

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

FINANCIAL STATEMENTS REVIEW REPORT

OF

ADDISON TOWNSHIP

SHELBY COUNTY, INDIANA

January 1, 2016 to December 31, 2019



FILED
04/14/2021

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.....	8-11
Review Results and Comments:	
Adoption of and Training on Internal Control Standards	12
Certification on Internal Control Standards	12
Penalties, Interest, and Other Charges	13
Official Response	14
Exit Conference.....	15
Summary of Charges	16

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	James E. Garrett Jr.	01-01-16 to 12-31-21
Chair of the Township Board	Jack Banker Rick Moorhead	01-01-16 to 06-24-20 06-25-20 to 12-31-21



INDEPENDENT ACCOUNTANT'S REVIEW REPORT

TO: THE OFFICIALS OF ADDISON TOWNSHIP, SHELBY COUNTY, INDIANA

We have reviewed the accompanying financial statements of Addison 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, CPA
State Examiner

February 18, 2021

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.

ADDISON TOWNSHIP, SHELBY 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	\$ 5,625	\$ 40,554	\$ 44,089	\$ 2,090	\$ 48,884	\$ 39,230	\$ 11,744
Township Assistance	27,696	57,023	52,924	31,795	53,904	65,793	19,906
Fire Fighting	10,315	38,681	38,900	10,096	40,212	40,000	10,308
Rainy Day Fund	-	5,863	-	5,863	9,731	3,607	11,987
levy excess	271	-	-	271	-	271	-
Withholding Balance	(513)	-	169	(682)	-	-	(682)
Totals	<u>\$ 43,394</u>	<u>\$ 142,121</u>	<u>\$ 136,082</u>	<u>\$ 49,433</u>	<u>\$ 152,731</u>	<u>\$ 148,901</u>	<u>\$ 53,263</u>

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

ADDISON TOWNSHIP, SHELBY 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	\$ 11,744	\$ 47,855	\$ 44,775	\$ 14,824	\$ 30,877	\$ 41,400	\$ 4,301
Township Assistance	19,906	55,583	55,208	20,281	72,878	55,018	38,141
Fire Fighting	10,308	41,704	48,000	4,012	46,415	44,000	6,427
Rainy Day Fund	11,987	7,927	-	19,914	2,527	6,096	16,345
Withholding Balance	(682)	-	-	(682)	51	-	(631)
Totals	<u>\$ 53,263</u>	<u>\$ 153,069</u>	<u>\$ 147,983</u>	<u>\$ 58,349</u>	<u>\$ 152,748</u>	<u>\$ 146,514</u>	<u>\$ 64,583</u>

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

ADDISON TOWNSHIP, SHELBY 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.

ADDISON TOWNSHIP, SHELBY COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Fines and forfeits. Amounts received from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

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.

ADDISON TOWNSHIP, SHELBY 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.

ADDISON TOWNSHIP, SHELBY COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 6. Cash Balance Deficits

The financial statements contain some funds with deficits in cash. This is a result of prior period ending cash deficits.

ADDISON TOWNSHIP, SHELBY COUNTY
REVIEW RESULTS AND COMMENTS

ADOPTION OF AND TRAINING ON INTERNAL CONTROL STANDARDS

Condition and Context

The Township Board did adopt the acceptable minimum level of internal control standards as required by statute, but they were not provided for review during the engagement. The Township employees whose official duties included receiving, processing, depositing, disbursing, or otherwise having access to funds that belonged to the Township, had not received training over internal control standards that were developed or approved by the Indiana State Board of Accounts.

Criteria

Indiana 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 properly certified on the Annual Financial Report (AFR) that internal control standards had not been adopted and that internal control training had not been provided for employees on the internal control standards as required during calendar year 2016. However, the Trustee improperly certified on the AFR that internal control standards had been adopted as required during calendar years 2017, 2018, and 2019. The Trustee also improperly certified on the 2017, 2018, and 2019 AFR that internal control training had been provided for employees on the internal control standards as required.

