

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

WASHINGTON TOWNSHIP

CARROLL COUNTY, INDIANA

January 1, 2010 to December 31, 2011



FILED

04/23/2012

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Lois A. Wallace	01-01-07 to 12-31-14
Chairman of the Township Board	William Hardy Patrick H. O'Donnell	01-01-10 to 12-31-11 01-01-12 to 12-31-12



STATE OF INDIANA
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF WASHINGTON TOWNSHIP, CARROLL COUNTY, INDIANA

We have examined the financial statements of Washington Township (Township), for the period of January 1, 2010 to December 31, 2011. The Township's management is responsible for the financial statements. 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 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 Township prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the 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 basis noted above is a different basis than that used in the prior year.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Township for the years ended December 31, 2010 and 2011, on the basis of accounting described in Note 1.

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 statements. They have not been subjected to the examination procedures applied to the financial statements and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Township's management, Township Board, others within the entity, and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

March 8, 2012

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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.

WASHINGTON TOWNSHIP, CARROLL COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2010

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
Township	\$ 5,148	\$ 15,498	\$ 11,199	\$ 9,447
Dog	296	-	296	-
Township Assistance	15,952	1,522	2,341	15,133
Fire Fighting	15,946	7,514	8,700	14,760
Cumulative Fire	13,569	17,690	2,200	29,059
Rainy Day	124	75	-	199
Payroll Withholdings	(1,213)	505	788	(1,496)
Totals	<u>\$ 49,822</u>	<u>\$ 42,804</u>	<u>\$ 25,524</u>	<u>\$ 67,102</u>

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

WASHINGTON TOWNSHIP, CARROLL COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2011

	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
Township	\$ 9,447	\$ 42,568	\$ 40,323	\$ 11,692
Township Assistance	15,133	-	2,655	12,478
Fire Fighting	14,760	5,709	8,700	11,769
Cumulative Fire	29,059	13,491	6,100	36,450
Rainy Day	199	-	-	199
Payroll Withholdings	(1,496)	528	752	(1,720)
Totals	<u>\$ 67,102</u>	<u>\$ 62,296</u>	<u>\$ 58,530</u>	<u>\$ 70,868</u>

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

WASHINGTON TOWNSHIP, CARROLL 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 may 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.

WASHINGTON TOWNSHIP, CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

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 may 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

WASHINGTON TOWNSHIP, CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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.

WASHINGTON TOWNSHIP, CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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. These risks may also be mitigated by the Township by recording as a disbursement any replacement items purchased.

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SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Township's 2010 Annual Report can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

For additional financial information, the Township's 2011 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 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.

WASHINGTON TOWNSHIP, CARROLL COUNTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010

	<u>Township</u>	<u>Dog</u>	<u>Township Assistance</u>	<u>Fire Fighting</u>	<u>Cumulative Fire</u>	<u>Rainy Day</u>	<u>Payroll Withholdings</u>	<u>Totals</u>
Cash and investments - beginning	\$ 5,148	\$ 296	\$ 15,952	\$ 15,946	\$ 13,569	\$ 124	\$ (1,213)	\$ 49,822
Receipts:								
Taxes	14,992	-	1,522	7,514	17,690	75	-	41,793
Other receipts	506	-	-	-	-	-	505	1,011
Total receipts	<u>15,498</u>	<u>-</u>	<u>1,522</u>	<u>7,514</u>	<u>17,690</u>	<u>75</u>	<u>505</u>	<u>42,804</u>
Disbursements:								
Personal services	7,704	-	-	-	-	-	-	7,704
Supplies	350	-	-	-	-	-	-	350
Other services and charges	3,145	-	2,341	8,700	-	-	-	14,186
Capital outlay	-	-	-	-	2,200	-	-	2,200
Other disbursements	-	296	-	-	-	-	788	1,084
Total disbursements	<u>11,199</u>	<u>296</u>	<u>2,341</u>	<u>8,700</u>	<u>2,200</u>	<u>-</u>	<u>788</u>	<u>25,524</u>
Excess (deficiency) of receipts over disbursements	<u>4,299</u>	<u>(296)</u>	<u>(819)</u>	<u>(1,186)</u>	<u>15,490</u>	<u>75</u>	<u>(283)</u>	<u>17,280</u>
Cash and investments - ending	<u>\$ 9,447</u>	<u>\$ -</u>	<u>\$ 15,133</u>	<u>\$ 14,760</u>	<u>\$ 29,059</u>	<u>\$ 199</u>	<u>\$ (1,496)</u>	<u>\$ 67,102</u>

WASHINGTON TOWNSHIP, CARROLL COUNTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011

