

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

ALLEN TOWNSHIP

NOBLE 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	John Huelsenbeck Sally Huelsenbeck	01-01-07 to 06-22-12 06-23-12 to 12-31-14
Chairman of the Township Board	James Schmenk Dan Fritz	01-01-10 to 12-31-10 01-01-11 to 12-31-13



STATE OF INDIANA
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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

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF ALLEN TOWNSHIP, NOBLE COUNTY, INDIANA

We have examined the accompanying financial statements of Allen Township (Township), for the period of January 1, 2010 to December 31, 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 effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. The basis noted above is a different basis than that used in the prior period.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position and results of operations of the Township for the period of January 1, 2010 to December 31, 2011.

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 period of January 1, 2010 to December 31, 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, 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.

STATE BOARD OF ACCOUNTS

January 24, 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.

ALLEN TOWNSHIP, NOBLE 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	\$ 95,515	\$ 61,635	\$ 48,931	\$ 108,219
Township Assistance	15,834	38,501	24,608	29,727
Firefighting	29,454	48,681	31,195	46,940
Cumulative Fire	202,806	26,892	48,854	180,844
Park And Recreation	8,157	8,136	5,000	11,293
Levy Excess	-	289	-	289
Rainy Day	997	3,455	970	3,482
Payroll	12	7,913	7,914	11
Totals	<u>\$ 352,775</u>	<u>\$ 195,502</u>	<u>\$ 167,472</u>	<u>\$ 380,805</u>

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

ALLEN TOWNSHIP, NOBLE 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	\$ 108,219	\$ 45,910	\$ 52,087	\$ 102,042
Park And Recreation	11,293	3,246	4,700	9,839
Township Assistance	29,727	30,636	26,587	33,776
Firefighting	46,940	38,998	33,174	52,764
Rainy Day	3,482	-	1,300	2,182
Levy Excess	289	-	289	-
Cumulative Fire	180,844	17,153	-	197,997
Payroll	11	8,037	8,037	11
Totals	<u>\$ 380,805</u>	<u>\$ 143,980</u>	<u>\$ 126,174</u>	<u>\$ 398,611</u>

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

ALLEN TOWNSHIP, NOBLE 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.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, park rental fees, ordinance violations, fines and fees.

ALLEN TOWNSHIP, NOBLE 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.

ALLEN TOWNSHIP, NOBLE 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 Annual Reports for years prior to 2011 can be found on the Indiana Transparency Portal website: 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.

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

	Township	Township Assistance	Firefighting	Cumulative Fire	Park And Recreation	Levy Excess	Rainy Day	Payroll	Totals
Cash and investments - beginning	\$ 95,515	\$ 15,834	\$ 29,454	\$ 202,806	\$ 8,157	\$ -	\$ 997	\$ 12	\$ 352,775
Receipts:									
Taxes	58,188	38,501	48,647	23,252	8,136	289	-	7,913	184,926
Charges for services	1,800	-	-	-	-	-	-	-	1,800
Other receipts	1,647	-	34	3,640	-	-	3,455	-	8,776
Total receipts	61,635	38,501	48,681	26,892	8,136	289	3,455	7,913	195,502
Disbursements:									
Personal services	32,160	-	1,500	-	1,200	-	-	7,914	42,774
Supplies	350	235	3,521	-	-	-	-	-	4,106
Other services and charges	16,421	20,873	26,174	-	3,800	-	970	-	68,238
Capital outlay	-	-	-	48,854	-	-	-	-	48,854
Other disbursements	-	3,500	-	-	-	-	-	-	3,500
Total disbursements	48,931	24,608	31,195	48,854	5,000	-	970	7,914	167,472
Excess (deficiency) of receipts over disbursements	12,704	13,893	17,486	(21,962)	3,136	289	2,485	(1)	28,030
Cash and investments - ending	\$ 108,219	\$ 29,727	\$ 46,940	\$ 180,844	\$ 11,293	\$ 289	\$ 3,482	\$ 11	\$ 380,805

