

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

WAYNE TOWNSHIP

HUNTINGTON COUNTY, INDIANA

January 1, 2010 to December 31, 2012



FILED

09/26/2013

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Paul L. Walton	01-01-07 to 12-31-14
Chairman of the Township Board	Kevin Killen	01-01-10 to 12-31-13



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF WAYNE TOWNSHIP, HUNTINGTON COUNTY, INDIANA

We have examined the accompanying financial statement of Wayne Township (Township), for the period of January 1, 2010 to December 31, 2012. The financial statement is the responsibility of the Township's management. Our responsibility is to express an opinion on the financial statement 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 statement 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 statement 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 statement 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 statement referred to above does 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, 2012.

In our opinion, the financial statement referred to above presents 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, 2012, 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 statement. 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 statement. They have not been subjected to the examination procedures applied to the financial statement and, accordingly, we express no opinion on them.

Bruce Hartman
State Examiner

August 26, 2013

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FINANCIAL STATEMENT

The financial statement and accompanying notes were approved by management of the Township. The financial statement and notes are presented as intended by the Township.

WAYNE TOWNSHIP, HUNTINGTON COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS

For The Years Ended December 31, 2010, 2011, and 2012

Fund	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
Township	\$ 4,199	\$ 8,634	\$ 7,847	\$ 4,986
Township Assistance	7,701	8,874	3,655	12,920
Fire Fighting	3,402	9,086	11,739	749
Cumulative Fire	16,008	6,001	11,000	11,009
Levy Excess	493	470	-	963
Totals	\$ 31,803	\$ 33,065	\$ 34,241	\$ 30,627

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
Township	\$ 4,986	\$ 5,908	\$ 7,383	\$ 3,511
Township Assistance	12,920	5,313	2,849	15,384
Fire Fighting	749	14,827	12,122	3,454
Cumulative Fire	11,009	6,111	-	17,120
Rainy Day	-	470	-	470
Levy Excess	963	-	534	429
Totals	\$ 30,627	\$ 32,629	\$ 22,888	\$ 40,368

Fund	Cash and Investments 01-01-12	Receipts	Disbursements	Cash and Investments 12-31-12
Township	\$ 3,511	\$ 6,542	\$ 8,855	\$ 1,198
Township Assistance	15,384	4,252	5,006	14,630
Fire Fighting	3,454	15,265	12,122	6,597
Cumulative Fire	17,120	6,311	-	23,431
Rainy Day	470	-	-	470
Levy Excess	429	-	-	429
Totals	\$ 40,368	\$ 32,370	\$ 25,983	\$ 46,755

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

WAYNE TOWNSHIP, HUNTINGTON COUNTY
NOTES TO FINANCIAL STATEMENT

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 statement presents the financial information for the Township.

B. Basis of Accounting

The financial statement is 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 statement. 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.

WAYNE TOWNSHIP, HUNTINGTON COUNTY
NOTES TO FINANCIAL STATEMENT
(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 statement. 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.

WAYNE TOWNSHIP, HUNTINGTON COUNTY
NOTES TO FINANCIAL STATEMENT
(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 statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

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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/.

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 statement 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.

WAYNE TOWNSHIP, HUNTINGTON 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	Levy Excess	Totals
Cash and investments - beginning	\$ 4,199	\$ 7,701	\$ 3,402	\$ 16,008	\$ 493	\$ 31,803
Receipts:						
Taxes	8,623	8,874	9,086	6,001	-	32,584
Other receipts	11	-	-	-	470	481
Total receipts	<u>8,634</u>	<u>8,874</u>	<u>9,086</u>	<u>6,001</u>	<u>470</u>	<u>33,065</u>
Disbursements:						
Personal services	4,443	-	-	-	-	4,443
Supplies	340	-	-	-	-	340
Other services and charges	3,064	-	-	-	-	3,064
Capital outlay	-	-	11,739	11,000	-	22,739
Other disbursements	-	3,655	-	-	-	3,655
Total disbursements	<u>7,847</u>	<u>3,655</u>	<u>11,739</u>	<u>11,000</u>	<u>-</u>	<u>34,241</u>
Excess (deficiency) of receipts over disbursements	<u>787</u>	<u>5,219</u>	<u>(2,653)</u>	<u>(4,999)</u>	<u>470</u>	<u>(1,176)</u>
Cash and investments - ending	<u>\$ 4,986</u>	<u>\$ 12,920</u>	<u>\$ 749</u>	<u>\$ 11,009</u>	<u>\$ 963</u>	<u>\$ 30,627</u>

