

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

FINANCIAL STATEMENTS REVIEW REPORT

OF

WASHINGTON TOWNSHIP

PORTER COUNTY, INDIANA

January 1, 2016 to December 31, 2018



FILED
04/23/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Lynn Ross Kim Brys	01-01-16 to 01-31-19 02-01-19 to 12-31-20
Chairman of the Township Board	Marc Schergen Linda Armstrong Andrew Funk	01-01-16 to 12-31-18 01-01-19 to 12-31-19 01-01-20 to 12-31-20



INDEPENDENT ACCOUNTANT'S REVIEW REPORT

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

We have reviewed the accompanying financial statements of Washington Township (Township), for the period of January 1, 2016 to December 31, 2018. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Township's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with a regulatory basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana 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. This includes determining that the basis of accounting the Township uses is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatements whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with *Statements on Standards for Accounting and Review Services* promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with the prescribed basis of accounting described in Note 1. We believe that the results of our procedures provide a reasonable basis for our conclusion.

INDEPENDENT ACCOUNTANT'S REVIEW REPORT
(Continued)

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with the prescribed basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana 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. Our conclusion is not modified with respect to this matter.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

April 14, 2020

FINANCIAL STATEMENTS AND ACCOMPANYING NOTES

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, PORTER COUNTY
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Years Ended December 31, 2016 and 2017

Fund	Cash and Investments 01-01-16	Receipts	Disbursements	Cash and Investments 12-31-16	Receipts	Disbursements	Cash and Investments 12-31-17
Township	\$ 118,456	\$ 62,417	\$ 37,652	\$ 143,221	\$ 63,800	\$ 39,100	\$ 167,921
Park And Recreation	27,769	11,632	12,583	26,818	10,596	9,144	28,270
Township Assistance	41,431	18,148	18,881	40,698	19,264	17,037	42,925
Fire Fighting	78,401	107,150	98,500	87,051	113,701	101,000	99,752
Levy Excess	702	-	-	702	-	-	702
Cumulative Fire	105,007	27,350	-	132,357	30,716	108,969	54,104
Fire Debt	37,796	51,318	57,519	31,595	27,747	57,519	1,823
Totals	\$ 409,562	\$ 278,015	\$ 225,135	\$ 462,442	\$ 265,824	\$ 332,769	\$ 395,497

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

WASHINGTON TOWNSHIP, PORTER COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended December 31, 2018

Fund	Cash and Investments 01-01-18	Receipts	Disbursements	Cash and Investments 12-31-18
Township	\$ 167,921	\$ 65,885	\$ 40,306	\$ 193,500
Park And Recreation	28,270	10,751	12,007	27,014
Township Assistance	42,925	19,890	13,737	49,078
Fire Fighting	99,752	117,834	104,000	113,586
Levy Excess	702	-	-	702
Cumulative Fire	54,104	30,158	45,807	38,455
Fire Debt	1,823	-	-	1,823
Totals	<u>\$ 395,497</u>	<u>\$ 244,518</u>	<u>\$ 215,857</u>	<u>\$ 424,158</u>

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

WASHINGTON TOWNSHIP, PORTER 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 Indiana 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. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

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. Amounts received from one or more of the following: property tax, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeeper's 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. Amounts received from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of intergovernmental receipts include, but are not limited to, the following: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distributions received from the state, local road and street distributions 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, PORTER COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Other receipts. Amounts received from various sources, including, but 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. Amounts disbursed 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. Amounts disbursed for 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, but are not limited to, the following: office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges. Amounts disbursed for services including, but not limited to, the following: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service - principal and interest. Amounts disbursed for fixed obligations resulting from financial transactions previously entered into by the Township. It includes all expenditures for the reduction of the principal and interest of the Township's general obligation indebtedness.

Capital outlay. Amounts disbursed for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Other disbursements. Amounts disbursed for various other purposes including, but 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, make transfers 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.

