

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

ANDERSON TOWNSHIP

MADISON COUNTY, INDIANA

January 1, 2011 to December 31, 2012



FILED

01/09/2014

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Accountant's Report.....	3
Financial Statement:	
Statement of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis	7
Notes to Financial Statement.....	8-11
Supplementary Information - Unaudited:	
Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis	14-15
Examination Results and Comments:	
Annual Reports.....	16
Penalties, Interest, and Other Charges	16-17
Compensation and Benefits	17-18
Exit Conference.....	19

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Brenda L. Jones	01-01-11 to 12-31-14
Chairman of the Township Board	Larry Burns	01-01-11 to 02-14-12
	Elvis Jones	02-15-12 to 01-31-13
	Aaron Higgins	02-01-13 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

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF ANDERSON TOWNSHIP, MADISON COUNTY, INDIANA

We were engaged to examine the accompanying financial statement of Anderson Township (Township), for the period of January 1, 2011 to December 31, 2012. The financial statement is the responsibility of the Township's management.

The Township did not prepare the financial statement based on their accounting records; instead, the financial statement presented was prepared based on the records of an outside Accountant. The records presented for examination by the Trustee did not agree to the financial statement or the records of the outside Accountant. Attempts were made to reconcile the variances between the Trustee's records and the Accountant's records, which were reported on the financial statement; however, those attempts were not successful. The Township's records do not permit the application of other examination procedures to ascertain if the financial statement is fairly stated.

Since the Township did not prepare the financial statement based on their accounting records and a financial statement based on their records was not presented for examination, we were not able to apply other examination procedures to satisfy ourselves as to whether the financial statement is fairly stated; therefore, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on this financial statement.

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 examination procedures and, accordingly, we express no opinion on them.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

November 12, 2013

(This page intentionally left blank.)

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.

φ

(This page intentionally left blank.)

ANDERSON TOWNSHIP, MADISON COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Years Ended December 31, 2011 And 2012

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11	Receipts	Disbursements	Cash and Investments 12-31-12
Township	\$ 24,587	\$ 131,865	\$ 131,861	\$ 24,591	\$ 167,860	\$ 192,159	\$ 292
Township Assistance	5,545	458,594	448,841	15,298	467,514	454,264	28,548
Rainy Day	639	-	-	639	-	-	639
Levy Excess	1,095	-	1,095	-	-	-	-
Withholding Balance	4,261	-	-	4,261	-	-	4,261
Totals	<u>\$ 36,127</u>	<u>\$ 590,459</u>	<u>\$ 581,797</u>	<u>\$ 44,789</u>	<u>\$ 635,374</u>	<u>\$ 646,423</u>	<u>\$ 33,740</u>

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

ANDERSON TOWNSHIP, MADISON 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 Indiana 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.

ANDERSON TOWNSHIP, MADISON 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.

ANDERSON TOWNSHIP, MADISON 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 statements. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

ANDERSON TOWNSHIP, MADISON COUNTY
NOTES TO FINANCIAL STATEMENT
(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.

(This page intentionally left blank.)

SUPPLEMENTARY INFORMATION – UNAUDITED

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 is 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.

ANDERSON TOWNSHIP, MADISON 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>Rainy Day</u>	<u>Levy Excess</u>	<u>Withholding Balance</u>	<u>Totals</u>
Cash and investments - beginning	\$ 24,587	\$ 5,545	\$ 639	\$ 1,095	\$ 4,261	\$ 36,127
Receipts:						
Taxes	79,798	286,429	-	-	-	366,227
Intergovernmental	27,577	109,064	-	-	-	136,641
Other receipts	24,490	63,101	-	-	-	87,591
Total receipts	<u>131,865</u>	<u>458,594</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>590,459</u>
Disbursements:						
Personal services	90,401	282,622	-	-	-	373,023
Supplies	2,526	677	-	-	-	3,203
Other services and charges	38,934	165,542	-	-	-	204,476
Other disbursements	-	-	-	1,095	-	1,095
Total disbursements	<u>131,861</u>	<u>448,841</u>	<u>-</u>	<u>1,095</u>	<u>-</u>	<u>581,797</u>
Excess (deficiency) of receipts over disbursements	<u>4</u>	<u>9,753</u>	<u>-</u>	<u>(1,095)</u>	<u>-</u>	<u>8,662</u>
Cash and investments - ending	<u>\$ 24,591</u>	<u>\$ 15,298</u>	<u>\$ 639</u>	<u>\$ -</u>	<u>\$ 4,261</u>	<u>\$ 44,789</u>