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

	Township	Township Assistance	Fire Fighting	Cumulative Fire	Rainy Day	Levy Excess	Totals
Cash and investments - beginning	\$ 4,986	\$ 12,920	\$ 749	\$ 11,009	\$ -	\$ 963	\$ 30,627
Receipts:							
Taxes	4,849	4,888	8,604	5,579	-	-	23,920
Intergovernmental	982	425	6,223	532	-	-	8,162
Other receipts	77	-	-	-	470	-	547
Total receipts	<u>5,908</u>	<u>5,313</u>	<u>14,827</u>	<u>6,111</u>	<u>470</u>	<u>-</u>	<u>32,629</u>
Disbursements:							
Personal services	5,056	-	-	-	-	-	5,056
Other services and charges	2,327	2,849	12,122	-	-	-	17,298
Other disbursements	-	-	-	-	-	534	534
Total disbursements	<u>7,383</u>	<u>2,849</u>	<u>12,122</u>	<u>-</u>	<u>-</u>	<u>534</u>	<u>22,888</u>
Excess (deficiency) of receipts over disbursements	<u>(1,475)</u>	<u>2,464</u>	<u>2,705</u>	<u>6,111</u>	<u>470</u>	<u>(534)</u>	<u>9,741</u>
Cash and investments - ending	<u>\$ 3,511</u>	<u>\$ 15,384</u>	<u>\$ 3,454</u>	<u>\$ 17,120</u>	<u>\$ 470</u>	<u>\$ 429</u>	<u>\$ 40,368</u>

WAYNE TOWNSHIP, HUNTINGTON COUNTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012

	Township	Township Assistance	Fire Fighting	Cumulative Fire	Rainy Day	Levy Excess	Totals
Cash and investments - beginning	\$ 3,511	\$ 15,384	\$ 3,454	\$ 17,120	\$ 470	\$ 429	\$ 40,368
Receipts:							
Taxes	4,727	3,912	8,409	5,768	-	-	22,816
Intergovernmental	1,811	340	6,856	543	-	-	9,550
Other receipts	4	-	-	-	-	-	4
Total receipts	<u>6,542</u>	<u>4,252</u>	<u>15,265</u>	<u>6,311</u>	<u>-</u>	<u>-</u>	<u>32,370</u>
Disbursements:							
Personal services	6,126	-	12,122	-	-	-	18,248
Supplies	931	-	-	-	-	-	931
Other services and charges	1,186	5,006	-	-	-	-	6,192
Other disbursements	612	-	-	-	-	-	612
Total disbursements	<u>8,855</u>	<u>5,006</u>	<u>12,122</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,983</u>
Excess (deficiency) of receipts over disbursements	<u>(2,313)</u>	<u>(754)</u>	<u>3,143</u>	<u>6,311</u>	<u>-</u>	<u>-</u>	<u>6,387</u>
Cash and investments - ending	<u>\$ 1,198</u>	<u>\$ 14,630</u>	<u>\$ 6,597</u>	<u>\$ 23,431</u>	<u>\$ 470</u>	<u>\$ 429</u>	<u>\$ 46,755</u>

WAYNE TOWNSHIP, HUNTINGTON COUNTY
EXAMINATION RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were incorrect. The fund balances used were incorrect and the outstanding check lists were incomplete. A similar comment appeared in prior Report B36785.

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."

ANNUAL REPORT

The Annual Reports for 2010, 2011, and 2012 contained a number of errors and did not properly reflect the financial activity of the Township. The detail of receipts and disbursements did not properly reflect the activity of numerous funds. The beginning fund balances did not agree with the prior year's ending fund balances for the years 2010 and 2011.

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. 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 reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

APPROPRIATIONS

The following expenditures exceeded budgeted appropriations:

<u>Fund</u>	<u>Years</u>	<u>Excess Amount Expended</u>
Fire Fighting	2010	\$ 90
Township	2012	685

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."

WAYNE TOWNSHIP, HUNTINGTON COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

COMPENSATION AND BENEFITS

Compensation and benefits were paid to five Township officials and employees in each of the years 2010, 2011, and 2012. The compensation and benefits paid to these officials and employees were \$4,750 for each of those years and were not approved by the Township Board using Township Form 17, Resolution Establishing Salaries of Township Officers and Employees.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

Indiana Code 36-6-6-10 requires the township board to set the salaries; wages; rates of hourly pay; and remuneration other than statutory allowances of all township officials and employees, except assessing officials and employees, for the year 1985 and each year thereafter . . . A type of format for recording these salaries should be the existing format of Township Form No. 17.

Township Form No. 17 (Revised 2008) has been prescribed to fulfill the requirements of the statute. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 2)

WAYNE TOWNSHIP, HUNTINGTON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 26, 2013, with Paul L. Walton, Trustee. The official concurred with our findings.