

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

WARREN TOWNSHIP

WARREN COUNTY, INDIANA

January 1, 2010 to December 31, 2011



FILED

02/14/2013

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Accountant's Report.....	3
Financial Statements:	
Statements of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis	6-7
Notes to Financial Statements	8-10
Supplementary Information:	
Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis	12-13
Examination Results and Comments:	
Advance Payments.....	14
Annual Report and 100 R.....	14
Bank Account Reconciliations	14
Board Minutes.....	14-15
Budgets.....	15
Contracts	15
Deposit of Public Funds.....	15
Disbursement Documentation	15-16
Federal and State Agencies - Compliance Requirements	16
Prescribed Forms	16
Transaction Recording	16
Financial Report Opinion Modifications.....	16-17
Exit Conference.....	18

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Nannette Cronk	01-01-07 to 12-31-14
Chairman of the Township Board	Wilbur Pearson Shelly Foran	01-01-10 to 12-31-10 01-01-11 to 12-31-12



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

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

We were engaged to examine the accompanying financial statements of Warren Township (Township), for the period of January 1, 2010 to December 31, 2011. The financial statements are the responsibility of the Township's management.

The Township did not provide or properly maintain accounting records. The Township's records do not permit the application of other examination procedures to ascertain if the financial statements are fairly stated.

Since the Township did not provide or properly maintain accounting records and we were not able to apply other examination procedures to satisfy ourselves as to whether the financial statements are fairly stated, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on these financial statements.

Our examination was conducted for the purpose of forming an opinion on the Township's financial statements. The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statements. They have not been subjected to the examination procedures 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

December 17, 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, WARREN 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	\$ 16,052	\$ 8,526	\$ 11,069	\$ 13,509
Township Assistance	10,868	4,982	2,673	13,177
Fire Fighting	19,671	6	3,750	15,927
Rainy Day	698	-	-	698
Totals	<u>\$ 47,289</u>	<u>\$ 13,514</u>	<u>\$ 17,492</u>	<u>\$ 43,311</u>

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

WARREN TOWNSHIP, WARREN 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	\$ 13,509	\$ 15,414	\$ 11,341	\$ 17,582
Township Assistance	13,177	6,958	3,924	16,211
Fire Fighting	15,927	28	4,350	11,605
Rainy Day	698	-	-	698
Totals	<u>\$ 43,311</u>	<u>\$ 22,400</u>	<u>\$ 19,615</u>	<u>\$ 46,096</u>

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

WARREN TOWNSHIP, WARREN 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.

WARREN TOWNSHIP, WARREN 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.

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

WARREN TOWNSHIP, WARREN 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.

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.

WARREN TOWNSHIP, WARREN 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>Rainy Day</u>	<u>Totals</u>
Cash and investments - beginning	\$ 16,052	\$ 10,868	\$ 19,671	\$ 698	\$ 47,289
Receipts:					
Intergovernmental	8,299	4,982	6	-	13,287
Other receipts	<u>227</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>227</u>
Total receipts	<u>8,526</u>	<u>4,982</u>	<u>6</u>	<u>-</u>	<u>13,514</u>
Disbursements:					
Personal services	6,515	900	-	-	7,415
Supplies	156	-	-	-	156
Other services and charges	4,398	1,773	3,750	-	9,921
Other disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total disbursements	<u>11,069</u>	<u>2,673</u>	<u>3,750</u>	<u>-</u>	<u>17,492</u>
Excess (deficiency) of receipts over disbursements	<u>(2,543)</u>	<u>2,309</u>	<u>(3,744)</u>	<u>-</u>	<u>(3,978)</u>
Cash and investments - ending	<u>\$ 13,509</u>	<u>\$ 13,177</u>	<u>\$ 15,927</u>	<u>\$ 698</u>	<u>\$ 43,311</u>

