

## White River Township

### Citizen Request:

- A. Audit the township financial records to establish a true cash and investment balance.

A review of the annual reports from 2008 and 2009 for White River Township indicates that there are reasons to question the validity of the value reported in the 2009 report of \$273,588.57 as cash and investment balance as of December 31, 2009. Those reasons, as stated below, suggest that this balance is considerably understated, and that an audit by the State Board of Accounts is needed in order to provide the citizens with a true value of accumulated assets.

#### **1. Annual Report Discrepancies**

A study of the Trustee Annual Reports for 2008 and 2009 has revealed a large number of accounting entry discrepancies. The Johnson County auditors' records were reviewed to establish the tax disbursements to the township. This established amounts that should have been allocated to the respective township accounts. This was compared to the receipts reported in the annual township reports, and the difference was recorded as a discrepancy. A summary of these discrepancies is dated January 29, 2010.

In 2008 a total discrepancy of \$827.80 was calculated, indicating an overstatement of receipts. In 2009 the total discrepancy was found to be (\$103,982.62). This is traceable to a failure to include the county disbursement of property and excise tax on December 31, 2009.

#### **2. Interest Reported**

The annual report for 2008, part 4 Cash and Investment form, indicates a CD having a purchase cost of \$126,317.78 on 8/26/08 and due 5/26/10 is yielding an interest rate of 3.58%. Under these conditions, there should be an accumulation of at least \$4,522.18 in interest for 2009 (assuming annual interest compounding).

However, in the 2009 report there is an interest entry of \$3,679.58, as well as the suggestion of an investment turn over having a purchase cost of \$129,682.32 and a sale price of \$126,317.78. Although this methodology is contrary to interest accumulation, if we were to assume it to be an entry error, that gain would have been only \$3,364.54. Thus, of the two possibilities in the 2009 report for recording interest, none agree with the expected interest from the data reported in 2008. The question is raised as to the correct sources and amounts of interest from township funds.

It appears an investment turn over had occurred in 2009, such as the rollover of a CD in which the interest had been added to the face value and an investment of \$126,317.78 grew into \$129,682.32. The entry methodology of assigning \$126,317.78 as a receipt, and \$129,682.32 as a disbursement, as has been done, results in a net reduction of total cash and investment balance at the end of the year as opposed to the growth that may have actually occurred.

### **3. Purchase of Investments**

In Part 1, code 7000 of the 2008 annual report, an investment purchase of \$150,000 is recorded. This transaction is repeated on Part 3A-page 1, line 5, and on form 3B-Disbursements (lower right corner) as a Heartland Bank Community Bank purchase of investment in the amount of \$150,000. However, in the Part 4 form, there is no record of this investment purchase. One would conclude that the 2008 statement of cash and investments for December 31, 2008, which is given as \$323,901.27 is understated by \$150,000.

In the 2009 annual report, Part 4 form, the only recorded investment is one purchased on 10/8/08 and maturing on 5/26/10, yielding 3.53%, with a cost of \$125,000. The absence of the \$150,000 investment mentioned above is therefore questioned as a continuation of its' omission. Neither the purchase date nor interest rate in the 2009 report agree with the 2008 investment data, suggesting that there are possible three investments; one purchased on 8/26/08 for \$126,317.78 yielding 3.58%, one purchased on 10/8/08 for \$125,000 yielding 3.53%, and one purchased sometime in 2008 for \$150,000 with an unknown yield that is omitted from the investment report.

### **4. Cash and Investment Balance**

In the 2008 annual report the Township Fund disbursement of \$364,236.89 (column C, Part1) reflects a purchase of a security for \$150,000 as included in Part 3A, page 1. When this investment is not recorded in the investment and cash summary of Part 4, the net result is that the cash and investment balance for December 31, 2009 of \$228,461.24 is understated by \$150,000.

There is a discrepancy in the 2009 annual report as to which is the correct cash balance at December 31, 2009. On the Part 1, page 1 form the cash balance is reported as \$143,876.25. On the Part 4 form, the cash at December 31, 2009 is reported as \$148,588.57. This results in a discrepancy of \$4,712.32 between the two entries.

## **Conclusions**

There are sufficient discrepancies related to entry errors and omissions that an audit by the State Board of Accounts is requested.

These errors and omission suggests that as of this date the total cash and investments for White River Township are significantly larger than stated in the 2009 report. If because of the failure of the Trustee to submit a budget for 2010, the DLGF were to permit a duplication of the 2009 budget, there would be tax receipts totaling nearly \$330,000. This would put at the disposal of the Trustee the following considerable sum of money:

1) Cash and Investments 12/31/09	\$273,589
2) Possible cash balance error 2009	\$4,712
2) 12/31/09 tax payment by county	\$103,982
3) Sale of property	\$250,000
4) CD purchased in 2008	\$150,000
5) CD purchased 8/26/08	\$126,317
6) Possible 2010 tax revenue	\$330,000
Possible funds available for 2010	\$1,238,600