

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

FINANCIAL STATEMENTS REVIEW REPORT

OF

WORTH TOWNSHIP

BOONE COUNTY, INDIANA

January 1, 2017 to December 31, 2020



FILED
07/13/2022

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:	
Financial Transactions and Reporting	12
Receipt Errors.....	13
Overdrawn Cash Balances	13
Capital Assets.....	14
Adoption of, and Training on, Internal Control Standards	14
Appropriations.....	14
Timely Recording and Depositing.....	15
Depository Reconciliations	15
Transfers.....	15-16
Contracts	16
Exit Conference.....	17

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	James Baldwin	01-01-17 to 12-31-22
Chair of the Township Board	Josh Myers Anne Bohm Andrew Heffner	01-01-17 to 06-25-18 06-26-18 to 12-31-18 01-01-19 to 12-31-22



INDEPENDENT ACCOUNTANT'S REVIEW REPORT

TO: THE OFFICIALS OF WORTH TOWNSHIP, BOONE COUNTY, INDIANA

We have reviewed the accompanying financial statements of Worth Township (Township), for the period of January 1, 2017 to December 31, 2020. 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.

We are required to be independent of the Township and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our reviews.

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.



Beth Kelley, CPA, CFE
Deputy State Examiner

June 27, 2022

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.

WORTH TOWNSHIP, BOONE 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 FUND	\$ 424,174	\$ 212,852	\$ 72,750	\$ 564,276	\$ 251,274	\$ 70,460	\$ 745,090
Parks and Recreation	6,723	-	-	6,723	-	-	6,723
POOR RELIEF	17,892	22,923	29,140	11,675	19,564	19,771	11,468
FIRE FIGHTING FUND	177,044	320,839	320,000	177,883	325,757	330,000	173,640
RAINY DAY	139,667	-	-	139,667	-	-	139,667
FEMA GRANT	-	-	-	-	-	-	-
PAYROLL DEDUCTIONS	(7,377)	5,819	5,754	(7,312)	5,324	5,324	(7,312)
Totals	<u>\$ 758,123</u>	<u>\$ 562,433</u>	<u>\$ 427,644</u>	<u>\$ 892,912</u>	<u>\$ 601,919</u>	<u>\$ 425,555</u>	<u>\$ 1,069,276</u>

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

WORTH TOWNSHIP, BOONE COUNTY
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Years Ended December 31, 2019 and 2020

Fund	Cash and Investments 01-01-19	Receipts	Disbursements	Cash and Investments 12-31-19	Receipts	Disbursements	Cash and Investments 12-31-20
TOWNSHIP FUND	\$ 745,090	\$ 272,961	\$ 72,837	\$ 945,214	\$ 491,235	\$ 954,445	\$ 482,004
Parks and Recreation	6,723	-	-	6,723	-	-	6,723
POOR RELIEF	11,468	19,714	16,794	14,388	50,000	20,076	44,312
FIRE FIGHTING FUND	173,640	324,955	590,000	(91,405)	902,471	400,000	411,066
RAINY DAY	139,667	-	-	139,667	-	-	139,667
FEMA GRANT	-	-	-	-	-	-	-
PAYROLL DEDUCTIONS	(7,312)	5,377	5,838	(7,773)	3,284	6,762	(11,251)
Totals	<u>\$ 1,069,276</u>	<u>\$ 623,007</u>	<u>\$ 685,469</u>	<u>\$ 1,006,814</u>	<u>\$ 1,446,990</u>	<u>\$ 1,381,283</u>	<u>\$ 1,072,521</u>

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

WORTH TOWNSHIP, BOONE 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.

WORTH TOWNSHIP, BOONE 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.

WORTH TOWNSHIP, BOONE 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.

WORTH TOWNSHIP, BOONE COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 6. Cash Balance Deficits

The financial statements contain funds with deficits in cash at year end. This is a result of payroll withholdings not being transferred each year to the Payroll Deductions fund in a timely manner, and overspending in 2019 for the Fire Fighting Fund.

WORTH TOWNSHIP, BOONE COUNTY
REVIEW RESULTS AND COMMENTS

FINANCIAL TRANSACTIONS AND REPORTING

A similar comment appeared in the immediately prior Report B48324, entitled *ANNUAL FINANCIAL REPORT DIFFERENCES*.

Condition and Context

The 2020 Annual Financial Report (AFR) submitted on the Indiana Gateway for Government Units financial reporting system, which was the source of the financial statements, was not accurate and contained numerous material errors. Additionally, errors were identified in the Township's financial ledger. The following errors were identified in the financial ledger, AFR, and the financial statements:

1. Township Fund - Disbursements reported on the AFR were understated by \$205,135, which caused cash to be overstated at year end.
2. Fire Fighting Fund - Receipts reported on the AFR were understated by \$302,471, which caused cash to be understated at year end.
3. Payroll Deductions fund - Disbursements reported on the AFR were understated by \$2,541, which caused cash to be overstated at year end.
4. Township Fund - the December 2020 property tax distribution was recorded in the financial ledger for an incorrect amount, which caused the AFR receipts and ending cash and investments to be understated by \$158,990.
5. Poor Relief fund - a transfer into this fund in October 2020 was recorded in the financial ledger twice, overstating receipts by \$25,000, which also overstated cash at year end.

