

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

VERMILLION TOWNSHIP

VERMILLION COUNTY, INDIANA

January 1, 2010 to December 31, 2011



FILED
05/29/2013

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 - Unaudited:	
Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis	12-13
Examination Results and Comments:	
Township Board Record	14
Annual Financial Reports	14
Disbursement Documentation	14-15
Township Assistance Records	15
Penalties, Interest, and Other Charges	15-16
Federal and State Agencies - Compliance Requirements	16
Certified Report (Form 100R)	16
Appropriations.....	16-17
Official Bond	17
Exit Conference.....	18

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Linda Harrison	01-01-07 to 12-31-14
Chairman of the Township Board	Greg Cutrell	01-01-10 to 12-31-10
	Nick Swayze	01-01-11 to 12-31-11
	Greg Cutrell	01-01-12 to 12-31-12
	Nick Swayze	01-01-13 to 12-31-13



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF VERMILLION TOWNSHIP, VERMILLION COUNTY, INDIANA

We have examined the accompanying financial statements of Vermillion 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

February 19, 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.

VERMILLION TOWNSHIP, VERMILLION 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	\$ 96,384	\$ 50,559	\$ 36,227	\$ 110,716
Township Assistance	59,521	29,141	19,330	69,332
Fire Fighting	20,820	18,750	10,848	28,722
Dog	264	-	264	-
Levy Excess	1,836	-	1,836	-
Wimsette Cemetery	5,151	26	173	5,004
Totals	<u>\$ 183,976</u>	<u>\$ 98,476</u>	<u>\$ 68,678</u>	<u>\$ 213,774</u>

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

VERMILLION TOWNSHIP, VERMILLION 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	\$ 110,716	\$ 37,590	\$ 28,529	\$ 119,777
Township Assistance	69,332	23,220	23,925	68,627
Fire Fighting	28,722	15,821	11,428	33,115
Wimsette Cemetary	5,004	24	-	5,028
Totals	<u>\$ 213,774</u>	<u>\$ 76,655</u>	<u>\$ 63,882</u>	<u>\$ 226,547</u>

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

VERMILLION TOWNSHIP, VERMILLION 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.

VERMILLION TOWNSHIP, VERMILLION 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.

VERMILLION TOWNSHIP, VERMILLION 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/.

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.

VERMILLION TOWNSHIP, VERMILLION 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	Levy Excess	Wimsette Cemetery	Totals
Cash and investments - beginning	\$ 96,384	\$ 59,521	\$ 20,820	\$ 264	\$ 1,836	\$ 5,151	\$ 183,976
Receipts:							
Taxes	47,866	29,141	18,750	-	-	-	95,757
Other receipts	2,693	-	-	-	-	26	2,719
Total receipts	<u>50,559</u>	<u>29,141</u>	<u>18,750</u>	<u>-</u>	<u>-</u>	<u>26</u>	<u>98,476</u>
Disbursements:							
Personal services	19,643	4,241	-	-	-	-	23,884
Supplies	191	307	-	-	-	-	498
Other services and charges	16,393	14,782	10,848	-	-	173	42,196
Other disbursements	-	-	-	264	1,836	-	2,100
Total disbursements	<u>36,227</u>	<u>19,330</u>	<u>10,848</u>	<u>264</u>	<u>1,836</u>	<u>173</u>	<u>68,678</u>
Excess (deficiency) of receipts over disbursements	<u>14,332</u>	<u>9,811</u>	<u>7,902</u>	<u>(264)</u>	<u>(1,836)</u>	<u>(147)</u>	<u>29,798</u>
Cash and investments - ending	<u>\$ 110,716</u>	<u>\$ 69,332</u>	<u>\$ 28,722</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,004</u>	<u>\$ 213,774</u>

VERMILLION TOWNSHIP, VERMILLION 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>Fire Fighting</u>	<u>Wimsette Cemetary</u>	<u>Totals</u>
Cash and investments - beginning	\$ 110,716	\$ 69,332	\$ 28,722	\$ 5,004	\$ 213,774
Receipts:					
Taxes	35,254	21,777	14,453	-	71,484
Intergovernmental	2,336	1,443	1,368	24	5,171
Total receipts	<u>37,590</u>	<u>23,220</u>	<u>15,821</u>	<u>24</u>	<u>76,655</u>
Disbursements:					
Personal services	20,991	4,296	11,428	-	36,715
Supplies	44	54	-	-	98
Other services and charges	7,494	19,575	-	-	27,069
Total disbursements	<u>28,529</u>	<u>23,925</u>	<u>11,428</u>	<u>-</u>	<u>63,882</u>
Excess (deficiency) of receipts over disbursements	<u>9,061</u>	<u>(705)</u>	<u>4,393</u>	<u>24</u>	<u>12,773</u>
Cash and investments - ending	<u>\$ 119,777</u>	<u>\$ 68,627</u>	<u>\$ 33,115</u>	<u>\$ 5,028</u>	<u>\$ 226,547</u>

