

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

JACKSON TOWNSHIP

BLACKFORD COUNTY, INDIANA

January 1, 2010 to December 31, 2011



FILED
12/07/2012

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Rex K. Chaney	12-29-09 to 12-31-14
Chairman of the Township Board	Pamela Shroyer Chris Jennerjahn	01-01-10 to 12-31-10 01-01-11 to 12-31-12



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF JACKSON TOWNSHIP, BLACKFORD COUNTY, INDIANA

We have examined the accompanying financial statements of Jackson Township (Township), for the years ended December 31, 2010 and 2011. The financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on the financial statements 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 statements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the 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. The basis noted above is a different basis than that used in the prior year.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Township for the years ended December 31, 2010 and 2011, on the basis of accounting described in Note 1.

Our examination was conducted for the purpose of forming an opinion on the Township's financial statements. The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, and Schedule of Leases and Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statements. They have not been subjected to the examination procedures applied to the financial statements and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Township's management, Township Board, and others within the entity and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

October 11, 2012

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FINANCIAL STATEMENTS

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.

JACKSON TOWNSHIP, BLACKFORD COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2010

Fund	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
Township	\$ 14,737	\$ 18,594	\$ 10,646	\$ 22,685
Township Assistance	42,756	13,877	16,936	39,697
Fire Fighting	(10,008)	21,493	19,766	(8,281)
Fire Equipment Debt	5,321	10,748	6,553	9,516
Levy Excess	-	162	-	162
Library	6,096	-	5,850	246
Township Assistance Loan	108	-	-	108
Payroll Withholdings	153	-	153	-
Totals	<u>\$ 59,163</u>	<u>\$ 64,874</u>	<u>\$ 59,904</u>	<u>\$ 64,133</u>

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

JACKSON TOWNSHIP, BLACKFORD COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2011

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
Township	\$ 22,685	\$ 17,594	\$ 14,193	\$ 26,086
Township Assistance	39,697	14,065	17,517	36,245
Fire Fighting	(8,281)	23,104	64,002	(49,179)
Fire Equipment Debt	9,516	-	9,516	-
Levy Excess	162	-	162	-
Library	246	-	-	246
Township Assistance Loan	108	-	108	-
Totals	<u>\$ 64,133</u>	<u>\$ 54,763</u>	<u>\$ 105,498</u>	<u>\$ 13,398</u>

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

JACKSON TOWNSHIP, BLACKFORD 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 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. Receipts are recorded when received and disbursements are recorded when paid.

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 which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers 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 which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state, local road and street distribution 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.

JACKSON TOWNSHIP, BLACKFORD COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Other receipts which include amounts received from various sources which can include, but are 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 include outflows 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 which include 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 office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service principal and interest which include fixed obligations resulting from financial transactions previously entered into by the Township. It includes all expenditures for the reduction of the principal and interest of the Township's general obligation indebtedness.

Other disbursements which include, but are 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, transfer money 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 money 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 money 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.

JACKSON TOWNSHIP, BLACKFORD 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 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 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, 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.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Township's 2010 Annual Report can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

For additional financial information, the Township's 2011 Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statements contained in this report and the financial information presented in the Annual Reports of the Township which are referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the examination. This is a common occurrence in any financial statement examination. The financial information presented in this report is examined information, and the accuracy of such information can be determined by reading the opinion given in the Independent Accountant's Report.

The supplementary information presented was approved by management of the Township. It is presented as intended by the Township.

JACKSON TOWNSHIP, BLACKFORD COUNTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010

	Township	Township Assistance	Fire Fighting	Fire Equipment Debt	Levy Excess	Library	Township Assistance Loan	Payroll Withholdings	Totals
Cash and investments - beginning	\$ 14,737	\$ 42,756	\$ (10,008)	\$ 5,321	\$ -	\$ 6,096	\$ 108	\$ 153	\$ 59,163
Receipts:									
Taxes	18,257	13,877	21,493	10,748	-	-	-	-	64,375
Other receipts	337	-	-	-	162	-	-	-	499
Total receipts	18,594	13,877	21,493	10,748	162	-	-	-	64,874
Disbursements:									
Personal services	5,634	-	-	-	-	-	-	153	5,787
Supplies	495	-	-	-	-	-	-	-	495
Other services and charges	4,517	-	19,766	6,553	-	5,850	-	-	36,686
Other disbursements	-	16,936	-	-	-	-	-	-	16,936
Total disbursements	10,646	16,936	19,766	6,553	-	5,850	-	153	59,904
Excess (deficiency) of receipts over disbursements	7,948	(3,059)	1,727	4,195	162	(5,850)	-	(153)	4,970
Cash and investments - ending	\$ 22,685	\$ 39,697	\$ (8,281)	\$ 9,516	\$ 162	\$ 246	\$ 108	\$ -	\$ 64,133

JACKSON TOWNSHIP, BLACKFORD COUNTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011

