

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

FINANCIAL STATEMENTS REVIEW REPORT

OF

CASS TOWNSHIP

SULLIVAN COUNTY, INDIANA

January 1, 2017 to December 31, 2019



FILED
10/27/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Todd Talpas	01-01-17 to 12-31-20
Chair of the Township Board	Joe McCammon	01-01-17 to 12-31-20



INDEPENDENT ACCOUNTANT'S REVIEW REPORT

TO: THE OFFICIALS OF CASS TOWNSHIP, SULLIVAN COUNTY, INDIANA

We have reviewed the accompanying financial statements of Cass Township (Township), for the period of January 1, 2017 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, CPA
State Examiner

September 4, 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.

CASS TOWNSHIP, SULLIVAN COUNTY
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Years Ended December 31, 2017 and 2018

Fund	Cash and Investments 01-01-17	Receipts	Disbursements	Cash and Investments 12-31-17	Receipts	Disbursements	Cash and Investments 12-31-18
Township	\$ 30,610	\$ 27,343	\$ 28,764	\$ 29,189	\$ 30,391	\$ 29,458	\$ 30,122
Township Assistance	16,945	17,429	16,134	18,240	16,996	15,730	19,506
Union Fire Protection Territory	36,905	130,051	85,007	81,949	127,316	119,260	90,005
Union Fire Equipment Replacement	20,649	51,226	42,000	29,875	46,126	43,150	32,851
Levy Excess	-	-	-	-	507	-	507
Payroll Withholding - Fire Territory	-	-	-	-	1,057	156	901
Payroll Withholding - Township	716	4,200	3,998	918	4,607	4,200	1,325
Totals	<u>\$ 105,825</u>	<u>\$ 230,249</u>	<u>\$ 175,903</u>	<u>\$ 160,171</u>	<u>\$ 227,000</u>	<u>\$ 211,954</u>	<u>\$ 175,217</u>

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

CASS TOWNSHIP, SULLIVAN COUNTY
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended December 31, 2019

Fund	Cash and Investments 01-01-19	Receipts	Disbursements	Cash and Investments 12-31-19
Township	\$ 30,122	\$ 32,137	\$ 27,612	\$ 34,647
Township Assistance	19,506	16,914	15,281	21,139
Union Fire Protection Territory	90,005	128,149	95,916	122,238
Union Fire Equipment Replacement	32,851	40,467	48,000	25,318
Levy Excess	507	-	-	507
Payroll Withholdings - Fire Territory	901	1,070	941	1,030
Payroll Withholdings - Township	1,325	4,607	4,607	1,325
Totals	<u>\$ 175,217</u>	<u>\$ 223,344</u>	<u>\$ 192,357</u>	<u>\$ 206,204</u>

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

CASS TOWNSHIP, SULLIVAN 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.

CASS TOWNSHIP, SULLIVAN 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.

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.

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.

CASS TOWNSHIP, SULLIVAN 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.

CASS TOWNSHIP, SULLIVAN COUNTY
REVIEW RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT ERRORS

A similar comment also appeared in prior Report B41677, entitled *Annual Report*, and B48932, entitled *Gateway Annual Financial Report*.

Condition and Context

The Annual Financial Reports (AFR) for 2017, 2018, and 2019 did not properly reflect the financial activity of the Township.

The following funds were not included on the AFR:

Levy Excess
Payroll Withholding - Fire Territory
Payroll Withholding - Township

In addition to the omitted funds noted above, the AFR included other reporting errors. In total, the receipts, disbursements, and beginning and ending cash and investment balances were under (over) reported as follows:

Years	Beginning Balance	Receipts	Disbursements	Ending Balance
2017	\$ -	\$ 4,200	\$ 3,998	\$ 202
2018	202	6,171	4,356	2,017
2019	2,017	5,677	9,648	(1,954)
Totals	<u>\$ 2,219</u>	<u>\$ 16,048</u>	<u>\$ 18,002</u>	<u>\$ 265</u>

Adjustments were proposed, approved by the Trustee, and made to the financial statements.

Criteria

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](#)."

ADVANCE PAYMENTS

The same comment also appeared in prior Reports B41677 and B48932.

Condition and Context

Records presented for review indicated that payments were made to the Trustee and Township Clerk prior to the receipt of goods or services.