VERMILLION TOWNSHIP, VERMILLION COUNTY
EXAMINATION RESULTS AND COMMENTS

TOWNSHIP BOARD RECORD

Not all minutes of meetings of the governing body were available for examination. Meetings were held August 31, 2011, and September 21, 2011, but no documentation of what was discussed was recorded in the Township Board Record, only the signatures of the Board members were presented.

Indiana Code 5-14-1.5-4(b) states:

"As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes taken, by individual members if there is a roll call.
- (5) Any additional information required under IC 5-1.5-2-2.5."

ANNUAL FINANCIAL REPORTS

The Annual Reports filed for 2010 and 2011 had numerous material errors and omissions and were not reflective of the financial records. During the examination, we identified necessary adjustments to the Annual Report submitted that were necessary to make the derived financial statements materially correct. The Trustee approved the identified adjustments and an unqualified opinion was given.

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)

DISBURSEMENT DOCUMENTATION

Invoices or contracts were not presented for examination for four payments made in 2010 for cemetery mowing and maintenance, and advertising the annual report, totaling \$2,761; and four payments made in 2011 for cemetery mowing and maintenance, and for a trailer registration, totaling \$2,642.

Due to the lack of supporting information, the validity and accountability for these monies disbursed could not be established.

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)

VERMILLION TOWNSHIP, VERMILLION COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

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)

TOWNSHIP ASSISTANCE RECORDS

The following deficiencies relating to the recordkeeping for Township Assistance transactions were noted:

1. One of the purchase orders reviewed did not have a supporting application on file.

Application for Township Assistance is to be completed by each person who applies for township assistance. The trustee has the power to administer oaths. Any person expressing a desire for assistance shall be permitted to apply, whether or not the trustee believes the person to be eligible. Each completed form must be filed in the trustee's office, whether or not relief is granted on the application. The trustee shall not extend aid to persons or families unless an affidavit setting forth the personal condition of the family has been filed within one hundred eighty (180) days prior to the date of the extension of aid. (Uniform Compliance Guidelines for Townships, Chapter 6)

2. Applications were on file but investigations were not documented.

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 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. (Form TA-1) The trustee shall ascertain, as far as possible, whether such persons have relatives able and willing to assist them. IC 12-20-6-9 (Uniform Compliance Guidelines for Townships, Chapter 6)

PENALTIES, INTEREST, AND OTHER CHARGES

Late fees totaling \$19 were paid to the Indiana Department of Revenue in 2011 for late filing of the monthly payroll withholding tax forms for July, August, and September 2011.

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.

VERMILLION TOWNSHIP, VERMILLION COUNTY
 EXAMINATION RESULTS AND COMMENTS
 (Continued)

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)

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

Payments made in 2010 and 2011 to the Township Board members were made without payroll deductions for taxes.

The Township did not issue IRS Form W-2 (Wage and Tax Statement) to the Township Board members for the years 2010 and 2011.

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)

CERTIFIED REPORT (Form 100R)

The Township did not file a Certified Report of Compensation of Officers and Employees (Form 100-R or its equivalent) with the State Board of Accounts for the year 2010. The Township filed the report late for the year 2011; the report was filed on August 5, 2011.

Indiana Code 5-11-13-1 states in part:

"Every . . . township . . . shall during the month of January of each year prepare, make, and sign a certified report, correctly and completely showing the names and business addresses of each and all officers, employees, and agents . . . and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts."

APPROPRIATIONS

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

Fund	Year	Excess Amount Expended
Fire Fighting	2011	\$ 328

VERMILLION TOWNSHIP, VERMILLION COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

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."

OFFICIAL BOND

The bond coverage for the Trustee for the terms of January 1, 2010 to December 31, 2011, and January 1, 2011 to December 31, 2012, were \$15,000 each. In addition, the bond for the year 2011 was not filed in the Office of the County Recorder.

Indiana Code 5-4-1-18(c)(2) states in part: "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 . . ."

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 . . ."

VERMILLION TOWNSHIP, VERMILLION COUNTY
EXIT CONFERENCE

The contents of this report were discussed on February 19, 2013, with Linda Harrison, Trustee. The official concurred with our findings.