

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

HENRY TOWNSHIP

FULTON COUNTY, INDIANA

January 1, 2010 to December 31, 2011



FILED
12/13/2012

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Becky L. Gearhart	01-01-07 to 12-31-14
Chairman of the Township Board	Tim Fleck Patrick Walgamuth	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 HENRY TOWNSHIP, FULTON COUNTY, INDIANA

We have examined the accompanying financial statements of Henry 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, 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

September 10, 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.

HENRY TOWNSHIP, FULTON 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	\$ 52,199	\$ 25,253	\$ 19,601	\$ 57,851
Township Assistance	14,995	-	4,262	10,733
Firefighting	73,266	89,443	42,108	120,601
Dog	413	-	-	413
Community Host Fee	20,946	26	1,800	19,172
Payroll Withholdings	(354)	1,514	1,438	(278)
Totals	<u>\$ 161,465</u>	<u>\$ 116,236</u>	<u>\$ 69,209</u>	<u>\$ 208,492</u>

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

HENRY TOWNSHIP, FULTON 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	\$ 57,851	\$ 24,085	\$ 17,243	\$ 64,693
Firefighting	120,601	85,526	78,897	127,230
Payroll Withholdings	(278)	943	851	(186)
Township Assistance	10,733	-	5,822	4,911
Dog	413	-	-	413
Community Host Fee	19,172	-	-	19,172
Totals	<u>\$ 208,492</u>	<u>\$ 110,554</u>	<u>\$ 102,813</u>	<u>\$ 216,233</u>

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

HENRY TOWNSHIP, FULTON 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.

HENRY TOWNSHIP, FULTON COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

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.

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

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

HENRY TOWNSHIP, FULTON COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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.

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

	Township	Township Assistance	Firefighting	Dog	Community Host Fee	Payroll Withholdings	Totals
Cash and investments - beginning	\$ 52,199	\$ 14,995	\$ 73,266	\$ 413	\$ 20,946	\$ (354)	\$ 161,465
Receipts:							
Taxes	24,296	-	85,227	-	-	-	109,523
Charges for services	-	-	2,000	-	-	-	2,000
Other receipts	957	-	2,216	-	26	1,514	4,713
Total receipts	25,253	-	89,443	-	26	1,514	116,236
Disbursements:							
Personal services	12,982	1,000	26,357	-	1,800	1,438	43,577
Supplies	490	3,262	9,990	-	-	-	13,742
Other services and charges	4,518	-	5,761	-	-	-	10,279
Capital outlay	1,611	-	-	-	-	-	1,611
Other disbursements	-	-	-	-	-	-	-
Total disbursements	19,601	4,262	42,108	-	1,800	1,438	69,209
Excess (deficiency) of receipts over disbursements	5,652	(4,262)	47,335	-	(1,774)	76	47,027
Cash and investments - ending	\$ 57,851	\$ 10,733	\$ 120,601	\$ 413	\$ 19,172	\$ (278)	\$ 208,492

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

	Township	Firefighting	Payroll Withholdings	Township Assistance	Dog	Community Host Fee	Totals
Cash and investments - beginning	\$ 57,851	\$ 120,601	\$ (278)	\$ 10,733	\$ 413	\$ 19,172	\$ 208,492
Receipts:							
Taxes	18,143	60,521	-	-	-	-	78,664
Intergovernmental	3,514	15,338	-	-	-	-	18,852
Charges for services	-	9,200	-	-	-	-	9,200
Other receipts	2,428	467	943	-	-	-	3,838
Total receipts	24,085	85,526	943	-	-	-	110,554
Disbursements:							
Personal services	9,403	27,859	851	-	-	-	38,113
Supplies	5,825	51,038	-	5,822	-	-	62,685
Capital outlay	2,015	-	-	-	-	-	2,015
Other disbursements	-	-	-	-	-	-	-
Total disbursements	17,243	78,897	851	5,822	-	-	102,813
Excess (deficiency) of receipts over disbursements	6,842	6,629	92	(5,822)	-	-	7,741
Cash and investments - ending	\$ 64,693	\$ 127,230	\$ (186)	\$ 4,911	\$ 413	\$ 19,172	\$ 216,233

HENRY TOWNSHIP, FULTON COUNTY
EXAMINATION RESULTS AND COMMENTS

ADVANCE PAYROLL PAYMENTS

The Clerk was paid quarterly in 2010. Compensation was paid at the beginning of the last month of each quarter instead of at the end of the month. As a result of this practice the clerk was regularly paid one month of salary in advance of the time the services were actually rendered each quarter. The Trustee routinely paid herself on the first day of the month for services performed during the upcoming month, resulting in advance payments of salary throughout the year. A similar comment was in prior Reports B28365, B30099, B31860, and B37017.

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)

OVERDRAWN FUND BALANCES

The Payroll Withholdings Fund was overdrawn in 2010 and 2011. A similar comment was in prior Report B37017.

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)

DOG FUND CLOSEOUT PROCEDURES

The Township still has a Dog Fund with a balance of \$413 at December 31, 2011.

Public Law 162 provides non-code closeout provisions and provides in Section 51 (d) On or before August 1, 2006, the county auditor of each county shall distribute to the township trustees of the townships located in the county: (1) money distributed to the county under subsection (b); and (2) any money remaining in the county dog fund. An equal share of the money described in this subsection shall be distributed to each township trustee. (e) A township trustee who receives a distribution under subsection (d) shall use the distribution: (1) to pay claims filed under IC 15-5-9-9.1 (before its repeal by this act); (2) to pay fees and charges under IC 15-5-9-10 (before its repeal by this act); (3) to provide funding for the humane society designated by the county legislative body under IC 15-5-9-8(d) (before its repeal by this act) to receive a part of each dog tax payment; or (4) if the county legislative body did not designate a humane society under IC 15-5-9-8(d) (before its repeal by this act), to provide funding for the township general fund. (f) If any part of the money distributed to a township trustee under subsection (d) has not been not expended by July 1, 2007, for a purpose allowed under subsection (e), the township trustee shall distribute the remainder of the distribution received under subsection (d) to the county treasurer. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 7)

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

PENALTIES, INTEREST, AND OTHER CHARGES

The Trustee was holding unpaid assessments from the Internal Revenue Service as scheduled below:

<u>Assessment Due Date</u>	<u>Payroll Period</u>	<u>Interest and Penalty Assessed</u>
November 7, 2012	June 2007	\$ 6.94
November 7, 2012	September 2009	6.08
January 9, 2012	September 2011	25.46
July 2, 2012	December 2011	<u>83.94</u>
Total		<u>\$ 134.32</u>

Penalties and interest related to payroll withholdings have been paid in the previous four Reports B28365, B30099, B31860, and B37017.

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)

HENRY TOWNSHIP, FULTON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 10, 2012, with Becky L. Gearhart, Trustee. The official concurred with our findings.