

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

WASHINGTON TOWNSHIP

DAVISS COUNTY, INDIANA

January 1, 2010 to December 31, 2011



**FILED**  
04/15/2013



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Albert L. Showalter	01-01-07 to 12-31-14
Chairman of the Township Board	Glenn Newton John Horton	01-01-10 to 12-31-10 01-01-11 to 12-31-13



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF WASHINGTON TOWNSHIP, DAVIESS COUNTY, INDIANA

We were engaged to examine the accompanying financial statements of Washington 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 properly maintain accounting records. The financial records and financial reports presented for examination were incomplete and not reflective of the activity of the Township's funds. 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 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, and Schedule of Leases and Debt, 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.

Bruce Hartman  
State Examiner

February 27, 2013

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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.

WASHINGTON TOWNSHIP, DAVIESS 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	\$ 113,897	\$ 56,326	\$ 75,499	\$ 94,724
General Poor Relief	194,562	146,110	183,335	157,337
Fire Fighting	126,527	60,806	57,181	130,152
Library	8,706	7,257	9,500	6,463
Cumulative Fire	44,338	29,419	27,309	46,448
Levy Excess	-	711	711	-
Totals	<u>\$ 488,030</u>	<u>\$ 300,629</u>	<u>\$ 353,535</u>	<u>\$ 435,124</u>

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

WASHINGTON TOWNSHIP, DAVIESS 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	\$ 94,724	\$ 36,048	\$ 86,535	\$ 44,237
General Poor Relief	157,337	183,697	220,290	120,744
Fire Fighting	130,152	44,311	49,127	125,336
Library	6,463	8,490	-	14,953
Cumulative Fire	46,448	28,813	40,964	34,297
Payroll Deductions	-	34,639	31,601	3,038
Totals	<u>\$ 435,124</u>	<u>\$ 335,998</u>	<u>\$ 428,517</u>	<u>\$ 342,605</u>

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

WASHINGTON TOWNSHIP, DAVIESS 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:

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state, local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

WASHINGTON TOWNSHIP, DAVIESS COUNTY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

*E. Disbursements*

Disbursements are presented in the aggregate on the face of the financial statements. The aggregate disbursements include the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

*F. Interfund Transfers*

The Township may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

*G. Fund Accounting*

Separate funds are established, maintained, and reported by the Township. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the Township. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the Township in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

**Note 2. Budgets**

The operating budget is initially prepared and approved at the local level. The fiscal officer of the Township submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing

WASHINGTON TOWNSHIP, DAVIESS 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.

WASHINGTON TOWNSHIP, DAVIESS 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 Annual Reports for years prior to 2011 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 Annual Report information for years 2011 and later 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.

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

	Township	General Poor Relief	Fire Fighting	Library	Cumulative Fire	Levy Excess	Totals
Cash and investments - beginning	\$ 113,897	\$ 194,562	\$ 126,527	\$ 8,706	\$ 44,338	\$ -	\$ 488,030
Receipts:							
Intergovernmental	55,119	145,918	54,410	7,257	29,419	-	292,123
Other receipts	1,207	192	6,396	-	-	711	8,506
Total receipts	<u>56,326</u>	<u>146,110</u>	<u>60,806</u>	<u>7,257</u>	<u>29,419</u>	<u>711</u>	<u>300,629</u>
Disbursements:							
Personal services	39,028	108,279	4,875	-	-	-	152,182
Supplies	1,092	1,583	26,998	-	-	-	29,673
Other services and charges	33,849	2,951	25,308	9,500	-	-	71,608
Capital outlay	1,530	3,167	-	-	27,309	-	32,006
Other disbursements	-	67,355	-	-	-	711	68,066
Total disbursements	<u>75,499</u>	<u>183,335</u>	<u>57,181</u>	<u>9,500</u>	<u>27,309</u>	<u>711</u>	<u>353,535</u>
Excess (deficiency) of receipts over disbursements	<u>(19,173)</u>	<u>(37,225)</u>	<u>3,625</u>	<u>(2,243)</u>	<u>2,110</u>	<u>-</u>	<u>(52,906)</u>
Cash and investments - ending	<u>\$ 94,724</u>	<u>\$ 157,337</u>	<u>\$ 130,152</u>	<u>\$ 6,463</u>	<u>\$ 46,448</u>	<u>\$ -</u>	<u>\$ 435,124</u>