CASS TOWNSHIP, SULLIVAN COUNTY
REVIEW RESULTS AND COMMENTS
(Continued)

Criteria

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)

CREDIT CARD POLICY

A similar comment also appeared in prior Report B48932, entitled *CREDIT CARDS*.

Condition and Context

The Township, and the Fire Territory for which the Township is the provider unit, used credit and debit cards to purchase items without an approved credit card policy.

Criteria

The SBOA will not take exception to the use of credit cards by a unit provided the following criteria are observed:

1. The governing body must authorize credit card use through an ordinance/resolution, which has been approved in a meeting and documented in the minutes.
2. Issuance and use should be handled by an official or employee designated by the governing body.
3. The purposes for which the credit card may be used must be specifically stated in the ordinance/resolution.
4. When the purpose for which the credit card has been issued has been accomplished, the card must be returned to the custody of the responsible person.
5. The designated responsible official or employee must maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned.
6. Credit cards must not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing body and other officials with timely and accurate accounting information and monitoring of the accounting system.
7. Payment cannot be made on the basis of a statement or a credit card slip only. Procedures for payments must be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee may be the personal obligation of the responsible officer or employee.
8. If authorized, an annual fee may be paid.

(Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

CASS TOWNSHIP, SULLIVAN COUNTY
REVIEW RESULTS AND COMMENTS
(Continued)

MONTHLY AND ANNUAL ENGAGEMENT UPLOADS

Condition and Context

As of July 27, 2020, the Township had not uploaded any of the files required for the monthly and annual engagement uploads into the Indiana Gateway for Government Units (Gateway) financial reporting system for the calendar years 2018 and 2019.

Criteria

"Beginning with July 2018 files, which will be due September 15, 2018, all . . . townships . . . will use the Upload App to upload files containing financial and governmental unit information on Gateway to allow the State Board of Accounts (SBOA) to conduct audit planning and audit processes prior to on-site work at a unit. This remote process will provide for more efficient data processing and save audit costs for our clients. . . .

The following files and governmental unit information are required to be uploaded monthly:

- Bank reconcilements
- Approved board minutes
- Funds ledger, summarizing total receipts, disbursements, and balances by fund

In order to improve planning for the next engagement, a unit is encouraged to upload prior months' files beginning with the January 2018 files. Thereafter, monthly files must be uploaded no later than the 15th day of the second succeeding month, i.e., August monthly files are due on October 15.

The following files and governmental unit information are required to be uploaded annually:

- Year-end bank statement
- Year-end outstanding check list
- Year-end investment statements
- Detail of receipts for the year
- Detail of disbursements for the year
- Current year salary ordinance
- Annual employee earnings record
- Annual vendor history report

Annual files are due to be uploaded on Gateway no later than March 1, 2019. Thereafter, annual files must be uploaded no later than March 1 for the prior year end unless the SBOA establishes a different date. . . ." (State Examiner Directive 2018-1)

ADOPTION OF AND TRAINING ON INTERNAL CONTROL STANDARDS

Condition and Context

The Township Board did not adopt the minimum level of internal controls as required by statute, nor did they provide the required training on internal control standards to appropriate personnel.

CASS TOWNSHIP, SULLIVAN 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 incorrectly certified, in the Indiana Gateway for Government Units financial reporting system that the Township had adopted, and trained personnel on, the internal control standards in 2017.

Criteria

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](#)."

FAILURE TO REPORT MISAPPROPRIATION OF FUNDS

Condition and Context

The Township failed to report that purchases for personal items were made by the former Assistant Fire Chief of the Union Fire Protection Territory. Full reimbursement of \$4,444 was received from the Assistant Fire Chief on January 24, 2017.

Criteria

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

"A public officer who has actual knowledge of or reasonable cause to believe that there has been a misappropriation of public funds or assets of the public office, including:

- (1) information obtained as a result of a police report;
- (2) an internal audit finding; or

CASS TOWNSHIP, SULLIVAN COUNTY
REVIEW RESULTS AND COMMENTS
(Continued)

(3) another source indicating that a misappropriation has occurred;
shall immediately send written notice of the misappropriation to the state board of accounts
and the prosecuting attorney serving in the area governed by the political subdivision."

CASS TOWNSHIP, SULLIVAN COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 4, 2020, with Todd Talpas, Trustee, and Joe McCammon, Chair of the Township Board.