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

	<u>Township</u>	<u>Township Assistance</u>	<u>Rainy Day</u>	<u>Withholding Balance</u>	<u>Totals</u>
Cash and investments - beginning	\$ 24,591	\$ 15,298	\$ 639	\$ 4,261	\$ 44,789
Receipts:					
Taxes	48,755	263,346	-	-	312,101
Intergovernmental	60,260	105,264	-	-	165,524
Other receipts	<u>58,845</u>	<u>98,904</u>	<u>-</u>	<u>-</u>	<u>157,749</u>
Total receipts	<u>167,860</u>	<u>467,514</u>	<u>-</u>	<u>-</u>	<u>635,374</u>
Disbursements:					
Personal services	94,123	266,615	-	-	360,738
Supplies	2,222	1,264	-	-	3,486
Other services and charges	95,700	171,385	-	-	267,085
Capital outlay	114	-	-	-	114
Other disbursements	<u>-</u>	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>15,000</u>
Total disbursements	<u>192,159</u>	<u>454,264</u>	<u>-</u>	<u>-</u>	<u>646,423</u>
Excess (deficiency) of receipts over disbursements	<u>(24,299)</u>	<u>13,250</u>	<u>-</u>	<u>-</u>	<u>(11,049)</u>
Cash and investments - ending	<u>\$ 292</u>	<u>\$ 28,548</u>	<u>\$ 639</u>	<u>\$ 4,261</u>	<u>\$ 33,740</u>

ANDERSON TOWNSHIP, MADISON COUNTY
EXAMINATION RESULTS AND COMMENTS

ANNUAL REPORTS

The Annual Reports for 2011 and 2012 do not reflect the Township Trustee's records. The information contained in the Annual Reports was prepared from parallel records maintained by an accounting firm. On a monthly basis, the accounting firm received financial information from the Trustee. Both parties did not always account for the activity in the same manner causing differences. There were significant differences between the fund balances at each year end due to transaction recording differences. While fund balances were significantly different at year end, the total of all cash balances did not reflect such large differences.

The supporting records which accompanied the Annual Financial Reports were provided by the Trustee. This detail was based on the accountant's records. Detailed information was not provided to support the Trustee's records. The opinion on the financial statement has been modified, because the financial statement was based on the Annual Reports, which do not reflect the Anderson Township's records.

The following fund cash balances were provided for examination without any resolution as to their differences and accuracies:

Fund	Township Trustee's Records		Annual Reports/ Accountant's Records	
	Balance 12-31-11	Balance 12-31-12	Balance 12-31-11	Balance 12-31-12
Township	\$ (15,673)	\$ 64,582	\$ 24,591	\$ 292
Township Assistance	53,219	(35,919)	15,298	28,548
Rainy Day	639	639	639	639
Withholding Balance	6,526	2,288	4,261	4,261
Totals	<u>\$ 44,711</u>	<u>\$ 31,591</u>	<u>\$ 44,789</u>	<u>\$ 33,740</u>

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."

PENALTIES, INTEREST, AND OTHER CHARGES

The Township paid penalties and interest for not reporting and paying federal and state taxes and withholdings on the required time schedules. This occurred in both years. The Township paid \$738.95 to the U.S. Department of the Treasury for federal penalties and interest, during the two year period. Additionally, during 2012, the Township made two payments totaling \$227.45 to the Indiana Department of Revenue (IDOR) for penalties of \$220 and interest of \$7.45 for late payment of employee withholdings.

A Notice of Levy was issued by the Internal Revenue Service (IRS) on July 30, 2012, which placed a hold on the Township's bank account. The IRS required payment for the taxes, penalty, and interest due from December 31, 2011 Form 941 in the amount of \$4,125.38 which was the calculated amount due on August 22, 2012. The Township paid \$2,736.27 on August 3, 2012, to satisfy the Notice of Levy. No other information was provided concerning this matter.

ANDERSON TOWNSHIP, MADISON COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

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)

COMPENSATION AND BENEFITS

Testing of compensation and benefits was limited due to inadequate records being maintained by the Township and lack of proper resolutions being adopted by the Township Board. Since records did not contain enough information and policies had not been properly adopted, we could not fully examine payroll to determine if salaries and wages had been properly paid. When reviewed analytically, salaries and wages paid did not indicate significant differences from prior years.

During our review, the following issues were noted:

- A salary resolution was not adopted for 2011, but payments were based on the Township budget estimate.
- A leave and overtime policy was not presented for examination. A leave policy was adopted on March 11, 1999, but was not followed. We noted employees were paid for vacation, sick, and personal leave at various rates, with some unused leave balances carrying over from year to year.
- The Employee's Service Records (Form 99a) were not completed properly. Balances were not maintained on the forms which made it difficult to determine if the leave taken was authorized.
- Since time sheets were not kept, we could not determine if the vacation, sick, and personal leave taken was recorded properly on the Form 99a's.
- The amount of compensation and benefits paid to one employee was decreased in the third quarter of 2011. No documents were presented to support the change.

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)

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)

ANDERSON TOWNSHIP, MADISON COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

Each governmental unit should adopt written policy regarding the accrual and use of leave time and compensatory time and the payment of overtime. Negotiated labor contracts approved by the governing board would be considered as written policy. The policy should conform to the requirements of all state and federal regulatory agencies. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

ANDERSON TOWNSHIP, MADISON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 12, 2013, with Brenda L. Jones, Trustee, and Aaron Higgins, Chairman of the Township Board. The officials concurred with our findings.