

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

SMITH TOWNSHIP

GREENE COUNTY, INDIANA

January 1, 2010 to December 31, 2011



**FILED**  
04/12/2013



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Terry Blanton	01-01-07 to 12-31-14
Chairman of the Township Board	Francis Dayhoff	01-01-10 to 12-31-13



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF SMITH TOWNSHIP, GREENE COUNTY, INDIANA

We have examined the accompanying financial statements of Smith Township (Township), for the period of January 1, 2010 to December 31, 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 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 Township 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 Township 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 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.

Bruce Hartman  
State Examiner

March 7, 2013

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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.

SMITH TOWNSHIP, GREENE 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	\$ 121,924	\$ 19,531	\$ 11,679	\$ 129,776
Township Assistance	55,929	6,699	3,643	58,985
Fire Fighting	99,376	779	10,000	90,155
Dog	29	-	29	-
Park And Recreation	5,470	-	1,200	4,270
Levy Excess	-	66	-	66
Rainy Day	2,246	860	-	3,106
Payroll Withholding	-	532	532	-
Totals	<u>\$ 284,974</u>	<u>\$ 28,467</u>	<u>\$ 27,083</u>	<u>\$ 286,358</u>

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

SMITH TOWNSHIP, GREENE 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	\$ 129,776	\$ 14,735	\$ 11,557	\$ 132,954
Park And Recreation	4,270	-	-	4,270
Township Assistance	58,985	7,469	2,254	64,200
Fire Fighting	90,155	494	-	90,649
Rainy Day	3,106	-	-	3,106
Levy Excess	66	-	66	-
Payroll Withholding	-	532	393	139
Totals	<u>\$ 286,358</u>	<u>\$ 23,230</u>	<u>\$ 14,270</u>	<u>\$ 295,318</u>

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

SMITH TOWNSHIP, GREENE 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.

SMITH TOWNSHIP, GREENE 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.

SMITH TOWNSHIP, GREENE COUNTY  
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 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.

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 Annual Reports for years prior to 2011 can be found on the Indiana Transparency Portal website: [www.in.gov/itp/annual\\_reports/](http://www.in.gov/itp/annual_reports/).

For additional financial information, the Township's Annual Report information for years 2011 and later 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.

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

	Township	Township Assistance	Fire Fighting	Dog	Park And Recreation	Levy Excess	Rainy Day	Payroll Withholding	Totals
Cash and investments - beginning	\$ 121,924	\$ 55,929	\$ 99,376	\$ 29	\$ 5,470	\$ -	\$ 2,246	\$ -	\$ 284,974
Receipts:									
Taxes	18,413	6,699	-	-	-	-	-	-	25,112
Intergovernmental	-	-	-	-	-	-	860	-	860
Other receipts	1,118	-	779	-	-	66	-	532	2,495
Total receipts	19,531	6,699	779	-	-	66	860	532	28,467
Disbursements:									
Personal services	8,431	807	-	-	-	-	-	-	9,238
Supplies	44	30	-	-	-	-	-	-	74
Other services and charges	3,204	-	10,000	-	1,200	-	-	-	14,404
Other disbursements	-	2,806	-	29	-	-	-	532	3,367
Total disbursements	11,679	3,643	10,000	29	1,200	-	-	532	27,083
Excess (deficiency) of receipts over disbursements	7,852	3,056	(9,221)	(29)	(1,200)	66	860	-	1,384
Cash and investments - ending	\$ 129,776	\$ 58,985	\$ 90,155	\$ -	\$ 4,270	\$ 66	\$ 3,106	\$ -	\$ 286,358

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

	Township	Park And Recreation	Township Assistance	Fire Fighting	Rainy Day	Levy Excess	Payroll Withholding	Totals
Cash and investments - beginning	\$ 129,776	\$ 4,270	\$ 58,985	\$ 90,155	\$ 3,106	\$ 66	\$ -	\$ 286,358
Receipts:								
Taxes	5,107	-	7,101	-	-	-	-	12,208
Intergovernmental	8,891	-	368	97	-	-	-	9,356
Other receipts	737	-	-	397	-	-	532	1,666
Total receipts	<u>14,735</u>	<u>-</u>	<u>7,469</u>	<u>494</u>	<u>-</u>	<u>-</u>	<u>532</u>	<u>23,230</u>
Disbursements:								
Personal services	8,389	-	750	-	-	-	-	9,139
Supplies	78	-	-	-	-	-	-	78
Other services and charges	3,090	-	1,504	-	-	-	-	4,594
Other disbursements	-	-	-	-	-	66	393	459
Total disbursements	<u>11,557</u>	<u>-</u>	<u>2,254</u>	<u>-</u>	<u>-</u>	<u>66</u>	<u>393</u>	<u>14,270</u>
Excess (deficiency) of receipts over disbursements	<u>3,178</u>	<u>-</u>	<u>5,215</u>	<u>494</u>	<u>-</u>	<u>(66)</u>	<u>139</u>	<u>8,960</u>
Cash and investments - ending	<u>\$ 132,954</u>	<u>\$ 4,270</u>	<u>\$ 64,200</u>	<u>\$ 90,649</u>	<u>\$ 3,106</u>	<u>\$ -</u>	<u>\$ 139</u>	<u>\$ 295,318</u>

SMITH TOWNSHIP, GREENE COUNTY  
EXAMINATION RESULTS AND COMMENTS

***DEPOSIT OF PUBLIC FUNDS***

We noted instances where the Trustee was making deposits up to three months after receipt of collections.

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."

***SUPPORTING DOCUMENTATION***

Supporting documentation, agreements, or contracts for payments for cemetery care and library services were not presented for audit.

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)

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 Townships, Chapter 13)

***ADVANCE PAYMENTS***

Dates of transactions indicated that some payments were made to companies or individuals prior to the receipt of goods or services.

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)

***TOWNSHIP ASSISTANCE***

1. Application for Township Assistance (TA-1) did not contain the Trustee's signature nor was there any evidence of an investigation.
2. Notice of Township Assistance Action (TA-1A) was not used.
3. No supporting documentation for the township assistance payments. Recipients were not identifiable, therefore, could not determine if an application was on file.

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)

SMITH TOWNSHIP, GREENE COUNTY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

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 members of the household, and the cause of the applicant's or household member's 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. (Form TA-1) The trustee shall ascertain, as far as possible, whether such persons have relatives able and willing to assist them. Indiana Code 12-20-6-9 (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 6)

Immediately after any action is taken upon a completed township assistance application or, in the case of termination or reduction of existing benefits, before action is taken, a "Notice of Township Assistance Action" form shall be delivered to the applicant or recipient in person or by first class United States mail at said person's last known address. A copy of each completed "Notice" shall be filed with the applicant's application in the trustee's office. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 6)

Whenever the administrator of township assistance of any township grants township assistance aid to any indigent person, or to any other person or agency on a township assistance order as provided by law or obligates the township for any item properly payable from township assistance funds, the claim against such township, itemized and sworn to as provided by law, and accompanied by the original township assistance order, duly itemized and signed shall be checked with the records of the administrator of township assistance, audited, and certified to, as required by law by the trustee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 6)

**APPROPRIATIONS**

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

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
Park and Recreation	2010	\$ 1,200
Fire Fighting	2010	10,000

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."

SMITH TOWNSHIP, GREENE COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on March 7, 2013, with Terry Blanton, Trustee. The official concurred with our findings.