

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

TOWN OF ONWARD

CASS COUNTY, INDIANA

January 1, 2010 to December 31, 2011



FILED
02/06/2015

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Accountant's Report.....	3
Financial Statements:	
Statements of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis	6-7
Notes to Financial Statements	8-10
Supplementary Information - Unaudited:	
Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis	12-13
Schedule of Capital Assets.....	14
Examination Results and Comments:	
Official Bond	15
Condition of Records	15
Annual Report.....	16
Federal and State Agencies - Compliance Requirements - Payroll Deductions.....	16
Federal and State Agencies - Compliance Requirements - Nonemployee Compensation	16
Exit Conference.....	17

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Cherenae Mullens	01-01-08 to 12-31-15
President of the Town Council	Chris Donovan	01-01-10 to 12-31-14



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 THE TOWN OF ONWARD, CASS COUNTY, INDIANA

We have examined the accompanying financial statements of the Town of Onward (Town), for the period of January 1, 2010 to December 31, 2011. The financial statements are the responsibility of the Town'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 Town prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana 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 Town 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 Town 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 Town's financial statements. The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis and Schedule of Capital Assets, 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.

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

July 19, 2012

(This page intentionally left blank.)

FINANCIAL STATEMENTS

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

TOWN OF ONWARD
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
General	\$ 21,806	\$ 12,505	\$ 14,084	\$ 20,227
Motor Vehicle Highway	14,696	2,132	-	16,828
Local Roads And Streets	8,307	488	-	8,795
Nonreverting Park	6,291	-	-	6,291
Rainy Day Fund	1,997	2,488	2	4,483
Cumulative Capital Improvement	3,153	237	-	3,390
Totals	<u>\$ 56,250</u>	<u>\$ 17,850</u>	<u>\$ 14,086</u>	<u>\$ 60,014</u>

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

TOWN OF ONWARD
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
General	\$ 20,227	\$ 11,794	\$ 15,703	\$ 16,318
Motor Vehicle Highway	16,828	2,155	-	18,983
Local Roads And Streets	8,795	472	-	9,267
Rainy Day Fund	4,483	621	-	5,104
Cumulative Capital Improvement	3,390	232	-	3,622
Nonreverting Park	6,291	-	204	6,087
Totals	<u>\$ 60,014</u>	<u>\$ 15,274</u>	<u>\$ 15,907</u>	<u>\$ 59,381</u>

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

TOWN OF ONWARD
NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The Town was established under the laws of the State of Indiana. The Town operates under a Town Council form of government and provides some or all of the following services: highways and streets, health and social services, culture and recreation, public improvements, general administrative services, and trash.

The accompanying financial statements present the financial information for the Town.

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 Town.

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.

TOWN OF ONWARD
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 Town 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 Town. 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 Town. 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 Town 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.

TOWN OF ONWARD
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 Town 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 Town 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 Town 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 Town 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 Town 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. These risks may also be mitigated by the Town by recording as a disbursement any replacement items purchased.

SUPPLEMENTARY INFORMATION - UNAUDITED

For additional financial information, the Town's Annual Report information 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 Town 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 Town. It is presented as intended by the Town.

TOWN OF ONWARD
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2010

	General	Motor Vehicle Highway	Local Roads And Streets	Nonreverting Park	Rainy Day Fund	Cumulative Capital Improvement	Totals
Cash and investments - beginning	\$ 21,806	\$ 14,696	\$ 8,307	\$ 6,291	\$ 1,997	\$ 3,153	\$ 56,250
Receipts:							
Taxes	9,494	-	-	-	-	-	9,494
Intergovernmental	2,928	2,132	488	-	2,488	237	8,273
Other receipts	83	-	-	-	-	-	83
Total receipts	<u>12,505</u>	<u>2,132</u>	<u>488</u>	<u>-</u>	<u>2,488</u>	<u>237</u>	<u>17,850</u>
Disbursements:							
Personal services	2,300	-	-	-	-	-	2,300
Supplies	28	-	-	-	-	-	28
Other services and charges	11,698	-	-	-	-	-	11,698
Other disbursements	58	-	-	-	2	-	60
Total disbursements	<u>14,084</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2</u>	<u>-</u>	<u>14,086</u>
Excess (deficiency) of receipts over disbursements	<u>(1,579)</u>	<u>2,132</u>	<u>488</u>	<u>-</u>	<u>2,486</u>	<u>237</u>	<u>3,764</u>
Cash and investments - ending	<u>\$ 20,227</u>	<u>\$ 16,828</u>	<u>\$ 8,795</u>	<u>\$ 6,291</u>	<u>\$ 4,483</u>	<u>\$ 3,390</u>	<u>\$ 60,014</u>

