

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

BROWN TOWNSHIP

MORGAN COUNTY, INDIANA

January 1, 2010 to December 31, 2011



FILED
01/25/2013

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Alan Hornaday Mark Harris	01-01-07 to 12-31-10 01-01-11 to 12-31-14
Chairman of the Township Board	Kevin Smith Greg Hubbel	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 BROWN TOWNSHIP, MORGAN COUNTY, INDIANA

We have examined the accompanying financial statements of Brown 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.

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, Schedule of Payables and Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets, 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

December 20, 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.

BROWN TOWNSHIP, MORGAN 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	\$ 628,909	\$ 362,817	\$ 386,082	\$ 605,644
Township Assistance	83,217	92,050	65,330	109,937
Fire Fighting	876,514	471,171	433,524	914,161
Cumulative Fire	42,956	114,829	89,024	68,761
Levy Excess	-	2,365	-	2,365
Rainy Day	81,605	119,221	-	200,826
Ems Fund	567,988	685,970	684,176	569,782
Payroll Deductions	1,129	332,801	315,921	18,009
Township Bond Debt Service	9,956	64,375	45,373	28,958
Totals	<u>\$ 2,292,274</u>	<u>\$ 2,245,599</u>	<u>\$ 2,019,430</u>	<u>\$ 2,518,443</u>

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

BROWN TOWNSHIP, MORGAN 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	\$ 605,644	\$ 411,598	\$ 456,853	\$ 560,389
Ems Fund	569,782	703,514	581,127	692,169
Township Assistance	109,937	83,251	70,619	122,569
Fire Fighting	914,161	387,933	617,744	684,350
Rainy Day	200,826	-	-	200,826
Levy Excess	2,365	5,889	-	8,254
Cumulative Fire	68,761	24,656	347	93,070
Payroll Deductions	18,009	337,524	352,805	2,728
Fire Debt Fund	-	28,917	-	28,917
Township Bond Debt Service	28,958	66,153	77,837	17,274
Totals	<u>\$ 2,518,443</u>	<u>\$ 2,049,435</u>	<u>\$ 2,157,332</u>	<u>\$ 2,410,546</u>

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

BROWN TOWNSHIP, MORGAN 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.

BROWN TOWNSHIP, MORGAN 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.

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.

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.

BROWN TOWNSHIP, MORGAN COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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.

BROWN TOWNSHIP, MORGAN COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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. These risks may also be mitigated by the Township by recording as a disbursement any replacement items purchased.

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give the Township authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS.

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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.

BROWN TOWNSHIP, MORGAN 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	Cumulative Fire	Levy Excess
Cash and investments - beginning	\$ 628,909	\$ 83,217	\$ 876,514	\$ 42,956	\$ -
Receipts:					
Taxes	360,844	92,050	459,812	24,829	2,365
Charges for services	-	-	-	-	-
Other receipts	1,973	-	11,359	90,000	-
Total receipts	<u>362,817</u>	<u>92,050</u>	<u>471,171</u>	<u>114,829</u>	<u>2,365</u>
Disbursements:					
Personal services	263,047	19,932	366,156	-	-
Supplies	18,630	1,031	35,145	-	-
Other services and charges	103,984	2,075	30,780	-	-
Capital outlay	421	-	1,443	89,024	-
Other disbursements	-	42,292	-	-	-
Total disbursements	<u>386,082</u>	<u>65,330</u>	<u>433,524</u>	<u>89,024</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(23,265)</u>	<u>26,720</u>	<u>37,647</u>	<u>25,805</u>	<u>2,365</u>
Cash and investments - ending	<u>\$ 605,644</u>	<u>\$ 109,937</u>	<u>\$ 914,161</u>	<u>\$ 68,761</u>	<u>\$ 2,365</u>

BROWN TOWNSHIP, MORGAN COUNTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Rainy Day	Ems Fund	Payroll Deductions	Township Bond Debt Service	Totals
Cash and investments - beginning	\$ 81,605	\$ 567,988	\$ 1,129	\$ 9,956	\$ 2,292,274
Receipts:					
Taxes	-	300,483	-	64,375	1,304,758
Charges for services	-	385,355	-	-	385,355
Other receipts	119,221	132	332,801	-	555,486
Total receipts	119,221	685,970	332,801	64,375	2,245,599
Disbursements:					
Personal services	-	556,032	-	-	1,205,167
Supplies	-	33,652	-	-	88,458
Other services and charges	-	66,043	-	45,373	248,255
Capital outlay	-	28,449	-	-	119,337
Other disbursements	-	-	315,921	-	358,213
Total disbursements	-	684,176	315,921	45,373	2,019,430
Excess (deficiency) of receipts over disbursements	119,221	1,794	16,880	19,002	226,169
Cash and investments - ending	<u>\$ 200,826</u>	<u>\$ 569,782</u>	<u>\$ 18,009</u>	<u>\$ 28,958</u>	<u>\$ 2,518,443</u>