	Township	Township Assistance	Fire Fighting	Cumulative Fire	Rainy Day	Payroll Withholdings	Totals
Cash and investments - beginning	\$ 9,447	\$ 15,133	\$ 14,760	\$ 29,059	\$ 199	\$ (1,496)	\$ 67,102
Receipts:							
Taxes	8,299	-	2,496	13,491	-	-	24,286
Intergovernmental	5,156	-	3,213	-	-	-	8,369
Other receipts	29,113	-	-	-	-	528	29,641
Total receipts	42,568	-	5,709	13,491	-	528	62,296
Disbursements:							
Personal services	8,118	-	-	-	-	-	8,118
Supplies	264	-	-	-	-	-	264
Other services and charges	2,828	2,655	8,700	-	-	-	14,183
Capital outlay	-	-	-	6,100	-	-	6,100
Other disbursements	29,113	-	-	-	-	752	29,865
Total disbursements	40,323	2,655	8,700	6,100	-	752	58,530
Excess (deficiency) of receipts over disbursements	2,245	(2,655)	(2,991)	7,391	-	(224)	3,766
Cash and investments - ending	\$ 11,692	\$ 12,478	\$ 11,769	\$ 36,450	\$ 199	\$ (1,720)	\$ 70,868

WASHINGTON TOWNSHIP, CARROLL COUNTY
EXAMINATION RESULTS AND COMMENTS

SALES TAX

Sales tax was paid for some purchases. It was noted that (9) purchases through Staples had a total of \$20.30 sales tax paid for our examination period.

Governmental funds generally are exempt from the payment of sales tax on qualifying purchases. Respective tax agencies should always be contacted concerning tax exemptions and payments. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

OFFICIAL BOND

The Trustee's official bond was for \$15,000, Indiana Code 5-4-1-18 established the minimum official bond coverage for a Trustee was \$30,000 as of July 1, 2009.

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:

- (1) City judges, controllers, clerks, and clerk-treasurers.
- (2) Town judges and clerk-treasurers.
- (3) Auditors, treasurers, recorders, surveyors, sheriffs, coroners, assessors, and clerks.
- (4) Township trustees. . . .

(c) . . .

- (1) The amount of annual coverage 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 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. . . ."

ADVANCE PAYMENTS

Dates of transactions indicated that some payments for payroll were made to the Trustee prior to the receipt of goods or services. A similar comment was in the prior Report B36370.

Compensation and any other payments for goods and services should not be paid in advance of receipt of the goods or services unless specifically authorized by statute. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

WASHINGTON TOWNSHIP, CARROLL COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were not presented for audit.

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."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

CONDITION OF RECORDS

The following deficiencies relating to the recordkeeping were noted. The total receipts, disbursements, and balances in the ledger were not in agreement with the individual fund detail. The individual fund detail does not reconcile to the bank. The Trustee does not account for the Dog Fund or the Rainy Day Fund in the ledger or on the annual report, but receipts for the Rainy Day Fund and disbursement for the Dog Fund were included in the detail of the ledger. The Township Fund disbursements were not posted properly in the ledger and do not add correctly. A similar comment was in prior Report B36370.

There were a considerable number of posting errors. These errors included deposits not receipted, checks and receipts not recorded in the proper amounts, interest not posted, and nonsufficient funds checks incorrectly posted.

Some transactions were recorded as "negative" receipts and disbursements.

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)

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)

Receipt and disbursement corrections or other errors should be corrected by memorandum entry with the issuance of a check and receipt to document the flow of the transactions. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

OVERPAYMENT COLLECTIONS

Prior examination indicated that as of April 7, 2010, overpayments of \$1,495.27 were made to the Internal Revenue Service (IRS). Review of this audit period shows payments of \$2,767.22 in 2010 for 2004 through 2009 and \$2,355.72 in 2011 for 2009 through 2010 were made to the IRS. Refunds received in 2010 for \$1,011.25 were for 2004 and in 2011 for \$597.11 were for 2009 and \$403.46 for 2011. Calculated overpayments in the amount of \$1,270.53 existed at the end of 2011. A similar comment was in prior Report B36370.

WASHINGTON TOWNSHIP, CARROLL COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

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

PENALTIES AND INTEREST

Information presented for examination indicated that, in some cases, amounts payable to Internal Revenue Service (IRS) are not being paid until several months to years after the payroll dates.

Interest totaling \$80.77 was paid to the IRS on October 4, 2010, for the periods 2004 and 2006. Interest of \$1.89 for 2004, \$0.73 for 2009, and \$4.09 for 2011 were received on refunds.

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)

WASHINGTON TOWNSHIP, CARROLL COUNTY
EXIT CONFERENCE

The contents of this report were discussed on March 8, 2012, with Lois A. Wallace, Trustee. The official concurred with our findings.