

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

EXAMINATION REPORT  
OF  
LINCOLN TOWNSHIP  
NEWTON COUNTY, INDIANA  
January 1, 2008 to December 31, 2009



**FILED**  
10/08/2010



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials .....	2
Independent Accountant's Report.....	3
Financial Information:	
Schedules of Receipts, Disbursements, and Cash and Investment Balances .....	4
Notes to Financial Information .....	5
Examination Results and Comments:	
Overdrawn Fund Balances .....	6
Old Outstanding Checks.....	6
Condition of Records .....	6
Appropriations.....	7
Capital Asset Records .....	7
Personal Expenses.....	7-9
Compensation and Benefits .....	9
Prescribed Forms .....	9
Exit Conference.....	10
Official Response .....	11-13
Summary.....	14
Affidavit .....	15

OFFICIALS

Office

Official

Term

Trustee

Sharyn Harvey

01-01-99 to 12-31-10

Chairman of the  
Township Board

Grace Hanley

01-01-08 to 12-31-10



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF LINCOLN TOWNSHIP, NEWTON COUNTY, INDIANA

We have examined the financial information presented herein of Lincoln Township (Township), for the period of January 1, 2008 to December 31, 2009. 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 financial information of the Township for the years ended December 31, 2008 and 2009, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

February 24, 2010

LINCOLN TOWNSHIP, NEWTON COUNTY  
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES  
As Of And For The Years Ended December 31, 2008 And 2009

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
Township	\$ 202,780	\$ 49,345	\$ 65,464	\$ 186,661
Dog	1,054	-	1,054	-
Township Assistance	12,472	8,004	5,723	14,753
Fire Fighting	24,504	109,863	99,490	34,877
Grant	156	-	156	-
Landfill Donation	98,984	147,692	186,922	59,754
Levy Excess	1,423	-	-	1,423
Rainy Day	8,178	10,766	-	18,944
Cumulative Fire	8,594	32,943	32,846	8,691
Fiduciary Fund:				
Payroll Withholdings	246	8,002	9,338	(1,090)
Totals	<u>\$ 358,391</u>	<u>\$ 366,615</u>	<u>\$ 400,993</u>	<u>\$ 324,013</u>

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
Township	\$ 186,661	\$ 48,248	\$ 66,870	\$ 168,039
Dog	-	-	-	-
Township Assistance	14,753	15,354	13,265	16,842
Fire Fighting	34,877	110,419	99,490	45,806
Grant	-	-	-	-
Landfill Donation	59,754	150,443	174,536	35,661
Levy Excess	1,423	-	-	1,423
Rainy Day	18,944	5,218	-	24,162
Cumulative Fire	8,691	26,862	26,702	8,851
Fiduciary Fund:				
Payroll Withholdings	(1,090)	8,254	6,590	574
Totals	<u>\$ 324,013</u>	<u>\$ 364,798</u>	<u>\$ 387,453</u>	<u>\$ 301,358</u>

The accompanying notes are an integral part of the financial information.

LINCOLN TOWNSHIP, NEWTON 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.

LINCOLN TOWNSHIP, NEWTON COUNTY  
EXAMINATION RESULTS AND COMMENTS

OVERDRAWN FUND BALANCES

The Payroll Withholdings Fund was overdrawn at the end of 2008 by \$1,090.33.

The 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 governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

OLD OUTSTANDING CHECKS

Our review of the bank reconcilements as of December 31, 2009, revealed 4 checks that had been outstanding (as old as October 15, 2005) in excess of two years totaling \$768.00.

All checks drawn upon public funds of the township, which checks are outstanding and unpaid for two or more years as of December 31 of each year, shall be declared void. IC 5-11-10.5-2. The amounts of such checks should be receipted into the fund or funds from which originally drawn by writing an official receipt or receipts therefore. The amount of such check should be receipted into the township (general) fund if the fund from which a check was drawn is not now in existence or cannot be ascertained. These checks should also be removed from the list of outstanding checks. IC 5-11-10.5-5 (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 2)

CONDITION OF RECORDS

The following deficiencies relating to the recordkeeping were noted.

