

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

CASS TOWNSHIP

CLAY COUNTY, INDIANA

January 1, 2010 to December 31, 2011



FILED
01/25/2013

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:	
Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis	12-13
Examination Results and Comments:	
Personal Expenses.....	14
Federal and State Agencies – Compliance Requirements	14
Office Rent Overpayments	14-15
Official Bond	15
Appropriations.....	15
Application for Township Assistance (Form TA-1)	15-16
Penalties, Interest, and Other Charges	16
Exit Conference.....	17
Summary of Charges	18

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Nancy Latham	01-01-07 to 12-31-14
Chairman of the Township Board	Marvin Strauch Rose Thompson	01-01-10 to 12-31-11 01-01-12 to 12-31-12



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 CASS TOWNSHIP, CLAY COUNTY, INDIANA

We have examined the accompanying financial statements of Cass Township (Township), for the years ended December 31, 2010 and 2011. The financial statements are the responsibility of the Township'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 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 period.

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.

Our examination was conducted for the purpose of forming an opinion on the Township's financial statements. 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, and 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

November 26, 2012

(This page intentionally left blank.)

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.

CASS TOWNSHIP, CLAY COUNTY
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
Township	\$ 17,237	\$ 3,137	\$ 9,613	\$ 10,761
Township Assistance	2,534	2,378	1,414	3,498
Levy Excess	253	10	-	263
Rainy Day	417	85	100	402
Totals	<u>\$ 20,441</u>	<u>\$ 5,610</u>	<u>\$ 11,127</u>	<u>\$ 14,924</u>

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

CASS TOWNSHIP, CLAY COUNTY
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
Township	\$ 10,761	\$ 13,680	\$ 7,498	\$ 16,943
Township Assistance	3,498	1,206	2,311	2,393
Rainy Day	402	-	-	402
Levy Excess	263	-	-	263
Totals	<u>\$ 14,924</u>	<u>\$ 14,886</u>	<u>\$ 9,809</u>	<u>\$ 20,001</u>

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

CASS TOWNSHIP, CLAY 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 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.

CASS TOWNSHIP, CLAY COUNTY
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 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.

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

CASS TOWNSHIP, CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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.

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

	Township	Township Assistance	Levy Excess	Rainy Day	Totals
Cash and investments - beginning	\$ 17,237	\$ 2,534	\$ 253	\$ 417	\$ 20,441
Receipts:					
Taxes	2,745	2,378	10	85	5,218
Other receipts	392	-	-	-	392
Total receipts	<u>3,137</u>	<u>2,378</u>	<u>10</u>	<u>85</u>	<u>5,610</u>
Disbursements:					
Personal services	4,145	-	-	-	4,145
Supplies	481	-	-	-	481
Other services and charges	4,987	1,414	-	-	6,401
Other disbursements	-	-	-	100	100
Total disbursements	<u>9,613</u>	<u>1,414</u>	<u>-</u>	<u>100</u>	<u>11,127</u>
Excess (deficiency) of receipts over disbursements	<u>(6,476)</u>	<u>964</u>	<u>10</u>	<u>(15)</u>	<u>(5,517)</u>
Cash and investments - ending	<u>\$ 10,761</u>	<u>\$ 3,498</u>	<u>\$ 263</u>	<u>\$ 402</u>	<u>\$ 14,924</u>

CASS TOWNSHIP, CLAY 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>Totals</u>
Cash and investments - beginning	\$ 10,761	\$ 3,498	\$ 402	\$ 263	\$ 14,924
Receipts:					
Taxes	709	1,071	-	-	1,780
Intergovernmental	11,270	135	-	-	11,405
Other receipts	<u>1,701</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,701</u>
Total receipts	<u>13,680</u>	<u>1,206</u>	<u>-</u>	<u>-</u>	<u>14,886</u>
Disbursements:					
Personal services	4,090	-	-	-	4,090
Supplies	216	-	-	-	216
Other services and charges	<u>3,192</u>	<u>2,311</u>	<u>-</u>	<u>-</u>	<u>5,503</u>
Total disbursements	<u>7,498</u>	<u>2,311</u>	<u>-</u>	<u>-</u>	<u>9,809</u>
Excess (deficiency) of receipts over disbursements	<u>6,182</u>	<u>(1,105)</u>	<u>-</u>	<u>-</u>	<u>5,077</u>
Cash and investments - ending	<u>\$ 16,943</u>	<u>\$ 2,393</u>	<u>\$ 402</u>	<u>\$ 263</u>	<u>\$ 20,001</u>

CASS TOWNSHIP, CLAY COUNTY
EXAMINATION RESULTS AND COMMENTS

PERSONAL EXPENSES

Nancy Latham, Trustee, issued check number 1295 on April 10, 2010, to the U.S. Treasury from the Cass Township bank account for \$2,003. The ledger memo stated the check was to pay for 2008 employment taxes. The Trustee later determined that the assessment notice was for her personal income taxes, and on January 15, 2011, reimbursed the Township bank account \$1,489.