Adjustments were proposed, accepted by the Township, and made to the financial statements.

Criteria

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

"The state examiner shall require from every audited entity 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](#)."

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)

WORTH TOWNSHIP, BOONE COUNTY
 REVIEW RESULTS AND COMMENTS
 (Continued)

RECEIPT ERRORS

Condition and Context

Property taxes, license excise taxes, and financial institution taxes received in 2020 that were designated for the Poor Relief fund (Township Assistance Fund) totaling \$19,348, and the Fire Fighting Fund totaling \$320,901, were incorrectly receipted to the Township fund.

Additionally, as noted in the *Financial Transactions and Reporting* comment above, there were errors in recording receipts in 2020 to the Township Fund and Poor Relief fund.

Criteria

Sources and uses of funds must be limited to those authorized by the enabling law, ordinance/ resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

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)

OVERDRAWN CASH BALANCES

The same comment appeared in the immediately prior Report B48324.

Condition and Context

The following funds had overdrawn cash balances at year end as follows:

Fund	Amount Overdrawn At December 31, 2017	Amount Overdrawn At December 31, 2018	Amount Overdrawn At December 31, 2019	Amount Overdrawn At December 31, 2020
Payroll Deductions	\$ (7,312)	\$ (7,312)	\$ (7,773)	\$ (11,251)
Fire Fighting Fund	-	-	(91,405)	-

Criteria

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

WORTH TOWNSHIP, BOONE COUNTY
REVIEW RESULTS AND COMMENTS
(Continued)

CAPITAL ASSETS

Condition and Context

The Township has not adopted a capital asset policy that reflects the value at which an asset purchased is considered a capital asset. The Township also did not maintain a detailed record of capital assets.

Criteria

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

ADOPTION OF, AND TRAINING ON, INTERNAL CONTROL STANDARDS

Condition and Context

The Township has not adopted an internal control policy. They have also not performed any training on internal controls.

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."

APPROPRIATIONS

The same comment appeared in the immediately prior Report B48324.

Condition and Context

During 2019, disbursements from the Fire Fighting Fund exceeded appropriations by \$250,000. No additional appropriation was approved by the Department of Local Government Finance (DLGF).

Criteria

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

WORTH TOWNSHIP, BOONE COUNTY
REVIEW RESULTS AND COMMENTS
(Continued)

TIMELY RECORDING AND DEPOSITING

A similar comment appeared in the immediately prior Report B48324, entitled *DEPOSITS*.

Condition and Context

On several occasions in 2020, the monthly County Option Income Tax (COIT) distributions were not deposited timely. In some instances, monies were not deposited or receipted to the ledger for more than 60 days after receipt. Monies were not receipted to the Township's financial records until they were taken to the bank for deposit.

Criteria

Indiana Code 5-13-6-1(c) states in part: ". . . The public funds collected by township trustees shall be deposited in the designated depository on or before the first and fifteenth day of each month. . . ."

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)

DEPOSITORY RECONCILIATIONS

The same comment appeared in the immediately prior Report B48324.

Condition and Context

The Township did not perform depository reconciliations for September, October, November, or December 2020. Additionally, detailed outstanding check lists were not provided for any of the months. Based on information that was available, the bank balance exceeded the record balance by \$3,305 at December 31, 2020. The cause of the cash long could not be determined using the records provided.

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)

TRANSFERS

Condition and Context

In 2020, the Township completed three transfers of excess funds from the Township Fund as follows: \$325,000 in September, \$350,000 in October, and \$200,000 in December. The Township recorded a total of \$800,000 transferred to the Fire Fighting Fund, and \$75,000 transferred to the Poor Relief fund.

WORTH TOWNSHIP, BOONE COUNTY
REVIEW RESULTS AND COMMENTS
(Continued)

The first transfer, made in September, was approved by the Township Board in a public meeting per the Township Board minutes; no approval was noted in the board minutes for the transfers made in October and December.

Criteria

Indiana Code 36-6-6-16 states:

"(a) This section does not apply to a township that is a distressed political subdivision under IC 6-1.1-20.3.

(b) As used in this section, 'township fund' does not include a debt service fund of a township.

(c) Notwithstanding any other law, a township legislative body, in a public meeting, may authorize a one (1) time transfer of any excess balance or part of an excess balance from any township fund to any other township fund. A township legislative body may transfer excess balances from multiple township funds; however, all transfers must be authorized by the township legislative body at one (1) time. Subject to subsection (d), a township must complete all transfers that are authorized by this section not later than September 1, 2021. Any money transferred under this section may be used for any lawful purpose for which money in the fund to which the balance is transferred may be used.

(d) If [IC 36-6-9](#) applies to the township, the township must adopt the township capital improvement plan before the township may complete a transfer of money under this section.

(e) A township may not spend any money that is transferred until the expenditure of the money has been included in a budget that has been approved by the department of local government finance under [IC 6-1.1-17](#).

(f) This section expires January 1, 2022."

CONTRACTS

The same comment appeared in the immediately prior Report B48324.

Condition and Context

In December 2019, the Township made a payment of \$250,000 to the Town of Whitestown from the Fire Fighting Fund that was not in accordance with the existing fire protection 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)

WORTH TOWNSHIP, BOONE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on June 27, 2022, with James Baldwin, Trustee, and Mike Hancock, Secretary of the Township Board.