

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

FINANCIAL STATEMENTS REVIEW REPORT

OF

LANCASTER TOWNSHIP

JEFFERSON COUNTY, INDIANA

January 1, 2016 to December 31, 2018



FILED
05/04/2020

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Accountant's Review Report.....	3-4
Financial Statements and Accompanying Notes:	
Statements of Receipts, Disbursements, and Cash and Investment	
Balances - Regulatory Basis.....	6-7
Notes to Financial Statements.....	8-10
Review Results and Comments:	
Condition of Records	11-12
Records Not Presented	12
Supporting Documentation	12-13
Contracts	13
Penalties, Interest, and Other Charges	14
Adoption of and Training on Internal Control Standards	14
Certification on Internal Control Standards	15
Exit Conference.....	16

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Betty J. Scully Doug Harrell	01-01-15 to 12-31-18 01-01-19 to 12-31-22
Chairman of the Township Board	Jonathon G. Adams	01-01-16 to 12-31-20



INDEPENDENT ACCOUNTANT'S REVIEW REPORT

TO: THE OFFICIALS OF LANCASTER TOWNSHIP, JEFFERSON COUNTY, INDIANA

We have reviewed the accompanying financial statements of Lancaster 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 29, 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.

LANCASTER TOWNSHIP, JEFFERSON 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	\$ 5,150	\$ 24,875	\$ 24,888	\$ 5,137	\$ 32,170	\$ 26,831	\$ 10,476
Township Assistance	4,225	4,299	4,420	4,104	4,492	4,558	4,038
Fire Fighting	<u>2,489</u>	<u>9,364</u>	<u>9,000</u>	<u>2,853</u>	<u>9,647</u>	<u>9,000</u>	<u>3,500</u>
Totals	<u>\$ 11,864</u>	<u>\$ 38,538</u>	<u>\$ 38,308</u>	<u>\$ 12,094</u>	<u>\$ 46,309</u>	<u>\$ 40,389</u>	<u>\$ 18,014</u>

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

LANCASTER TOWNSHIP, JEFFERSON 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	\$ 10,476	\$ 28,342	\$ 28,621	\$ 10,197
Township Assistance	4,038	4,447	4,375	4,110
Fire Fighting	<u>3,500</u>	<u>10,036</u>	<u>10,000</u>	<u>3,536</u>
Totals	<u>\$ 18,014</u>	<u>\$ 42,825</u>	<u>\$ 42,996</u>	<u>\$ 17,843</u>

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

LANCASTER TOWNSHIP, JEFFERSON 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.

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

LANCASTER TOWNSHIP, JEFFERSON COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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.

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.

LANCASTER TOWNSHIP, JEFFERSON COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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.

LANCASTER TOWNSHIP, JEFFERSON COUNTY
REVIEW RESULTS AND COMMENTS

CONDITION OF RECORDS

A similar comment appeared in the prior Report B46567.

Condition and Context

The following were noted during the review of the records of Township:

1. The Trustee had not properly maintained the recordkeeping for payroll withholdings in the financial ledger. Receipts to the Payroll Withholding fund were not posted for 18 of the 36 months during the review period. Disbursements from the Payroll Withholding fund were not made for 36 months during the review period. A balance in the Payroll Withholding fund was not maintained over the period.
2. The Trustee had not maintained a balance for receipts, disbursements, or ending balance in the Total All Funds columns in the financial ledger.
3. Bank reconciliations between record balances of cash to the bank balances were not presented for review for any months during the review period.
4. A comparison of the record balances of cash to the bank balances at December 31 of each year of the review indicated the following:
 - A. Posting errors and/or omissions in the amount of \$6,432.70 determined during the prior period were not corrected in the financial ledger during the current review period.
 - B. Posting errors and/or omissions in the amount of \$662.50 were identified during the current review period.
 - C. A cash long was determined for each year during the review period as follows: 2016 (\$200.78), 2017 (\$1,035.69), 2018 (\$968.47). A cash long indicates there are unidentified posting and/or omission errors in the ledger.

Criteria

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

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)

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."