TOWN OF ONWARD
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2011

	General	Motor Vehicle Highway	Local Roads And Streets	Rainy Day Fund	Cumulative Capital Improvement	Nonreverting Park	Totals
Cash and investments - beginning	\$ 20,227	\$ 16,828	\$ 8,795	\$ 4,483	\$ 3,390	\$ 6,291	\$ 60,014
Receipts:							
Taxes	8,198	-	-	-	-	-	8,198
Intergovernmental	3,528	2,155	472	621	232	-	7,008
Other receipts	68	-	-	-	-	-	68
Total receipts	<u>11,794</u>	<u>2,155</u>	<u>472</u>	<u>621</u>	<u>232</u>	<u>-</u>	<u>15,274</u>
Disbursements:							
Personal services	2,300	-	-	-	-	-	2,300
Supplies	219	-	-	-	-	-	219
Other services and charges	13,184	-	-	-	-	204	13,388
Total disbursements	<u>15,703</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>204</u>	<u>15,907</u>
Excess (deficiency) of receipts over disbursements	<u>(3,909)</u>	<u>2,155</u>	<u>472</u>	<u>621</u>	<u>232</u>	<u>(204)</u>	<u>(633)</u>
Cash and investments - ending	<u>\$ 16,318</u>	<u>\$ 18,983</u>	<u>\$ 9,267</u>	<u>\$ 5,104</u>	<u>\$ 3,622</u>	<u>\$ 6,087</u>	<u>\$ 59,381</u>

TOWN OF ONWARD
 SCHEDULE OF CAPITAL ASSETS
 December 31, 2011

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

	Ending Balance
Governmental activities:	
Land	\$ 10,000
Buildings	40,000
Improvements other than buildings	150
Machinery and equipment	34,201
Total governmental activities	84,351
Total capital assets	\$ 84,351

TOWN OF ONWARD
EXAMINATION RESULTS AND COMMENTS

OFFICIAL BOND

The Clerk-Treasurer's bond amount was \$20,000 during the examination period. Effective July 1, 2010, the bond amount should have been increased to \$30,000.

Indiana Code 5-4-1-18(e) states in part:

" . . . the fiscal bodies of the respective units shall fix the amount of the bond of . . . town clerk-Treasurers . . . as follows:

- (1) The amount of annual coverage must equal (\$30,000) thirty thousand dollars for each one million dollars (\$1,000,000) of receipts of the officer's office during the last complete fiscal year before the purchase of the bond, subject to subdivision (2).
- (2) The amount of annual coverage may not be less than thirty thousand dollars (\$30,000) nor more than three hundred thousand dollars (\$300,000) unless the fiscal body approves a greater amount of annual coverage for the officer or employee."

CONDITION OF RECORDS

The following deficiencies relating to the recordkeeping were present during our period of examination:

- (1) Town records did not reconcile to depository balances during the two year period.

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 deposits not receipted, checks and receipts not recorded in the proper amounts, and distributions posted to incorrect funds.

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 Cities and Towns, Chapter 7)

- (3) A local Cass County Wheel Tax/Surtax distribution of \$119.72 (check no. 16906) dated April 13, 2011, has not been receipted into the unit's ledger or deposited into the unit's bank account. The check remains outstanding on the County Treasurer's ledger.

Indiana Code 5-13-6-1(d) requires cities and towns to deposit all funds not later than the next business day following the receipt of funds in depositories selected by the city or town as provided in an ordinance adopted by the city or town and approved as depositories of state funds.

TOWN OF ONWARD
EXAMINATION RESULTS AND COMMENTS
(Continued)

ANNUAL REPORT

The Annual City and Town Financial Report (CTAR-1) for 2010 and the Annual Financial Report for 2011 were not reflective of the activity of the Town of Onward.

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 Cities and Towns, Chapter 7)

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS - PAYROLL DEDUCTIONS

Payments were made to some employees without payroll deductions for taxes.

A similar comment was noted in prior Reports B26995, B32967, and B37732.

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 Cities and Towns, Chapter 7)

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 Cities and Towns, Chapter 7)

***FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS -
NONEMPLOYEE COMPENSATION***

During the two year examination period, an individual received payments which exceeded \$600 for mowing services. The Town did not issue 1099's to this individual for nonemployee compensation.

A similar comment was noted in prior Reports B26995, B32967, and B37732.

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 Cities and Towns, Chapter 7)

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 Cities and Towns, Chapter 7)

TOWN OF ONWARD
EXIT CONFERENCE

The contents of this report were discussed on July 19, 2012, with Cherenae Mullens, Clerk-Treasurer.