	5,000
Machinery, equipment and vehicles	1,124,000
Books and other	<u>40,600</u>
Total capital assets	<u>\$ 1,650,900</u>

MILL TOWNSHIP, GRANT COUNTY
EXAMINATION RESULTS AND COMMENTS

ANNUAL REPORTS

The 2010 Annual Report was not filed until April 29, 2011.

Indiana Code 5-11-1-4 (a) states in part: ". . . 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 . . ."

The Annual Reports for 2010 and 2011 contained the following errors:

1. Not all financial transactions were reported on the 2010 annual report. The receipts and disbursements of loan proceeds (\$258,235) for a fire truck were not reported. A similar comment appeared in prior Report B36079.
2. In 2011, a Fire Debt Fund was established for the repayment of the loan. This fund was not shown on the 2011 Annual Report.
3. The Township makes annual contractual payments to a youth sports organization. This information was not included in the Financial Assistance to Non-Governmental Entities section of the Gateway Township Annual Report.

We suggested adjustments to the financial statements and they were approved by the Trustee to make the financial statements materially correct.

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)

CERTIFIED REPORTS NOT FILED

The Township did not file a Certified Report of Names, Addresses, Duties and Compensation of Public Employees (Form 100-R or its equivalent) with the State Board of Accounts for either year on a timely basis. The report due in January 2011 was filed April 29, 2011, and the report due January 2012 was filed March 6, 2012.

Indiana Code 5-11-13-1(a) states in part:

"Every . . . township . . . shall during the month of January of each year prepare, make, and sign a written or printed certified report, correctly and completely showing the names and business addresses of each and all officers, employees, and agents . . . and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts."

MILL TOWNSHIP, GRANT COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

TRANSACTION RECORDING

In 2010, the Township received a loan for the purchase of a fire truck. The loan proceeds and subsequent payment for the fire truck were recorded in the ledger under "Total All Funds", but not posted to any fund. A portion of the down payment of the fire truck purchase paid from the Rainy Day Fund was shown as a "transfer from Rainy Day to General" in the ledger. However, no transfer is reflected in the ledger, just a disbursement from the Rainy Day Fund. The portion of the down payment of the fire truck purchase paid from the Cumulative Fire Fund was shown as an unidentified disbursement on the ledger.

The December 31, 2010 Township Fund balance did not agree with the January 1, 2011 fund balance by \$1,062.

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

APPROPRIATIONS

The following funds had expenditures in excess of budgeted appropriations:

<u>Fund</u>	<u>2010</u>	<u>2011</u>
Fire Fighting	\$ 4,250	\$ -
Cumulative Fire	23,352	12,037
Fire Debt	259,350	-
Park and Recreation	-	-1,500

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."

OVERDRAWN FUND BALANCE

The fund balance of the Fire Debt Fund was overdrawn by \$1,115 at December 31, 2010.

The fund balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

DISBURSEMENT DOCUMENTATION

Four online credit card purchases were observed which did not contain adequate supporting documentation such as detailed invoices. A receipt with only the dollar amount of the purchase shown is not considered adequate documentation. A similar comment appeared in prior Report B36079.

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)

MILL TOWNSHIP, GRANT COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

CAPITAL ASSET RECORDS

The Capital Assets Ledger presented for examination did not agree with the information presented in the Gateway Annual Report. A similar comment appeared in prior Report B36079.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded on the applicable Capital Assets Ledger. A complete inventory should be taken at least every two years for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

MILL TOWNSHIP, GRANT COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 29, 2012, with Carolyn L. Armes, Trustee. The official concurred with our findings.