

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

GERMAN TOWNSHIP

BARTHOLOMEW COUNTY, INDIANA

January 1, 2010 to December 31, 2011



FILED
10/17/2013

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Chris West	01-01-07 to 12-31-14
Chairman of the Township Board	Rick Weinantz	01-01-10 to 12-31-10
	Larry Hoeltke	01-01-11 to 12-31-11
	Rick Weinantz	01-01-12 to 12-31-12
	Larry Hoeltke	01-01-13 to 12-31-13



STATE OF INDIANA
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF GERMAN TOWNSHIP, BARTHOLOMEW COUNTY, INDIANA

We were engaged to examine the accompanying financial statements of German 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. Accounting records presented for examination were incomplete and not reflective of the activity of the Township. The records presented did not provide sufficient information to examine or establish beginning and ending balances or determine the accuracy or correctness of the transactions. We noted numerous posting errors while trying to verify receipts and disbursements. There were some disbursements posted that we could not verify because no supporting documentation was provided. 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 any examination procedures and, accordingly, we express no opinion on them.

A handwritten signature in black ink, appearing to read "Bruce Hartman".

Bruce Hartman
State Examiner

September 30, 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.

GERMAN TOWNSHIP, BARTHOLOMEW 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	\$ 50,586	\$ 31,256	\$ 34,803	\$ 47,039
Township Assistance	16,529	43,156	48,132	11,553
Fire Fighting	31,508	54,819	45,955	40,372
Cumulative Fire	71,297	114,172	136,722	48,747
Rainy Day	3,970	5,122	-	9,092
Totals	<u>\$ 173,890</u>	<u>\$ 248,525</u>	<u>\$ 265,612</u>	<u>\$ 156,803</u>

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

GERMAN TOWNSHIP, BARTHOLOMEW 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	\$ 47,039	\$ 32,278	\$ 40,317	\$ 39,000
Township Assistance	11,553	49,713	44,656	16,610
Fire Fighting	40,372	54,923	43,200	52,095
Rainy Day	9,092	-	-	9,092
Cumulative Fire	<u>48,747</u>	<u>47,222</u>	<u>65,748</u>	<u>30,221</u>
Totals	<u>\$ 156,803</u>	<u>\$ 184,136</u>	<u>\$ 193,921</u>	<u>\$ 147,018</u>

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

GERMAN TOWNSHIP, BARTHOLOMEW 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.

GERMAN TOWNSHIP, BARTHOLOMEW 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.

GERMAN TOWNSHIP, BARTHOLOMEW 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.

GERMAN TOWNSHIP, BARTHOLOMEW 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>Cumulative Fire</u>	<u>Rainy Day</u>	<u>Totals</u>
Cash and investments - beginning	\$ 50,586	\$ 16,529	\$ 31,508	\$ 71,297	\$ 3,970	\$ 173,890
Receipts:						
Taxes	30,781	43,156	54,819	44,072	5,122	177,950
Other receipts	<u>475</u>	<u>-</u>	<u>-</u>	<u>70,100</u>	<u>-</u>	<u>70,575</u>
Total receipts	<u>31,256</u>	<u>43,156</u>	<u>54,819</u>	<u>114,172</u>	<u>5,122</u>	<u>248,525</u>
Disbursements:						
Personal services	19,219	-	-	-	-	19,219
Supplies	589	-	-	-	-	589
Other services and charges	14,096	48,132	45,955	-	-	108,183
Capital outlay	899	-	-	136,722	-	137,621
Other disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total disbursements	<u>34,803</u>	<u>48,132</u>	<u>45,955</u>	<u>136,722</u>	<u>-</u>	<u>265,612</u>
Excess (deficiency) of receipts over disbursements	<u>(3,547)</u>	<u>(4,976)</u>	<u>8,864</u>	<u>(22,550)</u>	<u>5,122</u>	<u>(17,087)</u>
Cash and investments - ending	<u>\$ 47,039</u>	<u>\$ 11,553</u>	<u>\$ 40,372</u>	<u>\$ 48,747</u>	<u>\$ 9,092</u>	<u>\$ 156,803</u>

