

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

EXAMINATION REPORT
OF
HENRY TOWNSHIP
FULTON COUNTY, INDIANA
January 1, 2006 to December 31, 2006



FILED
07/13/2007

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Accountant's Report	3
Schedule of Receipts, Disbursements, and Cash and Investment Balances.....	4
Notes to Schedule	5
Supplementary Information: Schedule of Capital Assets	6
Examination Results and Comments:	
Dog Tax Receipts	7
Malfeasance, Misfeasance or Nonfeasance	7
Money Order	7-8
Personal Expenses	8
Advance Payroll Payments	9
Penalties, Interest and Other Charges	9
Compensation and Benefits.....	9
Official Bond	9
Official Bond Information	10
Exit Conference	11
Summary	12
Affidavit	13

OFFICIALS

Office

Official

Term

Trustee

Becky L. Gearhart

01-01-03 to 12-31-10

Chairman of the
Township Board

Joe Day

01-01-06 to 12-31-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF HENRY TOWNSHIP, FULTON COUNTY, INDIANA

We have examined the financial information presented herein of Henry Township (Township), for the period of January 1, 2006 to December 31, 2006. 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 presents fairly, in all material respects, the cash transactions of the Township for the year ended December 31, 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

May 7, 2007

HENRY TOWNSHIP, FULTON COUNTY
 SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
 ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
 As Of And For The Year Ended December 31, 2006

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
Township	\$ 36,396	\$ 15,622	\$ 23,517	\$ 28,501
Dog	455	256	328	383
Township Assistance	25,168	6,816	4,259	27,725
Firefighting	19,800	73,286	84,686	8,400
Community Host Fee	10,909	18,594	6,117	23,386
Fiduciary Fund:				
Payroll Withholdings	(99)	1,810	1,810	(99)
Totals	\$ 92,629	\$ 116,384	\$ 120,717	\$ 88,296

The accompanying notes are an integral part of the schedule.

HENRY TOWNSHIP, FULTON COUNTY
NOTES TO SCHEDULES

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, 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.

HENRY TOWNSHIP, FULTON COUNTY
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
December 31, 2006

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Machinery and equipment	\$ 546,134

HENRY TOWNSHIP, FULTON COUNTY
EXAMINATION RESULTS AND COMMENTS

DOG TAX RECEIPTS

The total amount of dog tax receipts issued in 2006, for Henry Township was \$286. The total receipts posted to the Township ledger and deposited in the bank was \$256.

Indiana Code 5-13-6-1(c) states in part: "Public funds deposited . . . shall be deposited in the same form in which they were received."

We requested Becky L. Gearhart, Township Trustee, to reimburse the Township \$30 for undeposited dog tax receipts. The Trustee deposited \$ 30 to the Township bank account on May 7, 2007. (See Summary, page 12)

MALFEASANCE, MISFEASANCE OR NONFEASANCE

Supporting documentation for payments of Township Assistance expenditures funds on two occasions during 2006 appears to have been altered. Personal expenses in both instances for Becky L. Gearhart, Henry Township Trustee, were paid through direct withdrawals/debits from the Township checking account.

The first instance involved a Township assistance voucher marked "past due cc" for a Township Assistance applicant's request for assistance to the Bank of America for \$450. When the Trustee was asked for documentation to support the payment, she admitted the payment was actually a payment on her personal credit card account.

The second instance involved a Township Assistance voucher to Verizon, Dallas, Texas, for Acct # 13-3510 2679054199 00 in the amount of \$260 for the payment of a telephone bill. The Application for Township Assistance related to the voucher specifically indicated that there was no request for help on a telephone bill. A closer review of the bill revealed that the phone was actually the personal phone of the Trustee. An original copy of the bill was obtained and we noted that the name on the bill had been changed from the Trustee's name to that of the Township Assistance applicant's. An affidavit from the Township Assistance applicant revealed that she had not received any assistance from Township during 2006. When the Trustee was questioned about the matter, she admitted that the bill was for her personal phone.

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or nonfeasance in office of any officer or employee may be the personal obligation of the responsible officer or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

The prior Report B28365, also included charges related to personal expenses of the Trustee being paid from the Township Assistance Funds.

We requested Becky L. Gearhart, Township Trustee, to reimburse the Township \$710 for these personal expenses paid from Township funds. (See Summary, page 12)

MONEY ORDER

A payment was observed which did not contain supporting documentation for \$53.70. Further investigation revealed that the payment was to Wells Fargo Bank for a personal money order for \$49.70 plus a \$4.00 processing fee. A cancelled copy of the personal money order was obtained from the bank. The money order was issued to Hardesty Printing. Records maintained at Hardesty Printing indicated the payment was

HENRY TOWNSHIP, FULTON COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

for an invoice in the name Becky L. Gearhart for \$24.70. The invoice was originally paid by a personal check of Becky L. Gearhart who was later reimbursed by the Township. Subsequently, Ms. Gearhart's check was returned for insufficient funds. Hardesty Printing added insufficient fund charges of \$25.00 to the bill for a total of \$49.70.