- (1) Record balances were not reconciled to depository balances.

IC 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. These errors included deposits and interest not receipted to the proper fund.

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)

LINCOLN TOWNSHIP, NEWTON COUNTY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

APPROPRIATIONS

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

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
Firefighting	2008	<u>\$ 10,000</u>

IC 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."

SCHOLARSHIPS

The Donation Fund which is funded primarily by landfill host fees, donated monies of \$56,200.15 for scholarships to local high school students. A similar comment was in the prior Report B31896.

Governmental funds should not be donated or given to other organizations, individuals, or governmental units unless specifically authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

CAPITAL ASSET RECORDS

Information presented for examination did not include a complete listing of capital assets with the proper documentation of asset valuation. A similar comment was in prior Report B31896.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded on the applicable Capital Asset Ledger. A complete inventory should be taken at least every two years for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

PERSONAL EXPENSES

The Trustee paid herself mileage reimbursements totaling \$4,217.30. The reimbursements included mileage for a number of meetings and trips that did not fall within the duties of the Trustee as identified in IC 36-6-4-3.

IC 36-6-4-3 states:

"The executive shall do the following:

- (1) Keep a written record of official proceedings.
- (2) Manage all township property interest.

LINCOLN TOWNSHIP, NEWTON COUNTY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

- (3) Keep township records open for public inspection.
- (4) Attend all meetings of the township legislative body.
- (5) Receive and pay out township funds.
- (6) Examine and settle all accounts and demands chargeable against the township.
- (7) Administer township assistance under IC 12-20 and IC 12-30-4.
- (8) Perform the duties of fence viewer under IC 32-26.
- (9) Provide and maintain cemeteries under IC 23-14.
- (10) Provide fire protection under IC 36-8, except in a township that:
  - (A) is located in a county having a consolidated city; and
  - (B) consolidated the township's fire department under IC 36-3-1-6.1.
- (11) File an annual personnel report under IC 5-11-13.
- (12) Provide and maintain township parks and community centers under IC 36-10.
- (13) Destroy detrimental plants, noxious weeds, and rank vegetation under IC 15-16-8.
- (14) Provide insulin to the poor under IC 12-20-16.
- (15) Perform other duties prescribed by statute."

Mileage reimbursements to the Township Trustee included:

- \$906.14 for mileage to pick up potato chips for a private local food pantry.
- \$123.55 for mileage to deliver Christmas baskets, prepared by a local not for profit, to the needy.
- \$932.30 for mileage to the North Central Community Service meetings. The Trustee is associated with the North Central Community Service organization which is a local not for profit organization.
- \$419.90 for mileage to Local Emergency Planning Committee meetings.
- \$252.00 for mileage to visit Hilltop Health Care in Valparaiso and Michigan City. Claim referenced because County was trying to get one of these facilities.
- \$12.00 for mileage to put up signs for a dog shot clinic.
- \$19.60 for mileage to meet with the school superintendent regarding a request for money.
- \$3.43 For mileage to IGA and to the elementary school for a pizza party.

LINCOLN TOWNSHIP, NEWTON COUNTY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

The Trustee in addition to paying for trips listed above, underpaid and paid herself in excess of the State allowed rate of \$0.40 per mile from January 1, 2008 to June 30, 2008; State allowed rate of \$0.44 per mile from July 1, 2008 to September 30, 2009; and State allowed rate of \$0.40 per mile from October 1, 2009 to December 31, 2009.