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](#)."

ADDISON TOWNSHIP, SHELBY COUNTY
 REVIEW RESULTS AND COMMENTS
 (Continued)

PENALTIES, INTEREST, AND OTHER CHARGES

The same comment also appeared in prior Report B48110.

Condition and Context

The payment of penalties, interest, and other charges were noted as follows by year:

Tax Period	Penalties and Interest for Federal Withholding and Social Security Tax	Penalties and Interest for State and County Withholding	Penalties and Interest for Department of Workforce Development	Total Penalties, Interest, and Other Charges
2017	\$ -	\$ 32.76	\$ -	\$ 32.76
2018	440.43	-	-	440.43
2019	-	-	-	-
2020	-	-	1,250.85	1,250.85
Totals	<u>\$ 440.43</u>	<u>\$ 32.76</u>	<u>\$ 1,250.85</u>	<u>\$ 1,724.04</u>

For the purpose of this charge, we excluded amounts paid in 2016, as they were documented in the prior report, and included amounts paid up to December 31, 2020. We request that James E. Garrett Jr., Trustee, reimburse the Township \$1,724.04 for the payment of penalties, interest, and other charges. James E. Garrett Jr. reimbursed the Township \$1,724.04 on March 16, 2021. (See Summary of Charges, page 16)

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)

**Addison Township Trustee
210 Columbia Avenue
Shelbyville, Indiana 46176
317 398-6896**

“OFFICIAL RESPONSE”

February 18, 2021

**Indiana State Board of Accounts
302 W. Washington Street, Suite E418
Indianapolis, IN 46204**

To Whom it may Concern,

Pursuant to Indiana Code, IC 5-11-1 and the audit performed on the Addison Township Trustee office; this correspondence serves as the response to the audit findings and comments.

Those charges identified in the summary report relating to penalties, interest and other charges will be reimbursed to the Township. The challenge to the Township is errors related to tax withholdings at the federal level and from the Department of Workforce Development were not created by the Township, however the Township overpaid taxes in accordance with demand notices. Once the overpayment is realized the Township is reimbursed but the penalty and interest payments are not resolved or abated. Therefore, due to errors at the Internal Revenue Service and the Department of Workforce Development the Trustee is required to reimburse the Township. As of the date of this Exit Audit all taxes and withholdings are current and up to date.

The Township is following minimum internal controls as the financial consultant and the Trustee have received the internal controls training. Both individuals were trained in 2016 contrary to the notation in the audit review. The Township only chose to have the Trustee and Financial Consultant trained on internal controls. The Trustee will go back to the trainer from 2016 to secure the training certificate.

The audit period was January 1, 2016 through December 31, 2019, this audit took nearly a year to complete, yet following the Exit Audit meeting the Township is afforded ten (10) days to provide an Official Response. Initially, the auditor stated the audit period would be 2016 through 2018 and then for whatever reason the period was extended to 2019. The audit period along with the request for information was taxing upon the Township and unfortunately takes away from the service to constituents within the Township. The Trustee will reimburse the Township the agreed upon amount of \$1,724.04.

Sincerely,

**James E. Garrett Jr.
Addison Township Trustee**

ADDISON TOWNSHIP, SHELBY COUNTY
EXIT CONFERENCE

The contents of this report were discussed on February 18, 2021, with James E. Garrett Jr., Trustee; Genie Shelton, Township Clerk; and Rick Moorhead, Chair of the Township Board.

ADDISON TOWNSHIP, SHELBY COUNTY
SUMMARY OF CHARGES
(Due to Malfeasance, Misfeasance, or Nonfeasance)

	Charges	Credits	Balance Due
James E. Garrett Jr., Trustee:			
Penalties, Interest, and Other Charges, page 13	\$ 1,724.04	\$	\$
Repaid by James E. Garrett Jr on March 16, 2021		1,724.04	-
Totals	\$ 1,724.04	\$ 1,724.04	\$ -

This report was forwarded to the Office of the Indiana Attorney General.