

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

TOWN OF ONWARD

CASS COUNTY, INDIANA

January 1, 2012 to December 31, 2013



FILED
02/06/2015

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SCHEDULE OF OFFICIALS

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



STATE OF INDIANA
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF ONWARD, CASS COUNTY, INDIANA

We have examined the accompanying financial statement of the Town of Onward (Town), for the period of January 1, 2012 to December 31, 2013. The financial statement is the responsibility of the Town'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 Town prepares its financial statement 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 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.

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 Town for the period of January 1, 2012 to December 31, 2013.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the Town for the period of January 1, 2012 to December 31, 2013, 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 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.

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

October 3, 2014

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FINANCIAL STATEMENT

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

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TOWN OF ONWARD
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended December 31, 2012 and 2013

Fund	Cash and Investments 01-01-12	Receipts	Disbursements	Cash and Investments 12-31-12	Receipts	Disbursements	Cash and Investments 12-31-13
General	\$ 16,318	\$ 27,817	\$ 31,573	\$ 12,562	\$ 32,042	\$ 41,591	\$ 3,013
Motor Vehicle Highway	18,984	3,676	-	22,660	4,001	-	26,661
Local Roads And Streets	9,267	514	-	9,781	530	-	10,311
Rainy Day Fund	5,103	-	-	5,103	-	-	5,103
Cumulative Capital Improvement	3,623	265	-	3,888	268	-	4,156
Nonreverting Park	6,087	-	85	6,002	-	147	5,855
Totals	<u>\$ 59,382</u>	<u>\$ 32,272</u>	<u>\$ 31,658</u>	<u>\$ 59,996</u>	<u>\$ 36,841</u>	<u>\$ 41,738</u>	<u>\$ 55,099</u>

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

TOWN OF ONWARD
NOTES TO FINANCIAL STATEMENT

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, culture and recreation, public improvements, planning and zoning, general administrative services.

The accompanying financial statement presents the financial information for the Town.

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. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

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 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 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.

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.

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

TOWN OF ONWARD
NOTES TO FINANCIAL STATEMENT
(Continued)

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 statement. 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 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 statement 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, 2012

	General	Motor Vehicle Highway	Local Roads And Streets	Rainy Day Fund	Cumulative Capital Improvement	Nonreverting Park	Totals
Cash and investments - beginning	\$ 16,318	\$ 18,984	\$ 9,267	\$ 5,103	\$ 3,623	\$ 6,087	\$ 59,382
Receipts:							
Taxes	11,057	3,676	514	-	-	-	15,247
Intergovernmental	4,718	-	-	-	265	-	4,983
Other receipts	12,042	-	-	-	-	-	12,042
Total receipts	<u>27,817</u>	<u>3,676</u>	<u>514</u>	<u>-</u>	<u>265</u>	<u>-</u>	<u>32,272</u>
Disbursements:							
Personal services	2,300	-	-	-	-	-	2,300
Supplies	115	-	-	-	-	-	115
Other services and charges	29,158	-	-	-	-	-	29,158
Other disbursements	-	-	-	-	-	85	85
Total disbursements	<u>31,573</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>85</u>	<u>31,658</u>
Excess (deficiency) of receipts over disbursements	<u>(3,756)</u>	<u>3,676</u>	<u>514</u>	<u>-</u>	<u>265</u>	<u>(85)</u>	<u>614</u>
Cash and investments - ending	<u>\$ 12,562</u>	<u>\$ 22,660</u>	<u>\$ 9,781</u>	<u>\$ 5,103</u>	<u>\$ 3,888</u>	<u>\$ 6,002</u>	<u>\$ 59,996</u>

TOWN OF ONWARD
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013

	General	Motor Vehicle Highway	Local Roads And Streets	Rainy Day Fund	Cumulative Capital Improvement	Nonreverting Park	Totals
Cash and investments - beginning	\$ 12,562	\$ 22,660	\$ 9,781	\$ 5,103	\$ 3,888	\$ 6,002	\$ 59,996
Receipts:							
Taxes	10,402	4,001	530	-	-	-	14,933
Intergovernmental	18,628	-	-	-	268	-	18,896
Other receipts	3,012	-	-	-	-	-	3,012
Total receipts	<u>32,042</u>	<u>4,001</u>	<u>530</u>	<u>-</u>	<u>268</u>	<u>-</u>	<u>36,841</u>
Disbursements:							
Personal services	2,300	-	-	-	-	-	2,300
Supplies	191	-	-	-	-	-	191
Other services and charges	39,100	-	-	-	-	-	39,100
Other disbursements	-	-	-	-	-	147	147
Total disbursements	<u>41,591</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>147</u>	<u>41,738</u>
Excess (deficiency) of receipts over disbursements	<u>(9,549)</u>	<u>4,001</u>	<u>530</u>	<u>-</u>	<u>268</u>	<u>(147)</u>	<u>(4,897)</u>
Cash and investments - ending	<u>\$ 3,013</u>	<u>\$ 26,661</u>	<u>\$ 10,311</u>	<u>\$ 5,103</u>	<u>\$ 4,156</u>	<u>\$ 5,855</u>	<u>\$ 55,099</u>