GERMAN TOWNSHIP, BARTHOLOMEW 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>Cumulative Fire</u>	<u>Totals</u>
Cash and investments - beginning	\$ 47,039	\$ 11,553	\$ 40,372	\$ 9,092	\$ 48,747	\$ 156,803
Receipts:						
Taxes	27,983	31,048	30,864	-	42,524	132,419
Intergovernmental	4,194	18,665	24,059	-	4,698	51,616
Other receipts	101	-	-	-	-	101
Total receipts	<u>32,278</u>	<u>49,713</u>	<u>54,923</u>	<u>-</u>	<u>47,222</u>	<u>184,136</u>
Disbursements:						
Personal services	21,769	-	-	-	-	21,769
Supplies	939	278	-	-	65,748	66,965
Other services and charges	-	44,378	43,200	-	-	87,578
Other disbursements	17,609	-	-	-	-	17,609
Total disbursements	<u>40,317</u>	<u>44,656</u>	<u>43,200</u>	<u>-</u>	<u>65,748</u>	<u>193,921</u>
Excess (deficiency) of receipts over disbursements	<u>(8,039)</u>	<u>5,057</u>	<u>11,723</u>	<u>-</u>	<u>(18,526)</u>	<u>(9,785)</u>
Cash and investments - ending	<u>\$ 39,000</u>	<u>\$ 16,610</u>	<u>\$ 52,095</u>	<u>\$ 9,092</u>	<u>\$ 30,221</u>	<u>\$ 147,018</u>

GERMAN TOWNSHIP, BARTHOLOMEW COUNTY
 SCHEDULE OF LEASES AND DEBT
 December 31, 2011

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Governmental activities:			
Notes and loans payable	2005 Freightliner Pumper/Rescue	\$ 92,192	\$ 33,451
Notes and loans payable	2010 Ford Brush Truck	<u>55,685</u>	<u>15,031</u>
Total governmental activities		<u>147,877</u>	<u>48,482</u>
Totals		<u>\$ 147,877</u>	<u>\$ 48,482</u>

GERMAN TOWNSHIP, BARTHOLOMEW COUNTY
EXAMINATION RESULTS AND COMMENTS

CONDITION OF RECORDS

Financial records presented for examination were incomplete and not reflective of the activity of the Township. The records presented did not provide sufficient information to examine or establish beginning balances and ending balances, or the accuracy or correctness of the transactions. The beginning balances did not include \$3,970 in the Rainy Day Fund. We proposed and management approved the adjustment to the financial statements to include the balance reported in prior year as the balance as of January 1, 2010. We also noted numerous posting errors while trying to verify receipts and disbursements. The posting errors totaled \$1,129; however, we were unable to determine the cause of the errors. There were disbursements totaling \$2,020 that were posted which we could not verify due to a lack of supporting documentation provided. Due to the condition of records presented for examination, we could not perform sufficient procedures to determine if the financial statements were fairly presented.

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)

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were not conducted. The Trustee compared the bank account transactions to the fund ledger transactions but did not compare the depository balance to the total fund balance. We prepared a bank reconciliation using the adjusted balances as of December 31, 2011. We could not reconcile the adjusted balances to the bank balances. We noted a variance of \$3,476.

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 and 2011 were not filed electronically until July 4, 2011, and April 22, 2012, respectively.

The Annual Report for 2011 contained a number of errors and could not be verified to the financial records of the Township. Numerous errors to the records of the Township were noted and we could not determine if the records were correct. See Condition of Records comment above.

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."

GERMAN TOWNSHIP, BARTHOLOMEW COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 30, 2013, with Chris West, Trustee. The official concurred with our findings.