LANCASTER TOWNSHIP, JEFFERSON COUNTY
REVIEW RESULTS AND COMMENTS
(Continued)

When it is determined that an error has been posted in the financial records, the error must be corrected in a timely manner. The correction of the error should be dated as of the date that the correction occurred and should not be back dated to the date the error occurred. The adjustment should be labeled as a correcting entry. All documentation of the error and the adjustments must be maintained to support the correction. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

RECORDS NOT PRESENTED

A similar comment appeared in the prior Report B46567.

Condition and Context

The following financial records were not presented for review:

1. Bank reconciliations between record balances of cash to the bank balances for any months during the review period.
2. Bank statements for the month of January and February 2016.
3. Bank deposit slips for all years during the review period.
4. W-2s for all employees of the Township for all years of the review period.
5. IRS Form 941s for any quarter during the period.

Criteria

Indiana Code 5-15-6-3 states:

"No financial record or records relating to financial records shall be destroyed until the earlier of the following actions:

- (1) The audit of the records by the state board of accounts has been completed, report filed, and any exceptions set out in the record satisfied.
- (2) The financial record or records have been copied or reproduced in accordance with a retention schedule or with the written consent of the administration."

SUPPORTING DOCUMENTATION

A similar comment appeared in the prior Report B46567.

Condition and Context

We reviewed 58 vendor and/or Township Assistance claims and noted the following exceptions:

1. Nine vendor claims that did not have any supporting documentation.
2. Ten claims that did not have an Application for Township Assistance (TA-1) or Township Assistance Purchase Order (TA-2) to support the claim.

LANCASTER TOWNSHIP, JEFFERSON COUNTY
REVIEW RESULTS AND COMMENTS
(Continued)

3. Six claims were supported by a Township Assistance Purchase Order (TA-2) but no Application of Township Assistance (TA-1).
4. Township Assistance claims reviewed did not contain any documentation to support the amount paid by the Trustee for the assistance.

Criteria

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)

Indiana Code 12-20-6-1 states in part:

"(a) A township trustee may not extend aid to an individual or a household unless an application and affidavit setting forth the personal condition of the individual or household has been filed with the trustee within one hundred eighty (180) days before the date aid is extended.

(b) 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 the household's eligibility for township assistance. The application must be on the form prescribed by the state board of accounts. . . ."

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 7)

CONTRACTS

A similar comment appeared in the prior Report B46567.

Condition and Context

Payments made for fire protection and cemetery mowing for 2016, 2017, and 2018 were not supported by a written contract.

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)

LANCASTER TOWNSHIP, JEFFERSON COUNTY
REVIEW RESULTS AND COMMENTS
(Continued)

PENALTIES, INTEREST, AND OTHER CHARGES

A similar comment appeared in the Special Investigation Report B47094, entitled *PENALTIES, INTERESTS, AND OTHER CHARGES* for the period ending December 31, 2015.

Condition and Context

The former Trustee was charged for penalties, interest, and other charges in the amount of \$1,772, which was paid by the former Trustee to the Township on July 1, 2016.

Payroll withholding taxes were not remitted to the Internal Revenue Service (IRS) timely during the review period. Penalties and interest in the amount of \$146.97 was paid to the IRS for failure to remit 2017 payroll withholdings timely.

There were also nine instances out of 29 vendor claims in which the Trustee paid penalties for late payment on utility bills.

Criteria

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 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 unit. Any penalties, interest, or other charges paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

ADOPTION OF AND TRAINING ON INTERNAL CONTROL STANDARDS

Condition and Context

The Township had not adopted the acceptable minimum level of internal control standards as defined by the Indiana State Board of Accounts and required personnel had not received training over the internal control standards during the review period. The Township had subsequently adopt the minimum level of internal control standards in February 21, 2019.

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."

LANCASTER TOWNSHIP, JEFFERSON COUNTY
REVIEW RESULTS AND COMMENTS
(Continued)

CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

The Trustee incorrectly certified on the Annual Financial Report that the Township had adopted the acceptable minimum level of internal control standards as defined by the Indiana State Board of Accounts and provided training on those standards to all required employees.

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](#)."

LANCASTER TOWNSHIP, JEFFERSON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on April 29, 2020, with Doug Harrell, Trustee, and Jonathon G. Adams, Chairman of the Township Board.

The contents of this report were discussed on April 30, 2020, with Betty J. Scully, former Trustee.