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

G. Fund Accounting

Separate funds are established, maintained, and reported by the Township. Each fund is used to account for amounts 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 amounts 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 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 December 31 of the year preceding the budget year or January 15 of the budget year if the Township is issuing debt after December 1 or intends on filing a shortfall appeal. These rates were based upon the assessed valuations adjusted for various tax credits from the preceding year's lien date of January 1. 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, the following: federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

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

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.

WASHINGTON TOWNSHIP, PORTER COUNTY
REVIEW RESULTS AND COMMENTS

BANK RECONCILIATIONS, CASH NECESSARY TO BALANCE

The same comment also appeared in prior Report B48164.

Condition and Context

The Township did not provide monthly bank reconciliations for the periods of January 2016 to November 2016, and June 2017 to December 2018. The Township provided bank reconciliations for December 2016 through May 2017; however, the reconciliations were inaccurate and had not reconciled to the record balance.

We performed a cursory bank reconciliation as of December 31, 2017 and 2018. A cursory bank reconciliation consists of adjusting the bank balance for checks and deposits that cleared the bank in the following January, but were recorded in the records as of December 31, 2017 or 2018. We did not make adjustments for any prior outstanding checks, which may or may not have cleared the bank or any other error or omissions disclosed in this report.

The following is the reviewed reconciliation and the comparison of the cursory reconciled bank balance to the ledger balance as of December 31, 2016, 2017, and 2018:

	Reviewed	Cursory	
	2016	2017	2018
Bank Balance	\$ 447,878	\$ 381,352	\$ 406,573
Ledger Balance	462,442	395,498	424,159
Difference - Cash Short	\$ (14,564)	\$ (14,146)	\$ (17,586)

Criteria

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 must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or nonfeasance in office of any official or employee may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 7)

PAYMENTS FOR SERVICES

Similar comments also appeared in prior Report B48164, entitled *DISBURSEMENTS* and *PAYROLL*.

WASHINGTON TOWNSHIP, PORTER COUNTY
REVIEW RESULTS AND COMMENTS
(Continued)

Condition and Context

The following deficiencies were noted related to disbursements for services:

1. The Township paid \$6,000 each year (2016, 2107, and 2018) to a summer recreation league and the following deficiencies were noted:
 - a. The disbursements were not supported by a written contract which detailed the services the organization was providing to the Township.
 - b. Payments were made without invoices to support the payments and the payments were made in June of each year, in advance of services rendered or received.
 - c. A Form 1099-MISC, Miscellaneous Income was not issued.
 - d. The canceled check for one of the payments indicated endorsement by the contracted Recreation Director and not the organization.
2. The Township contracted with and paid for services to a Recreation Director and a cemetery caretaker and following deficiencies were noted:
 - a. The Recreation Director was paid in advance of services received. Payments were made to the Recreation Director on February 15, 2016, and April 10, 2017, for 2016 and 2017 services.
 - b. The cemetery caretaker and the Recreation Director were paid the contracted amounts by the Township without submitting detailed invoices to document the services provided. Payments were made based upon a signed accounts payable voucher form, which only listed the contract amounts.

Criteria

Payments for services provided by an organization must go directly to the organization and not to an individual employee of the organization. All payments for services must be supported by a written contract. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

Payments made or received for contractual services must be supported by a written contract. Each unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

Compensation and any other payments for goods and services must not be paid in advance of receipt of the goods or services unless specifically authorized by law. 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 1)

WASHINGTON TOWNSHIP, PORTER COUNTY
REVIEW RESULTS AND COMMENTS
(Continued)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination 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 1)

COMPENSATION

A similar comment also appeared in prior Report B48164, entitled *PAYROLL*.

Condition and Context

The following deficiencies were noted related to compensation:

1. The part-time Township Clerk did not record the time of day worked or the number of hours worked.
2. The Township Board members were issued a Form 1099-MISC, Miscellaneous Income in 2016, 2017, and 2018 for the compensation received. The Township Board members should have received Form W-2, Wage and Tax Statements for their compensation instead.