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

	Township	General Poor Relief	Fire Fighting	Library	Cumulative Fire	Payroll Deductions	Totals
Cash and investments - beginning	\$ 94,724	\$ 157,337	\$ 130,152	\$ 6,463	\$ 46,448	\$ -	\$ 435,124
Receipts:							
Intergovernmental	35,975	183,433	40,667	8,490	28,813	-	297,378
Other receipts	73	264	3,644	-	-	34,639	38,620
Total receipts	<u>36,048</u>	<u>183,697</u>	<u>44,311</u>	<u>8,490</u>	<u>28,813</u>	<u>34,639</u>	<u>335,998</u>
Disbursements:							
Personal services	52,277	139,313	6,666	-	-	-	198,256
Supplies	1,688	76,576	12,007	-	-	-	90,271
Other services and charges	30,770	2,423	25,454	-	-	-	58,647
Capital outlay	1,800	1,978	5,000	-	40,964	-	49,742
Other disbursements	-	-	-	-	-	31,601	31,601
Total disbursements	<u>86,535</u>	<u>220,290</u>	<u>49,127</u>	<u>-</u>	<u>40,964</u>	<u>31,601</u>	<u>428,517</u>
Excess (deficiency) of receipts over disbursements	<u>(50,487)</u>	<u>(36,593)</u>	<u>(4,816)</u>	<u>8,490</u>	<u>(12,151)</u>	<u>3,038</u>	<u>(92,519)</u>
Cash and investments - ending	<u>\$ 44,237</u>	<u>\$ 120,744</u>	<u>\$ 125,336</u>	<u>\$ 14,953</u>	<u>\$ 34,297</u>	<u>\$ 3,038</u>	<u>\$ 342,605</u>

WASHINGTON TOWNSHIP, DAVIESS COUNTY  
 SCHEDULE OF LEASES AND DEBT  
 December 31, 2011

<u>Lessor</u>	<u>Purpose</u>	<u>Annual Lease Payment</u>	<u>Lease Beginning Date</u>	<u>Lease Ending Date</u>
Governmental activities: German American Bank	Fire Truck	<u>\$ 27,309</u>	09-29-10	07-15-13
Total of annual lease payments		<u><u>\$ 27,309</u></u>		

WASHINGTON TOWNSHIP, DAVIESS COUNTY  
EXAMINATION RESULTS AND COMMENTS

**CONDITION OF RECORDS**

The following deficiencies relating to the recordkeeping were noted.

1. Record balances were not reconciled properly to depository balances during 2011.

Indiana Code 5-13-6-1(e) states: "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."

2. There were a considerable number of posting errors. These errors included receipts posted to the incorrect fund, checks and receipts not recorded in the proper amounts, interest not posted, and transactions not posted in the month in which they occurred.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

All documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1 et seq., commonly referred to as the Public Records Law. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

**ATTENDANCE RECORDS**

The part-time Relief Clerk appeared to be paid a salary; however the salary resolution indicated that this position was to be paid \$110/day. No attendance records were presented for examination to support the amount paid.

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)

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

WASHINGTON TOWNSHIP, DAVIESS COUNTY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

**ADVANCE PAYMENTS**

A payroll check written to the Bookkeeper for January 2012 compensation cleared the bank in December 2011.

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)

**PAYROLL TAXES**

During the review of payroll, 941's were not presented for examination. The amount paid to the IRS and Indiana Department of Revenue for payroll taxes did not agree with the amount due. In October 2011 and January 2012 additional payments were made to the IRS but no supporting documentation for these payments was presented for examination. Therefore, it was not possible to determine if these additional payments included penalties and interest.

Indiana Code 5-15-6-3(f) states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

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)

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)

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit. Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

WASHINGTON TOWNSHIP, DAVIESS COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on February 27, 2013, with Albert L. Showalter, Trustee; and Rick L. Showalter, Bookkeeper. The officials concurred with our findings.