TOWN OF ONWARD
EXAMINATION RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were not presented for the examination period of January 1, 2012 to December 31, 2013.

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."

CONTRACTS

Payments totaling \$2,900 were made to a vendor for mowing services in 2012 and 2013. A contract was not presented for examination for these services.

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Towns, Chapter 7)

ANNUAL FINANCIAL REPORT

The Annual Financial Report for 2012, which was to be filed by March 1, 2013, was not filed electronically until April 14, 2013.

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."

OFFICIAL BOND

The Clerk-Treasurer Surety Bond was insufficient per the Indiana Code. 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 states in part:

"(a) Except as provided in subsection (b), the following city, town, county, or township officers and employees shall file an individual surety bond: . . .

(2) Town judges and clerk-treasurers. . . .

(b) The fiscal body of a city, town, county, or township may by ordinance authorize the purchase of a blanket bond or a crime insurance policy endorsed to include faithful performance to cover the faithful performance of all employees, commission members, and persons acting on behalf of the local government unit, including those officers described in subsection (a).

TOWN OF ONWARD
EXAMINATION RESULTS AND COMMENTS
(Continued)

(c) Except as provided in subsections (h) and (i), the fiscal bodies of the respective units shall fix the amount of the bond of city controllers, city clerk-treasurers, town clerk-treasurers, Barrett Law fund custodians, county treasurers, county sheriffs, circuit court clerks, township trustees, and conservancy district financial clerks as follows:

- (1) The amount must equal thirty thousand dollars (\$30,000) 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 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 for the officer or employee.

County auditors shall file bonds in amounts of not less than thirty thousand dollars (\$30,000), as fixed by the fiscal body of the county. The amount of the bond of any other person required to file an individual bond shall be fixed by the fiscal body of the unit at not less than fifteen thousand dollars (\$15,000)."

STATE AND FEDERAL TAXES

The Town paid the Clerk-Treasurer \$2,000 for each year of the examination period without withholding federal, state, and local taxes. In addition, three Board members were paid \$100 per year of the examination period without withholding federal, state, and local taxes.

The Town also paid a vendor \$2,900 for mowing services during the examination period without issuing a 1099. They also paid another vendor \$15,000 in 2012 and \$25,296.64 in 2013 for excavating services without issuing a 1099 for either year.

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 Towns, Chapter 7)

CONDITION OF RECORDS

Financial records presented for examination were incomplete and not reflective of the activity of all funds. Deficiencies include:

1. There were a considerable number of recording errors. These errors included deposits not receipted, checks and receipts not recorded in the proper amounts, and distributions recorded in the incorrect fund.
2. Receipts were not issued for all funds deposited by the unit.
3. Funds were not deposited on a timely basis. Receipts were issued for March, April, July, October, and November of 2013; however, they were not deposited until the next month.
4. Interest was not receipted.

TOWN OF ONWARD
EXAMINATION RESULTS AND COMMENTS
(Continued)

5. The Rainy Day Fund was not included in Ledger.
6. Funds ledger balances did not agree with Annual Financial Report (AFR). Errors included on the AFR consisted of tax distribution receipts recorded in the incorrect funds, and checks not recorded in proper years. Changes made to the AFR resulted in a difference in the cash balances for 2012 and 2013 of (\$17,411) and \$3,814, respectively.

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 Towns, Chapter 7)

PENALTIES, INTEREST, AND OTHER CHARGES

The Town paid penalties, interest, and other charges to Cass County Treasurer in the amount of \$100.94 because the Town did not remit tax payments on a timely basis.

A transfer of title was issued to the Town during the examination period for the Onward School. Property taxes were assessed which became the responsibility of the Town. Taxes of \$1,094.13 due May 10, 2012, were not paid until June 14, 2012, which resulted in the assessment of penalties and interest.

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 Towns, Chapter 7)

TOWN OF ONWARD
EXIT CONFERENCE

The contents of this report were discussed on October 3, 2014, with Cherenae Mullens, Clerk-Treasurer.