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)

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental entity may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

We requested Becky L. Gearhart, Henry Township Trustee, reimburse the township \$53.70 for this personal expenditure. The Trustee deposited \$ 53.70 to the Township bank account on May 7, 2007. (See Summary, page 12)

PERSONAL EXPENSES

A review of the 2007 phone bills paid by the Township revealed long distance phone calls described as personal by the Trustee. The total personal expense for phone charges paid by the Township during the period January 1, 2007 to March 31, 2007, was \$55.10. We requested Becky L. Gearhart, Henry Township Trustee; reimburse the Township \$55.10 for the personal expenses. The Trustee deposited \$55.10 to the Township bank account on May 7, 2007. (See Summary, page 12)

A review of 2007 Township bank statements revealed direct withdrawals/debits from the Township checking account for the payment of charges for the months of January, February, March, and April, for Verizon account # 2679054199. The account was for a personal phone in the name of Becky L. Gearhart. Charges paid by the Township for the account totaled \$415.85. The Township Trustee, Becky L. Gearhart, admitted the \$415.85 was her personal expense. We requested Becky L. Gearhart, Henry Township Trustee, reimburse \$415.85 to the Township. Deposits of \$359.48 and \$56.37 were made on April 11, 2007 and May 7, 2007, respectively, to the Township bank account. (See Summary, page 12)

The Township purchased a Kodak C663 digital camera in January 2007 for \$249.99. The Trustee, Becky L. Gearhart, was asked the purpose of the digital camera for the Township. The Trustee stated the camera was for the fire department, and was used to take pictures of fires and used for power point presentations. She also stated the camera was in a fire truck. A statement taken from eight firemen on April 20, 2007, indicated that there was no Kodak C663 digital camera in the fire department. A review of the data on the Township's laptop computer revealed 1022 personal pictures as well as the Kodak software necessary to download pictures from a Kodak digital camera. The Trustee indicated that she had also purchased a Kodak digital camera about the same time and the software was from her camera. The camera was presented at the exit conference. The Trustee indicated the camera was found hanging on the office door and she had no idea where the camera came from.

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental entity may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

HENRY TOWNSHIP, FULTON COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

ADVANCE PAYROLL PAYMENTS

The Township Trustee and the Township Clerk were paid their salary for the entire year 2006 as of April 26, 2006. Advance payments of salary were also noted in the prior Report B28365.

Compensation and any other payments for goods and services should not be paid in advance of receipt of the goods or services unless specifically authorized by statute. 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 13)

PENALTIES, INTEREST AND OTHER CHARGES

Penalties and interest totaling \$ 85.52 were paid to the Internal Revenue Service on December 18, 2006, for the period 2005 and 2006. Penalties and interest totaling \$95.86 were paid to the Indiana Department of Revenue on February 27, 2007, for the period 2005. A similar comment appeared in the prior Report B28365.

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 governmental 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 governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

We requested Becky L. Gearhart, Henry Township Trustee, reimburse the township \$181.38. The Trustee deposited \$181.38 to the Township bank account on May 7, 2007. (See Summary, page 12)

COMPENSATION AND BENEFITS

The Township salaries were not approved on Township Form 17 or in the Township Board minutes.

We recommend that the township board set the salaries of township officials and employees, except assessing officials and employees, in conjunction with the preparation and completion of the township budget. The type of format for recording these salaries should be the existing form of Township Form 17. The salaries so fixed shall be recorded in the township board minutes. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

OFFICIAL BOND

The official bond for Becky L. Gearhart, Henry Township Trustee, Fulton County, on file in the Office of the County Recorder, did not indicate a term or period of coverage. The bond was bound unto Henry Township, Fulton County, instead of the State of Indiana.

Indiana Code 5-4-1-10 states: "All official bonds shall be payable to the state of Indiana; and every such bond shall be obligatory to such state, upon the principal and sureties, for the faithful discharge of all duties required of such officer by any law, then or subsequently in force, for the use of any person injured by any breach of the condition thereof."

HENRY TOWNSHIP, FULTON COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

OFFICIAL BOND INFORMATION

The Henry Township Trustee, Becky L. Gearhart, had a \$ 15,000 surety bond with Auto-Owners Insurance for the period May 1, 2006 to May 1, 2007, with a continuation certificate for the period May 1, 2007 to May 1, 2008.

HENRY TOWNSHIP, FULTON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on May 7, 2007, with Joe Day, Chairman of the Township Board. The official concurred with our findings.

The contents of this report were discussed on May 7, 2007, with Becky L. Gearhart Trustee.

HENRY TOWNSHIP, FULTON COUNTY
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Becky L. Gearhart, Trustee			
Dog Tax Receipts, page 7	\$ 30.00	\$	\$
Reimbursed May 7, 2007		30.00	-
Malfeasance, Misfeasance and Nonfeasance, page 7	710.00	-	710.00
Money Order, pages 7 and 8	53.70		
Reimbursed May 7, 2007		53.70	-
Personal Expenses, page 8	470.95		
Reimbursed May 7, 2007		55.10	-
Reimbursed on April 11, 2007 and May 7, 2007		415.85	-
Penalties, Interest and Other Charges, page 9	181.38		
Reimbursed May 7, 2007		181.38	-
	<u> </u>	<u> </u>	<u> </u>
Totals	<u>\$ 1,446.03</u>	<u>\$ 736.03</u>	<u>\$ 710.00</u>

AFFIDAVIT

STATE OF INDIANA)
)
WABASH COUNTY)

I, James D. Reed, Field Examiner, being duly sworn on my oaths, state that the foregoing report based on the official records of Henry Township, Fulton County, Indiana, for the period from January 1, 2006 to December 31, 2006, is true and correct to the best of my knowledge and belief.

James D. Reed
Field Examiner(s)

Subscribed and sworn to before me this 3 day of July, 2007.

Jamie Shepler
Notary Public

My Commission Expires:
County of Residence:

