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

EXAMINATION REPORT

OF

ERVIN TOWNSHIP

HOWARD COUNTY, INDIANA

January 1, 2006 to December 31, 2007

FILED

12/23/2008

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OFFICIALS

Office	Official	Term
Trustee	Thomas Gillam	01-01-03 to 12-31-06
	Connie Longshore	01-01-07 to 12-31-10
Chairman of the Township Board	Joseph Pohlman	01-01-06 to 12-31-06
	Wayne White	01-01-07 to 12-31-08

STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF ERVIN TOWNSHIP, HOWARD COUNTY, INDIANA

We have examined the financial information presented herein of Ervin Township (Township), for the period of January 1, 2006 to December 31, 2007. The Township's management is responsible for the financial information presented herein. Our responsibility is to express an opinion 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 information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above present fairly, in all material respects, the financial information of the Township for the years ended December 31, 2006 and 2007, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

October 23, 2008

ERVIN TOWNSHIP, HOWARD COUNTY
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL FUND TYPES
As Of And For The Years Ended December 31, 2006 And 2007

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
Township	$ 70,115	$ 15,529	$ 17,006	$ 68,638
Dog	300	76	26	350
Township Assistance	34,822	-	6,698	28,124
Firefighting	7,889	52,370	47,000	13,259
Totals	$ 113,126	$ 67,975	$ 70,730	$ 110,371

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
Township	$ 68,638	$ 8,531	$ 11,266	$ 65,903
Dog	350	-	350	-
Township Assistance	28,124	-	2,926	25,198
Firefighting	13,259	31,556	47,000	(2,185)
Totals	$ 110,371	$ 40,087	$ 61,542	$ 88,916

The accompanying notes are an integral part of the financial information.

ERVIN TOWNSHIP, HOWARD COUNTY
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The Township was established under the laws of the State of Indiana. The Township provides the following services: public safety, health and social services, culture and recreation, and general administrative services.

Note 2. Fund Accounting

The Township uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Township in June and December. 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% 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 become delinquent if not paid by May 10 and November 10, respectively.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were 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 statute (IC 5-13-9) authorizes 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.

OVERDRAWN CASH BALANCE

The cash balance of the Firefighting Fund was overdrawn $2,185 at December 31, 2007.

The cash balance of any fund may not be reduced below zero. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

PENALTIES, INTEREST, AND OTHER CHARGES

Information presented for examination indicates that, in some cases, amounts payable to vendors and other suppliers for goods and services are not being paid until ten months after the invoice dates.

Late payroll tax penalties and interest totaling $70.84 and $63.90 were paid to the Indiana Department of Revenue during 2006 and 2007, respectively. Also, penalties and interest totaling $279.75 were paid to the Internal Revenue Service on February 28, 2008, related to late filings/payments for the first three quarterly tax periods of 2007.

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)

INVESTMENT MATURITY LIMITATIONS

The Township purchased certificates of deposit, which have a stated maturity in excess of two years.

Indiana Code 5-13-9-5.6 states in part: " . . . investments made under this chapter must have a stated final maturity of not more than . . . (3) two (2) years . . . after the date of purchase or entry into a repurchase agreement."

INTEREST ON INVESTMENTS

Interest earned on investments is automatically added to the principal and not recorded in the records.

Interest on investments should not be automatically added into the investment. Instead, interest on investments should be paid to the governmental unit at each maturity date and posted to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

OVERPAYMENT COLLECTIONS

Overpayments of $527.88 were made to the Internal Revenue Service as a result of errors made in preparation of the 2007 Form 941, Employer's Quarterly Federal Tax Returns. Refunds have not been received as of October 23, 2008.

Governmental units should collect any overpayments made. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

TIMELY RECORDKEEPING

We noted instances of months from the time of the original date of transactions until entry on the records.

All documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1 et seq., commonly referred to as the Public Records Law. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

CONDITION OF RECORDS

Not all records were presented for examination. Several payments, including a Township Assistance disbursement, were observed which did not contain adequate supporting documentation such as receipts and invoices. Due to the lack of supporting information, the validity and accountability for some monies disbursed could not be established. Optical images of cancelled checks were not provided for review from July through December of 2006. Also, not all payroll information was provided for the year 2006; no Form W-2's, Form 941's or Township Form 17's were made available for review.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

Indiana Code 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

DEPOSIT OF PUBLIC FUNDS

We noted instances where the Trustee was making deposits less than once a month.

Indiana Code 5-13-6-1(c) states in part: "The public funds collected by township trustees shall be deposited in the designated depository on or before the first and fifteenth day of each month."

ERVIN TOWNSHIP, HOWARD COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 23, 2008, with Connie Longshore, Trustee. The official concurred with our findings.