The township trustee is entitled to a sum for mileage in the performance of his/her official duties equal to the sum per mile paid to state officers and employees. (IC 36-6-8-3) (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

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 the Trustee repay \$2,667.30 to the Township to reimburse for overpayments of mileage for trips listed above for the rate paid over the \$0.40 allowed. (See Summary, page 14)

COMPENSATION AND BENEFITS

The Trustee paid herself \$1,150 and her spouse \$400 from the Township Assistance Fund during the examination period. The claims for the payments indicated the payments were for investigator salaries, office rent, and utilities. The Township Assistance Office is in the same room used for the Township Trustee Office. The Trustee is already reimbursed for the use of the office from the Township Fund. None of the additional salary payments were included in the Township Board minutes or on an approved Form 17 or salary resolution.

All compensation and benefits paid to officials and employees must be included in the labor contract, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 17)

We requested the Trustee repay \$1,150 to the Township to reimburse for overpayments of salary, utilities, and rent. We also requested the spouse to repay the Township \$400 for overpayments of salary. (See Summary, page 14)

PRESCRIBED FORMS

The following prescribed form was not in use:

Township Form 17, Resolutions Recommending Salaries

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)

LINCOLN TOWNSHIP, NEWTON COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on February 24, 2010, with Sharyn Harvey, Trustee; and Grace Hanley, Chairman of the Township Board. The official response has been made a part of this report and may be found on pages 11 and 13.

BLANEY & WALTON  
ATTORNEYS AT LAW

124 EAST STATE STREET  
P.O. BOX 500  
MOROCCO, INDIANA 47963  
(219) 285-2008  
(219) 987-4321

FACSIMILE  
(219) 285-6899

EARL D. WALTON (Retired)  
ROBERT S. NESBITT (1943-1989)

DANIEL C. BLANEY  
dblaney@blaneyandwalton.com

JESSICA L. HOOVER  
jhoover@blaneyandwalton.com  
TIMOTHY J. LEMON  
tlemon@blaneyandwalton.com

March 3, 2010

Dean Gerlach  
Field Supervisor  
200 Ct. Park  
Logansport, IN 46947

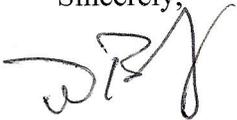
RE: Lincoln Township Examination Results and Comments

Dear Mr. Gerlach:

Please find attached the comments that I assisted Lincoln Township Trustee Sharyn Harvey in preparing. We would appreciate the same being attached to your review.

If any further documentation is necessary, please advise.

Sincerely,



Daniel C. Blaney

encl/

DCB/gz

cc: Sharyn Harvey, Lincoln Township Trustee

SHARYN HARVEY  
LINCOLN TOWNSHIP TRUSTEE  
11410 NORTH 500 EAST  
DEMOTTE, IN 46310

March 2, 2010

TO: DEAN GERLACH, FIELD SUPERVISOR

RE: RESPONSE OF LINCOLN TOWNSHIP ON EXAMINATION RESULTS AND COMMENTS /  
DEAN GERLACH, FIELD SUPERVISOR

Dear Mr. Gerlach:

On behalf of myself and Lincoln Township I would like to respond to the following comments that were made during the Exit Audit:

1. Donations. You commented that we utilized our landfill host fees for several community service organizations and made scholarships to local high school students. You further stated that it was improper for government funds to be donated to other organizations, individuals, or governmental units unless authorized by statute. I have been advised by our township's attorney that the landfill funds are non taxed dollars, and therefore the gifts made by our township are to be utilized for other community projects. I believe your comments are correct regarding governmental funds and tax dollars, but that's not the case with landfill dollars. I feel that the references you made do not include funds generated from landfill tipping fees.

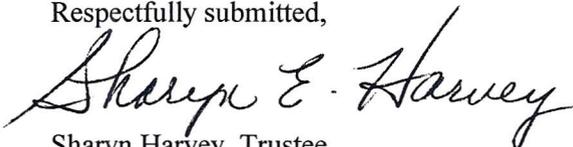
2. Personal Expenses. I was authorized by board for mileage reimbursement while performing township business. All mileage incurred was for township business and you had an opportunity to review my mileage reports. Often times the mileage I reported was for poor relief, i.e., food pantry items, attempts to obtain healthcare for our indigent people, and Christmas baskets. These expenses and mileage incurred were necessitated by my duty to provide local poor relief to the unfortunate members of our township. (See attached).