ALLEN TOWNSHIP, NOBLE 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	Firefighting	Rainy Day	Levy Excess	Cumulative Fire	Payroll	Totals
Cash and investments - beginning	\$ 108,219	\$ 11,293	\$ 29,727	\$ 46,940	\$ 3,482	\$ 289	\$ 180,844	\$ 11	\$ 380,805
Receipts:									
Taxes	34,874	2,944	23,551	18,802	-	-	14,297	-	94,468
Intergovernmental	8,218	302	6,885	20,196	-	-	1,773	-	37,374
Charges for services	1,200	-	-	-	-	-	-	-	1,200
Other receipts	1,618	-	200	-	-	-	1,083	8,037	10,938
Total receipts	45,910	3,246	30,636	38,998	-	-	17,153	8,037	143,980
Disbursements:									
Personal services	32,695	900	-	1,500	-	-	-	8,037	43,132
Supplies	702	-	282	4,894	-	-	-	-	5,878
Other services and charges	18,690	3,800	26,305	26,780	1,300	-	-	-	76,875
Other disbursements	-	-	-	-	-	289	-	-	289
Total disbursements	52,087	4,700	26,587	33,174	1,300	289	-	8,037	126,174
Excess (deficiency) of receipts over disbursements	(6,177)	(1,454)	4,049	5,824	(1,300)	(289)	17,153	-	17,806
Cash and investments - ending	\$ 102,042	\$ 9,839	\$ 33,776	\$ 52,764	\$ 2,182	\$ -	\$ 197,997	\$ 11	\$ 398,611

ALLEN TOWNSHIP, NOBLE COUNTY
EXAMINATION RESULTS AND COMMENTS

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

The Township did not comply with directives of the Internal Revenue Service by not obtaining W-9's and not issuing 1099 miscellaneous returns for lawn services and landlords that received Township assistance funds on behalf of citizens in 2010 and 2011.

The Township also made payments to the Internal Revenue Service for penalties and interest. In 2011, the Township paid the Internal Revenue Service penalties and interest payments of \$196.76 and \$14.06, respectively.

In addition, the 2011 federal withholdings reported on the 941s and W2s did not match by \$589.02. The difference appears to be the Trustee's federal withholdings that were reported on the W2s but not the 941s.

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)

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)

NO TRAVEL AND REIMBURSEMENT POLICY

The Township did not have a travel and reimbursement policy. Mileage reimbursements made to the Trustee or Deputy Trustee were not reported on a Mileage Claim Form Number 101. Travel mileage paid was at the IRS rate instead of the state rate.

Each governmental unit should adopt a written travel policy in conformity with applicable statutes. Reimbursement for lodging and meals should be based upon actual receipts for amounts paid unless otherwise authorized by statute. (Accounting and Uniform Compliance Guidelines for Townships, Chapter 17)

Indiana Code 36-6-8-3(b) states in part: "The township executive is entitled to a sum for mileage in the performance of official duties equal to the sum per mile paid to state officers and employees."

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)

ALLEN TOWNSHIP, NOBLE COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

OPTICAL IMAGES

The financial institution did not provide optical images of the deposit documents or the checks both front and back as required.

Indiana Code 5-15-6-3(a) states in part:

". . . 'original records' includes the optical image of a check or deposit document when:

- (1) the check or deposit document is recorded, copied, or reproduced by an optical imaging process . . . ; and
- (2) the drawer of the check receives an optical image of the check after the check is processed for payment . . ."

Furthermore, Indiana Code 26-2-8-111 states in part:

"(a) If a law requires that certain records be retained, that requirement is met by retaining an electronic record of the information in the record that:

- (1) accurately reflects the information set forth in the record after it was first generated in its final form as an electronic record or otherwise; and
- (2) remains accessible for later reference . . .

(e) If a law requires retention of a check, that requirement is satisfied by retention of an electronic record of the information on the front and back of the check in accordance with subsection (a)."

ALLEN TOWNSHIP, NOBLE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on January 24, 2013, with Heather Thiel, Deputy Trustee.