Criteria

The federal Fair Labor Standards Act (FLSA) requires that records of wages paid, daily and weekly hours of work, and the time of day and day of week on which the employee's work week begins be kept for all employees. These requirements can be met by use of the following prescribed general forms:

General Form 99A, Employee's Service Record
General Form 99B, Employee's Earnings Record
General Form 99C, Employee's Weekly Earnings Record

General Form 99C is required only for employees who are not exempt from FLSA, are not on a fixed work schedule, and are not paid weekly.

Additional information regarding FLSA rules and regulations may be obtained from the Department of Labor. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

ADOPTION OF AND TRAINING ON INTERNAL CONTROL STANDARDS

Condition and Context

The Township Board did not adopt the minimum internal control standards and procedures or ensure that personnel were properly trained as required under Indiana Code 5-11-1-27(g).

WASHINGTON TOWNSHIP, PORTER COUNTY
REVIEW RESULTS AND COMMENTS
(Continued)

Criteria

Indiana Code 5-11-1-27(g) states:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that:

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

The Trustee certified on the Indiana Gateway for Government Units reporting system that the Township Board had adopted internal control standards and that appropriate personnel were trained on the internal control standards for 2017 and 2018. However, the Township Board had not adopted internal control standards and personnel had not received the internal control training; therefore, the certifications were incorrect.

Context

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

FIRE CONTRACT

Condition and Context

The Township disbursed \$98,500 in 2016 to the Washington Township Volunteer Fire Department for fire protection services. A written contract to support the payment was not provided for review.

Criteria

Payments made or received for contractual services must be supported by a written contract. Each unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

WASHINGTON TOWNSHIP, PORTER COUNTY
EXIT CONFERENCE

The contents of this report were discussed on April 14, 2020, with Kim Brys, Trustee, and Linda Armstrong, Chairman of the Township Board.

The contents of this report were discussed on April 14, 2020, with Lynn Ross, former Trustee.

April 14, 2020

Paul Joyce
State Examiner

RE: OFFICIAL RESPONSE to the Review of Records for Washington Township

Comments concerning:

Bank Reconciliation and Cash to Balance:

The Township Trustee opened a savings account in the late 90's. At no time was the interest for the savings account entered into the records, despite my efforts in making contact with the State to explain how to enter, as it was all manually done at that time. This continued until the account was closed. During this time money was transferred back to the checking account and eventually the savings was closed. Again with the interest earned not entered, we also did temporary loans between funds. So in summary, I believe the difference is in the interest that was never entered as well as the possibility the transfers from savings to checking and temporary loans may not be done correctly.

Payments for Services:

We have always issued 1099's not W-2's for the Advisory Board, I was not aware it should be a W-2. The township will change going forward.

I was also not told we needed a contract for the Summer Rec League in order for them to receive the \$6000.00. This is money the township gives to them in order to run the program. They have formed a 501C Non-Profit organization. Any other funds they need they raise themselves. They were not issued a 1099 because of Non-Profit status.

I was also told the contract for the Summer Rec Director and the Cemetery Care taker only needed to be a one sheet contract, and it did not need any more detail than it has. The township will change going forward.

I was not aware of the Summer Rec director signing check but know that it went into the league account as they did not have to ask me for money they would not have been able to pay the bills without it. Also, I was not aware we could not pay in advance for services. Township will change this going forward.

Compensation:

I was not aware that the township clerk must keep a record of hours worked. Township will keep track of this going forward.

Adoption and Certification of Internal Control Standards:

I did do training online however did not complete by printing certificate and having the board approve.

Fire Contract:

I will locate a copy of the 2016 Fire Contract.

Thank you for allowing me to comment on these issues.

A handwritten signature in black ink that reads "Lynn Ross". The signature is written in a cursive style with a large initial "L" and "R".

Lynn Ross
Former Trustee