

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

EXAMINATION REPORT

OF

PIERSON TOWNSHIP

VIGO COUNTY, INDIANA

January 1, 2004 to December 31, 2005



FILED

12/11/2006

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OFFICIALS

Office

Official

Term

Trustee

Robin Brown

01-01-03 to 12-31-06

Chairman of the
Township Board

Duane D. Dalton

01-01-04 to 12-31-06



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF PIERSON TOWNSHIP, VIGO COUNTY, INDIANA

We have examined the financial information presented herein of Pierson Township (Township), for the period of January 1, 2004 to December 31, 2005. The Township's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above present fairly, in all material respects, the financial information of the Township for the years ended December 31, 2004 and 2005, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

October 31, 2006

PIERSON TOWNSHIP, VIGO COUNTY
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL FUND TYPES
As Of And For The Years Ended December 31, 2004 And 2005

| | Cash and Investments 01-01-04 | Receipts | Disbursements | Cash and Investments 12-31-04 |
|---------------------|-------------------------------------|-------------------|-------------------|-------------------------------------|
| Governmental Funds: | | | | |
| General | \$ 10,096 | \$ 58,269 | \$ 53,725 | \$ 14,640 |
| Dog | 896 | 449 | 599 | 746 |
| Township Assistance | 10,451 | 104 | 1,937 | 8,618 |
| Firefighting | 304 | 40,007 | 25,145 | 15,166 |
| Park and Recreation | 5,528 | 8,372 | 1,605 | 12,295 |
| Fire Debt | - | 26,890 | 24,582 | 2,308 |
| Cumulative Fire | 31,259 | 26,234 | 6,300 | 51,193 |
| Totals | <u>\$ 58,534</u> | <u>\$ 160,325</u> | <u>\$ 113,893</u> | <u>\$ 104,966</u> |

| | Cash and Investments 01-01-05 | Receipts | Disbursements | Cash and Investments 12-31-05 |
|---------------------|-------------------------------------|------------------|-------------------|-------------------------------------|
| Governmental Funds: | | | | |
| General | \$ 14,640 | \$ 37,887 | \$ 45,550 | \$ 6,977 |
| Dog | 746 | 596 | 449 | 893 |
| Township Assistance | 8,618 | 368 | 1,893 | 7,093 |
| Firefighting | 15,166 | 13,512 | 15,848 | 12,830 |
| Park and Recreation | 12,295 | 3,991 | 4,660 | 11,626 |
| Levy Excess | - | 2,186 | - | 2,186 |
| Fire Debt | 2,308 | 25,849 | 36,386 | (8,229) |
| Cumulative Fire | 51,193 | 6,670 | - | 57,863 |
| Totals | <u>\$ 104,966</u> | <u>\$ 91,059</u> | <u>\$ 104,786</u> | <u>\$ 91,239</u> |

The accompanying notes are an integral part of the schedules.

PIERSON TOWNSHIP, VIGO COUNTY
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The Township was established under the laws of the State of Indiana. The Township provides the following services: public safety, health and social services, culture and recreation, and general administrative services.

Note 2. Fund Accounting

The Township uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Township in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% 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 become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the Township on or prior to December 31 of the year collected.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were 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 statute (IC 5-13-9) authorizes the Township to invest in securities including, but not limited to, 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 6. Long-Term Debt

The Township has entered into debt such as a loan for a fire truck. The outstanding principal at December 31, 2005, was \$83,333.

PIERSON TOWNSHIP, VIGO COUNTY
EXAMINATION RESULTS AND COMMENTS

APPROPRIATIONS

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

| Fund | Years | Excess Amount Expended |
|--------------|-------|------------------------------|
| General Fund | 2004 | \$ 3,715 |
| General Fund | 2005 | 587 |

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."

CONDITION OF RECORDS

The following deficiencies relating to the recordkeeping were noted.

1. Record balances were not reconciled to depository balances.

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 should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

2. There were a considerable number of posting errors. The errors included amounts not carried to the correct column, checks and receipts not recorded in the proper amounts, and interest not posted.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

PIERSON TOWNSHIP, VIGO COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

3. A Levy Excess Fund was not created in the ledger, as required by the Indiana Department of Local Government Finance. The Levy Excess Fund was not shown on the Annual Report.

Indiana Code 6-1.1-18.5-17 states in part:

"(b) . . . However, the civil taxing unit shall deposit, except as provided in subsection (h), its levy excess in a special fund to be known as the civil taxing unit's levy excess fund."

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

OVERDRAWN FUND BALANCES

The Fire Debt Fund was overdrawn in 2005.

The balance of any fund may not be reduced below zero. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

SUPPORTING DOCUMENTATION

Several payments were observed which did not contain adequate supporting documentation, such as receipts, invoices, and contracts for cemetery care. Cemetery contracts were written but not presented for audit. Due to the lack of supporting information, the validity and accountability for some money disbursed could not be established.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

PIERSON TOWNSHIP, VIGO COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 31, 2006, with Robin Brown, Trustee; and David Brown, member of the Township Board. The official response has been made a part of this report and may be found on page 9.



Robin J. Brown

Pierson Township Trustee/Assessor

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Lewis, IN 47858

Phone: (812) 495-6334 Fax: (812) 495-6037

November 9, 2006

State Board of Accounts
302 West Washington Street
4th Floor, Room E418
Indianapolis, IN 46204-2765

ATTN: Official Response
RE: Pierson Township, Vigo County, IN

To Whom it May Concern:

In response to the October 31 Audit Findings for Pierson Township, Vigo County, please note the following comments:

- 1) Budget overspending for 2004 and 2005 were due to unexpected expenses incurred in settlement to the IRS of federal withholding taxes for 1999-2002, prior to my first term as township trustee. Failure to apply for an additional appropriation to cover these expenses was an oversight on my part.
- 2) The Fire Debt Fund was overdrawn due to a simple bookkeeping error: that of not transferring funds to cover the payment. That fund remains one payment behind because the first bank payment due (Jan of 2004) was prior to the first tax settlement received from the county (July 2004).
- 3) Failure to present community center contracts and receipts as well as cemetery contracts and receipts was again an oversight; they were available but not presented for audit.

Admittedly, the largest "thorn in my flesh" is the township ledger; I am now working on the creation of an Excel spreadsheet to use as the twp bookkeeping system. This will be presented for approval upon its completion.

Respectfully submitted,

Robin J. Brown
Pierson Twp Trustee