WARREN TOWNSHIP, WARREN 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>Fire Fighting</u>	<u>Rainy Day</u>	<u>Totals</u>
Cash and investments - beginning	\$ 13,509	\$ 13,177	\$ 15,927	\$ 698	\$ 43,311
Receipts:					
Taxes	3,232	-	-	-	3,232
Intergovernmental	<u>12,182</u>	<u>6,958</u>	<u>28</u>	<u>-</u>	<u>19,168</u>
Total receipts	<u>15,414</u>	<u>6,958</u>	<u>28</u>	<u>-</u>	<u>22,400</u>
Disbursements:					
Personal services	3,200	900	-	-	4,100
Supplies	26	-	-	-	26
Other services and charges	5,160	3,024	-	-	8,184
Other disbursements	<u>2,955</u>	<u>-</u>	<u>4,350</u>	<u>-</u>	<u>7,305</u>
Total disbursements	<u>11,341</u>	<u>3,924</u>	<u>4,350</u>	<u>-</u>	<u>19,615</u>
Excess (deficiency) of receipts over disbursements	<u>4,073</u>	<u>3,034</u>	<u>(4,322)</u>	<u>-</u>	<u>2,785</u>
Cash and investments - ending	<u>\$ 17,582</u>	<u>\$ 16,211</u>	<u>\$ 11,605</u>	<u>\$ 698</u>	<u>\$ 46,096</u>

WARREN TOWNSHIP, WARREN COUNTY
EXAMINATION RESULTS AND COMMENTS

ADVANCE PAYMENTS

Dates of transactions indicated that salaries for the Trustee and the Township Assistance Investigator were paid before they were earned. The Trustee was paid her full year's earnings in January 2010. Both employees' 2011 quarterly salaries were paid before they were earned.

Compensation and any other payments for goods and services should not be paid in advance of receipt of the goods or services unless specifically authorized by statute. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

ANNUAL REPORT AND 100R

The Annual Report for 2010 and the Form 100R were not filed timely. The 2011 Form 100R was not filed timely.

Indiana Code 5-11-1-4 (a) states in part: ". . . these reports shall be prepared, verified, and filed with the state examiner no later than thirty (60) days after the close of each fiscal year."

Indiana Code 5-11-13-1 states in part:

". . . 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 in their respective offices, departments, boards, commissions, and institutions, 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.

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were not presented for examination. We performed additional procedures to determine if there were missing funds for the Township.

Indiana Code 5-13-6-1(e) states in part: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

BOARD MINUTES

Minutes of the meetings of the Township Board were not presented for examination.

Indiana Code 5-14-1.5-4(b) states:

"As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.

WARREN TOWNSHIP, WARREN COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes taken, by individual members if there is a roll call.
- (5) Any additional information required under IC 5-1.5-2-2.5."

BUDGETS

The Township did not adopt a budget for 2010 or 2011. All expenditures for salaries, assistance, and operating expenses in 2010 and 2011 were made without the authority of a budget order.

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."

CONTRACTS

Records presented for examination indicated payments were made to the following organizations without a contract:

- 1. Williamsport Fire Department
- 2. MAC Van Transportation
- 3. Williamsport Senior Citizens Center
- 4. Litzenberger Legal Services

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

DEPOSIT OF PUBLIC FUNDS

The Trustee made one deposit in 2010 and six deposits in 2011 for the monthly tax distributions from Warren County.

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

Payments were observed which did not contain adequate supporting documentation such as receipts and invoices. Payments we observed included one to an electric company for township assistance and one to the local fire department.

Due to the lack of supporting information, the validity and accountability for those monies disbursed could not be established.

WARREN TOWNSHIP, WARREN COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

The Township did not comply with directives of the Internal Revenue service or the Indiana Department of Revenue. The Trustee did not withhold taxes from employees, remit withholdings, issue Earnings Statements (Form W-2) or file withholding reports to the Federal or State government. A similar comment appeared in the previous report.

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

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

PRESCRIBED FORMS

The State Board of Accounts prescribed Form 1C (Financial and Appropriation Record) was not used properly. Month to date and year to date totals were not always provided. Balances of the funds were not always provided.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

TRANSACTION RECORDING

Local tax distributions were not posted to the records of the unit. We noted on the County Treasurer's outstanding checklist there were tax distribution checks written to the Township that had not been cashed.

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)

FINANCIAL REPORT OPINION MODIFICATIONS

The Financial and Appropriation Ledger for 2010 and 2011 was not properly posted. Receipts and disbursements were not totaled in the ledger. Running balances were not maintained. The Township did not prepare monthly bank reconciliements. Therefore, the State Board of Accounts was unable to provide an unqualified opinion on the Independent Auditor's Report for the financial statements.

WARREN TOWNSHIP, WARREN COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

Accounting records and other public records must be maintained in a manner that will support accurate financial statements. Anything other than an unqualified opinion on the Independent Auditors' Report on the financial statements may have adverse financial consequences with the possibility of an increase in interest rate cost to the taxpayers of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

WARREN TOWNSHIP, WARREN COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 17, 2012, with Nannette Cronk, Trustee.
The official concurred with our findings.