Nancy Latham, Trustee, reimbursed the Township for the balance due for the payment of her personal taxes on November 13, 2012, in the amount of \$514. (See Summary of Charges, page 18)

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental entity may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

Payments for salaries and wages made in 2010 and 2011 to all employees, except those made to the Trustee, were made without payroll deductions for taxes. The Township did not issue IRS Form W-2 (Wage and Tax Statement) for 2010 and 2011 to any employee except the Trustee.

Payroll deductions taken from the Trustee's salary in 2010 and 2011 included the employer's matching share for Social Security and Medicare taxes. The amounts withheld in error from her gross pay were \$257.04 each year, for a total of \$514.08. The Township Fund should have made these payments to the Internal Revenue Service on her behalf.

Nancy Latham, Trustee, is due \$514.08 from the Township Fund for the employer share of payroll taxes erroneously withheld from her salary and subsequently remitted to the U.S. Treasury. (See Summary of Charges, page 18)

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 Townships, Chapter 13)

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 Townships, Chapter 13)

OFFICE RENT OVERPAYMENTS

Nancy Latham, Trustee, received payments for office rent each year greater than the amounts authorized in the approved budgets. The budgeted amount for office rent was \$360 each year for 2010 and 2011. The Trustee was paid \$900 and \$1,260, respectively, resulting in overpayments of \$540 in 2010 and \$900 in 2011.

CASS TOWNSHIP, CLAY COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

Nancy Latham, Trustee, reimbursed the Township for overpayment of office rent of \$1,440, less the amount withheld from her gross wages for the employer's share of payroll taxes \$514.08. The amount reimbursed was \$925.92. (See Summary of Charges, page 18)

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. Governmental units should collect any overpayments made. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

OFFICIAL BOND

An official bond for the Trustee was paid for each year, but none were filed in the Office of the County Recorder.

Indiana Code 5-4-1-5.1(b) states in part: "Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder . . ."

APPROPRIATIONS

The records presented for examination indicated the following expenditures in excess of budgeted appropriations:

<u>Fund</u>	<u>Years</u>	<u>Excess Amount Expended</u>
Township	2010	\$ 4,783
Township	2011	1,418

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

APPLICATION FOR TOWNSHIP ASSISTANCE (FORM TA-1)

All of the disbursements tested for Township Assistance had supporting invoices and Applications for Township Assistance (Form TA-1); however, none of the Applications were completed fully by the applicants. Many did not have the sources of income and current expense detail sections filled in; one did not have the members in the household section completed; several did not have the occupations (prior and current) completed. In addition, the Trustee sections of the Form TA-1 were not always completed, and none of the forms included documentation that the Trustee had performed an investigation to ascertain eligibility for aid.

An individual filing an application and affidavit on behalf of a household must provide the names of all household members and any information necessary for determining for household's eligibility for township assistance. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 6)

The township trustee shall carefully investigate the circumstances of the applicant and each member of the applicant's household to ascertain their legal residence, their physical condition relating to sickness or health, their present and previous occupation, their names and ages, the ability and capacity for labor of all

CASS TOWNSHIP, CLAY COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

members of the household, and the cause of the applicant's or household members condition if the applicant's household member is found to be in distress and the cause can be ascertained, whether an applicant or member of the applicant's household is entitled to income in the immediate future from any source including past or present employment, pending claims that may result in monetary award, or pending determination for assistance from any other federal or state governmental entity. The trustee shall ascertain, as far as possible, whether such persons have relatives able and willing to assist them. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 6)

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)

PENALTIES, INTEREST, AND OTHER CHARGES

Penalties and interest totaling \$218.84 were paid to the Internal Revenue Service (IRS) in 2010 and 2011 for tax periods in 2008 and 2009. The IRS sent a refund to the Township on April 16, 2012, of one of the late assessment payments made, and they sent another refund on May 23, 2011, of a tax payment made for the tax period March 31, 2010. The examination of records indicated that payroll taxes were remitted timely in 2010 and 2011.

A contributing factor to the assessment of the late taxes, penalties, and interest was the fact that the Township was required by the IRS to obtain a new taxpayer identification number (TIN) in 2008 because its original number was also being used by another unrelated entity. The Trustee had been working with the IRS to try and resolve the errors created by having to obtain a new TIN.

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)

CASS TOWNSHIP, CLAY COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 26, 2012, with Nancy Latham, Trustee.

CASS TOWNSHIP, CLAY COUNTY
SUMMARY OF CHARGES

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Nancy Latham, Trustee:			
Personal Expenses, page 14	\$ 2,003.00	\$ 1,489.00	\$ 514.00
Office Rent Overpayments, pages 14 and 15	1,440.00	-	1,440.00
Federal and State Agencies - Compliance Requirements, page 14			
Payment of Employer Share of Payroll Taxes From Trustee Wages		514.08	
Paid by Nancy Latham, Trustee, to:			
Cass Township, November 13, 2012		514.00	
Cass Township, November 29, 2012		925.92	-
	<u> </u>	<u> </u>	<u> </u>
Totals	<u>\$ 3,443.00</u>	<u>\$ 3,443.00</u>	<u>\$ -</u>

This report was forwarded to the Office of the Indiana Attorney General and the local prosecuting attorney.