I feel that your statement for reimbursement of \$2,717.30 to the township is not justified.

3. Compensation and Benefits. That I did pay \$200.00 for rent for office space and \$150.00 for utilities. That is a very small sum, and other trustees charge tens times the amount that I charged.

4. Inventory of township property (capital assets) is attached.

Respectfully submitted,



Sharyn Harvey, Trustee  
Lincoln Township, Newton County, Indiana

BLANEY & WALTON  
ATTORNEYS AT LAW

DANIEL C. BLANEY  
dblaney@blaneyandwalton.com

JESSICA L. HOOVER  
jhoover@blaneyandwalton.com  
TIMOTHY J. LEMON  
tlemon@blaneyandwalton.com

124 EAST STATE STREET  
P.O. BOX 500  
MOROCCO, INDIANA 47963  
(219) 285-2008  
(219) 987-4321

FACSIMILE  
(219) 285-6899

EARL D. WALTON (Retired)  
ROBERT S. NESBITT (1943-1989)

September 8, 2010

State of Indiana State Board of Accounts  
Paul D. Joyce, CPA  
Deputy State Examiner  
302 W Washing St., Room E418  
Indianapolis, IN 46204-2765

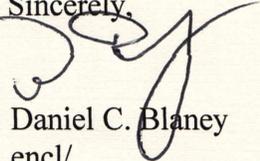
RE: Response to alleged amount due treasury of \$3,817.00  
On Account of: Personal Expenses / Compensation and Benefits paid to Sharyn Harvey

See attached Township Budget Forms for 2008 and 2009. For investigations of \$400 see item 0840 3-B. See attached photocopies of checks dated November 9, 2008 and December 9, 2009. It was necessary to employ Mr. Harvey since Mrs. Harvey had knee problems and was unable to walk so he actually went out and did the investigations for applicants of poor relief.

All items paid through the Lincoln Township Trustee's Office were approved pursuant to the budget of IC 36-6-4-11 and following.

Under IC 36-1-3-1 and following, Home Rule - the courts have interpreted this to provide under Home Rule that it was the policy of the state to grant counties, municipalities and townships all the powers that are needed for the effective operation of government as to local affairs. See Tippecanoe County vs. Indiana Manufacturer's Association, 784 N.E. 2d 463. A proper function of Indiana Government is stated in IC 36-6-4-3 and is to administer township assistance. The statement on the Exit Audit performed by Dan Gerlach questions the mileage paid for providing assistance to the residents of Lincoln Township. All items paid out for mileage expenses had been previously approved in the annual budget.

Sincerely,



Daniel C. Blaney

encl/

DCB/gz

cc: Sharyn Harvey, Lincoln Township Trustee

LINCOLN TOWNSHIP, NEWTON COUNTY  
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Sharyn Harvey, Trustee:			
Personal Expenses, pages 7 through 9	\$ 2,667.30	\$ -	\$ 2,667.30
Compensation and Benefits, page 9	1,150.00	-	1,150.00
Ron Harvey, Spouse of Trustee:			
Compensation and Benefits, page 9	<u>400.00</u>	-	<u>400.00</u>
Totals	<u>\$ 4,217.30</u>	<u>\$ -</u>	<u>\$ 4,217.30</u>

AFFIDAVIT

STATE OF INDIANA )  
Kosciusko COUNTY )

I, Brenda Urbin, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of Lincoln Township, Newton County, Indiana, for the period from January 1, 2008 to December 31, 2009, is true and correct to the best of my knowledge and belief.

Brenda Urbin  
Field Examiner

Subscribed and sworn to before me this 26<sup>th</sup> day of May, 2010

Rhonda Jean Helses  
Notary Public

My Commission Expires \_\_\_\_\_  
County of Residence: \_\_\_\_\_

