

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

FINANCIAL STATEMENTS REVIEW REPORT

OF

SALEM TOWNSHIP

STEBEN COUNTY, INDIANA

January 1, 2016 to December 31, 2019



**FILED**  
05/06/2020



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Marcia Helmuth	01-01-15 to 12-31-22
Chairman of the Township Board	Norman Pfafman	01-01-16 to 12-31-20



## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

TO: THE OFFICIALS OF SALEM TOWNSHIP, STEUBEN COUNTY, INDIANA

We have reviewed the accompanying financial statements of Salem Township (Township), for the period of January 1, 2016 to December 31, 2019. 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 28, 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.

SALEM TOWNSHIP, STEUBEN 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	\$ 64,306	\$ 38,890	\$ 44,952	\$ 58,244	\$ 37,604	\$ 43,210	\$ 52,638
Township Assistance	62,581	4,327	28,741	38,167	4,484	3,261	39,390
Fire Fighting	32,498	43,258	44,000	31,756	49,438	44,000	37,194
Rainy Day	54,550	36,055	12,000	78,605	-	3,000	75,605
Levy Excess	27	-	27	-	-	-	-
<b>Totals</b>	<u>\$ 213,962</u>	<u>\$ 122,530</u>	<u>\$ 129,720</u>	<u>\$ 206,772</u>	<u>\$ 91,526</u>	<u>\$ 93,471</u>	<u>\$ 204,827</u>

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

SALEM TOWNSHIP, STEUBEN COUNTY  
 STATEMENT OF RECEIPTS, DISBURSEMENTS,  
 AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Years Ended December 31, 2018 and 2019

Fund	Cash and Investments 01-01-18	Receipts	Disbursements	Cash and Investments 12-31-18	Receipts	Disbursements	Cash and Investments 12-31-19
Township	\$ 52,638	\$ 27,251	\$ 44,459	\$ 35,430	\$ 48,895	\$ 43,642	\$ 40,683
Township Assistance	39,390	8,203	2,812	44,781	-	3,191	41,590
Fire Fighting	37,194	47,042	44,000	40,236	49,412	44,000	45,648
Rainy Day	75,605	-	18,000	57,605	-	3,800	53,805
<b>Totals</b>	<u>\$ 204,827</u>	<u>\$ 82,496</u>	<u>\$ 109,271</u>	<u>\$ 178,052</u>	<u>\$ 98,307</u>	<u>\$ 94,633</u>	<u>\$ 181,726</u>

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

SALEM TOWNSHIP, STEUBEN 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.

SALEM TOWNSHIP, STEUBEN 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.

*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.

SALEM TOWNSHIP, STEUBEN 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 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.

SALEM TOWNSHIP, STEUBEN COUNTY  
REVIEW RESULT AND COMMENT

**TOWNSHIP ASSISTANCE TRANSFER TO RAINY DAY FUND**

*Condition and Context*

The Township transferred \$25,000 from the Township Assistance fund to the Rainy Day fund (RDF) in 2016.

*Criteria*

Township funds that *cannot* be transferred to the RDF:

Township Assistance	IC 12-20-21-3 states: "The funds are continuing funds and do <b>NOT</b> revert to any other fund at the end of the year."
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(Township Bulletin and Uniform Compliance Guidelines, December 2015)

SALEM TOWNSHIP TRUSTEE

2655 S 700 W

HUDSON, IN 46747-9727

STATE BOARD OF ACCOUNTS

**"OFFICIAL RESPONSE"**

302 WEST WASHINGTON STREET, ROOM E 418

INDIANAPOLIS, INDIANA 46204-2765

April 30, 2020

Dear Sir/Madam:

This is an **"Official Response"** to **Salem Township** Trustee's EXIT CONFERENCE for the years 2016 through 2019 records; specially for the Transfer of \$25,000 from Township Assistance Fund to the Rainy Day Fund in 2016.

I have been the trustee for Salem Township since 1993 and at no time have I ever transferred money from any fund to another without some guidance. One time when Salem Township did not get the State Distribution for almost two years, I had to transfer money to accommodate the Contracts within Salem Township.

In 2012 while doing the Township Budget with the DLGF, I learned about the Rainy Day Fund. I had not heard of that before and the DLGF representative said that it was a way for the township to take money from funds that had enough money in them to help out another fund that we wished to help out. The Representative said that in order to do that we would have to do a Resolution each and every time we would want to transfer to the Rainy Day Fund. The Township Board is always wanting to help our Fire Departments within our township, so they voted on to transfer money from the Township Assistance because that fund had quite a bit of money in it, and transfer to the Rainy Day Fund in order to give to the Fire Department.

At another Budget meeting for the Salem Township, another DLGF representative directed me, the trustee, to figure out the percentages I would be able to use from the other funds in order to put in the Rainy Day Fund when I asked about the amount I could use to transfer.

At NO TIME was it explained to me that the Township Assistance Fund was off limits in order to transfer to Rainy Day Fund or, we (the Township Board nor I, the Trustee) would have transferred out of that fund. And since I had two DLGF representatives explaining how to do this, we thought this was a great idea. It was told me to that as long as we did a Resolution and we spent the money as we would with any other Taxpayer Money that we could transfer to the Rainy Day Fund.

Sincerely,

Marcia Helmuth, Salem Township Trustee

SALEM TOWNSHIP, STEUBEN COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on April 28, 2020, with Marcia Helmuth, Trustee, and Norman Pfafman, Chairman of the Township Board.