	Township	Township Assistance	Fire Fighting	Fire Equipment Debt	Levy Excess	Library	Township Assistance Loan	Totals
Cash and investments - beginning	\$ 22,685	\$ 39,697	\$ (8,281)	\$ 9,516	\$ 162	\$ 246	\$ 108	\$ 64,133
Receipts:								
Taxes	15,973	12,969	12,577	-	-	-	-	41,519
Intergovernmental	317	1,096	1,011	-	-	-	-	2,424
Other receipts	1,304	-	9,516	-	-	-	-	10,820
Total receipts	17,594	14,065	23,104	-	-	-	-	54,763
Disbursements:								
Personal services	5,650	100	-	-	-	-	-	5,750
Supplies	573	-	-	-	-	-	-	573
Other services and charges	7,206	17,417	50,896	-	-	-	-	75,519
Debt service	-	-	13,106	-	-	-	-	13,106
Other disbursements	764	-	-	9,516	162	-	108	10,550
Total disbursements	14,193	17,517	64,002	9,516	162	-	108	105,498
Excess (deficiency) of receipts over disbursements	3,401	(3,452)	(40,898)	(9,516)	(162)	-	(108)	(50,735)
Cash and investments - ending	\$ 26,086	\$ 36,245	\$ (49,179)	\$ -	\$ -	\$ 246	\$ -	\$ 13,398

JACKSON TOWNSHIP, BLACKFORD COUNTY
 SCHEDULE OF LEASES AND DEBT
 December 31, 2011

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Governmental activities:			
Notes and loans payable	Fire truck purchase	<u>\$ 12,709</u>	<u>\$ 13,106</u>

JACKSON TOWNSHIP, BLACKFORD COUNTY
EXAMINATION RESULTS AND COMMENTS

CONDITION OF RECORDS

Deficiencies relating to the recordkeeping were noted. A similar comment appeared in the prior Report B37026.

The Financial and Appropriation Record (ledger) contained the following errors:

1. The total of the individual fund (subsidiary) balances did not agree with the Total All Funds (control) balance.
2. There were numerous instances noted where the column totals did not foot or cross-foot.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconcile 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)

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)

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)

ANNUAL FINANCIAL REPORT

The 2010 and 2011 Annual Financial Reports were not filed until June 15, 2011, and May 17, 2012, respectively.

Indiana Code 5-11-1-4 (a) concerning annual reports, states in part: ". . . 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 2010 and 2011 Annual Financial Reports were not approved by the Township Board.

Indiana Code 36-6-6-9(a) states in part: "The legislative body shall meet on or before the third Tuesday after the first Monday in January of each year . . . it shall consider and approve, in whole or in part, the annual report of the executive . . ."

The 2011 Annual Financial Report contained the following errors:

1. The January 1 balances in the 2011 report did not agree with the December 31 balances in the 2010 report for some funds.
2. Activity of the Fire Equipment Debt, Levy Excess, Township Assistance Loan, and Payroll Withholding funds was not reported.
3. Payments to the Hartford City Volunteer Fire Department were not reported on the Financial Assistance to Non-Governmental Entities section of the report.
4. Amount reported as fire truck debt was inaccurate as reported on the supplemental Schedule of Leases and Debt.

JACKSON TOWNSHIP, BLACKFORD COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

The Trustee was advised to re-file the 2011 Annual Financial Report on the Gateway System.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

OVERDRAWN CASH BALANCES

The Fire Fighting Fund cash balance was overdrawn at December 31, 2010 and 2011, by \$8,281 and \$49,179, respectively. A similar comment appeared in prior Report B37026.

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

FIRE CONTRACT OVERPAYMENT COLLECTION

The 2010 fire protection contract with the City of Hartford City was overpaid in the amount of \$8,000. A refund was received on September 18, 2012.

Governmental units should collect any overpayments made. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

CERTIFIED REPORT (FORM 100R) NOT TIMELY FILED

The Township did not file a Certified Report of Names, Addresses, Duties, and Compensation of Public Employees (Form 100R or its equivalent) with the State Board of Accounts for the years 2010 and 2011 on a timely basis. These reports were not filed until June 20, 2011 and February 22, 2012, respectively.

Indiana Code 5-11-13-1 states: "Every state, county, city, town, township . . . shall during the month of January of each year prepare, make and sign a written or printed certified report . . ."

APPROPRIATIONS

The following expenditures were in excess of budgeted appropriations:

Fund	Year	Excess Amount Expended
Fire Fighting	2010	\$ 5,401
Library	2010	1,350
Township	2011	14,193
Township Assistance	2011	17,517
Fire Fighting	2011	64,002

JACKSON TOWNSHIP, BLACKFORD COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

A similar comment appeared in prior Report B37026.

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."

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

The Township paid \$2,000 and \$3,875 for cemetery care in 2010 and 2011, respectively. Also, the Trustee was paid \$600 in 2010 and 2011 for office rent. Internal Revenue Service Form 1099-MISC was not issued to the individuals receiving the payments.

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

RESOLUTION ESTABLISHING SALARIES OF TOWNSHIP OFFICERS AND EMPLOYEES (FORM 17)

The salaries of the Trustee and Township employees were not approved by the Township Board using Form 17 for the years 2010 and 2011.

Indiana Code 36-6-6-10 requires the township board to set the salaries; wages; rates of hourly pay; and remuneration other than statutory allowances of all township officials and employees, except assessing officials and employees, for the year 1985 and each year thereafter. . . A type of format for recording these salaries should be the existing format of Township Form No. 17. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 2)

CAPITAL ASSETS

The Township did not maintain a record of capital assets.

Every governmental unit should have a complete inventory of all capital assets owned which reflect 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)

JACKSON TOWNSHIP, BLACKFORD COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 11, 2012, with Rex K. Chaney, Trustee, and Chris Jennerjahn, Chairman of the Township Board. The officials concurred with our findings.