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

	Township	Ems Fund	Township Assistance	Fire Fighting	Rainy Day	Levy Excess
Cash and investments - beginning	\$ 605,644	\$ 569,782	\$ 109,937	\$ 914,161	\$ 200,826	\$ 2,365
Receipts:						
Taxes	289,584	192,046	75,790	230,361	-	-
Intergovernmental	104,461	66,590	7,356	154,134	-	-
Charges for services	1,017	401,586	-	930	-	-
Other receipts	16,536	43,292	105	2,508	-	5,889
Total receipts	<u>411,598</u>	<u>703,514</u>	<u>83,251</u>	<u>387,933</u>	<u>-</u>	<u>5,889</u>
Disbursements:						
Personal services	292,849	436,333	21,036	483,003	-	-
Supplies	20,745	45,930	1,420	79,181	-	-
Other services and charges	106,325	61,968	48,163	30,330	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	36,934	34,779	-	21,805	-	-
Other disbursements	-	2,117	-	3,425	-	-
Total disbursements	<u>456,853</u>	<u>581,127</u>	<u>70,619</u>	<u>617,744</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(45,255)</u>	<u>122,387</u>	<u>12,632</u>	<u>(229,811)</u>	<u>-</u>	<u>5,889</u>
Cash and investments - ending	<u>\$ 560,389</u>	<u>\$ 692,169</u>	<u>\$ 122,569</u>	<u>\$ 684,350</u>	<u>\$ 200,826</u>	<u>\$ 8,254</u>

BROWN TOWNSHIP, MORGAN COUNTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Cumulative Fire	Payroll Deductions	Fire Debt	Township Bond Debt Service	Totals
Cash and investments - beginning	\$ 68,761	\$ 18,009	\$ -	\$ 28,958	\$ 2,518,443
Receipts:					
Taxes	21,767	-	-	60,300	869,848
Intergovernmental	2,889	-	-	5,853	341,283
Charges for services	-	-	-	-	403,533
Other receipts	-	337,524	28,917	-	434,771
Total receipts	<u>24,656</u>	<u>337,524</u>	<u>28,917</u>	<u>66,153</u>	<u>2,049,435</u>
Disbursements:					
Personal services	-	-	-	-	1,233,221
Supplies	-	-	-	-	147,276
Other services and charges	-	-	-	-	246,786
Debt service - principal and interest	-	-	-	77,837	77,837
Capital outlay	-	-	-	-	93,518
Other disbursements	347	352,805	-	-	358,694
Total disbursements	<u>347</u>	<u>352,805</u>	<u>-</u>	<u>77,837</u>	<u>2,157,332</u>
Excess (deficiency) of receipts over disbursements	<u>24,309</u>	<u>(15,281)</u>	<u>28,917</u>	<u>(11,684)</u>	<u>(107,897)</u>
Cash and investments - ending	<u>\$ 93,070</u>	<u>\$ 2,728</u>	<u>\$ 28,917</u>	<u>\$ 17,274</u>	<u>\$ 2,410,546</u>

BROWN TOWNSHIP, MORGAN COUNTY
SCHEDULE OF PAYABLES AND RECEIVABLES
December 31, 2011

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 38,918</u>	<u>\$ -</u>

BROWN TOWNSHIP, MORGAN 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	Ambulance	\$ 61,611	\$ 32,464
Totals		<u>\$ 61,611</u>	<u>\$ 32,464</u>

BROWN TOWNSHIP, MORGAN COUNTY
SCHEDULE OF CAPITAL ASSETS
December 31, 2011

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>Ending Balance</u>
Governmental activities:	
Infrastructure	\$ 250,000
Buildings	244,600
Machinery, equipment and vehicles	<u>1,986,300</u>
Total governmental activities	<u>2,480,900</u>
Total capital assets	<u><u>\$ 2,480,900</u></u>

BROWN TOWNSHIP, MORGAN COUNTY
EXAMINATION RESULTS AND COMMENTS

PAYROLL DEDUCTIONS

Payments to some employees were made without payroll deductions for taxes. The three Township Board members for the year 2010 were issued 1099's at year end and no payroll deductions were made for these individuals.

For the year 2011 the three Township Board members as well as the deputy trustee were issued 1099's at the end of the year and no payroll deductions were made for these individuals.

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)

ORDINANCES AND RESOLUTIONS

The Township had a resolution concerning salary and wages. However, the Township did not include part-time employees on the resolution.

Indiana Code 36-6-6-10(b) states: "The township legislative body shall fix the: (1) salaries; (2) wages; (3) rates of hourly pay; and (4) remuneration other than statutory allowances; of all officers and employees of the township."

BROWN TOWNSHIP, MORGAN COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 20, 2012, with Mark Harris, Trustee, and Alan Hornaday, Township Board member. The officials concurred with our findings.