

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

JACKSON TOWNSHIP

OWEN COUNTY, INDIANA

January 1, 2010 to December 31, 2011



FILED
06/28/2013

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Janet Paris	01-01-07 to 12-31-14
Chairman of the Township Board	Robert Cummins	01-01-10 to 12-31-13



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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the accompanying financial statements of Jackson Township (Township), for the period of January 1, 2010 to December 31, 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 effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statements referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position and results of operations of the Township for the period of January 1, 2010 to December 31, 2011.

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 period of January 1, 2010 to December 31, 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 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.

STATE BOARD OF ACCOUNTS

March 6, 2013

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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, OWEN 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	\$ 51,574	\$ 23,933	\$ 12,846	\$ 62,661
Township Assistance	4,057	6,001	4,752	5,306
Fire Fighting	1,288	-	-	1,288
Cumulative Fire	15,128	20,980	-	36,108
Fire Protection Territory	101,532	100,950	93,779	108,703
Levy Excess	3,665	240	-	3,905
Rainy Day	4,447	2,553	-	7,000
Totals	<u>\$ 181,691</u>	<u>\$ 154,657</u>	<u>\$ 111,377</u>	<u>\$ 224,971</u>

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

JACKSON TOWNSHIP, OWEN 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	\$ 62,661	\$ 9,974	\$ 13,305	\$ 59,330
Township Assistance	5,306	6,376	4,584	7,098
Fire Fighting	1,288	-	-	1,288
Rainy Day	7,000	-	-	7,000
Levy Excess	3,905	-	-	3,905
Poland Fire Protection General	108,703	126,231	138,663	96,271
Cumulative Fire	<u>36,108</u>	<u>19,303</u>	<u>13,690</u>	<u>41,721</u>
Totals	<u>\$ 224,971</u>	<u>\$ 161,884</u>	<u>\$ 170,242</u>	<u>\$ 216,613</u>

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

JACKSON TOWNSHIP, OWEN 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).

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.

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.

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

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.

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, OWEN 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 Annual Reports for years prior to 2011 can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

For additional financial information, the Township's Annual Report information for years 2011 and later 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, OWEN 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	Fire Protection Territory	Levy Excess	Rainy Day	Totals
Cash and investments - beginning	\$ 51,574	\$ 4,057	\$ 1,288	\$ 101,532	\$ 15,128	\$ 3,665	\$ 4,447	\$ 181,691
Receipts:								
Taxes	23,632	5,851	-	100,950	20,980	240	2,553	154,206
Other receipts	301	150	-	-	-	-	-	451
Total receipts	<u>23,933</u>	<u>6,001</u>	<u>-</u>	<u>100,950</u>	<u>20,980</u>	<u>240</u>	<u>2,553</u>	<u>154,657</u>
Disbursements:								
Personal services	9,742	-	-	10,716	-	-	-	20,458
Supplies	376	-	-	23,203	-	-	-	23,579
Other services and charges	2,728	164	-	4,680	-	-	-	7,572
Capital outlay	-	-	-	55,181	-	-	-	55,181
Other disbursements	-	4,588	-	-	-	-	-	4,588
Total disbursements	<u>12,846</u>	<u>4,752</u>	<u>-</u>	<u>93,779</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>111,377</u>
Excess of receipts over disbursements	<u>11,087</u>	<u>1,249</u>	<u>-</u>	<u>7,171</u>	<u>20,980</u>	<u>240</u>	<u>2,553</u>	<u>43,280</u>
Cash and investments - ending	<u>\$ 62,661</u>	<u>\$ 5,306</u>	<u>\$ 1,288</u>	<u>\$ 108,703</u>	<u>\$ 36,108</u>	<u>\$ 3,905</u>	<u>\$ 7,000</u>	<u>\$ 224,971</u>

JACKSON TOWNSHIP, OWEN 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	Rainy Day	Levy Excess	Poland Fire Protection General	Cumulative Fire	Totals
Cash and investments - beginning	\$ 62,661	\$ 5,306	\$ 1,288	\$ 7,000	\$ 3,905	\$ 108,703	\$ 36,108	\$ 224,971
Receipts:								
Taxes	8,502	5,730	-	-	-	63,595	17,486	95,313
Intergovernmental	1,254	646	-	-	-	26,281	1,817	29,998
Other receipts	218	-	-	-	-	36,355	-	36,573
Total receipts	<u>9,974</u>	<u>6,376</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>126,231</u>	<u>19,303</u>	<u>161,884</u>
Disbursements:								
Personal services	10,469	-	-	-	-	10,714	-	21,183
Supplies	113	81	-	-	-	18,784	7,690	26,668
Other services and charges	2,723	4,503	-	-	-	52,684	-	59,910
Debt service - principal and interest	-	-	-	-	-	11,656	-	11,656
Capital outlay	-	-	-	-	-	44,825	6,000	50,825
Total disbursements	<u>13,305</u>	<u>4,584</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>138,663</u>	<u>13,690</u>	<u>170,242</u>
Excess (deficiency) of receipts over disbursements	<u>(3,331)</u>	<u>1,792</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(12,432)</u>	<u>5,613</u>	<u>(8,358)</u>
Cash and investments - ending	<u>\$ 59,330</u>	<u>\$ 7,098</u>	<u>\$ 1,288</u>	<u>\$ 7,000</u>	<u>\$ 3,905</u>	<u>\$ 96,271</u>	<u>\$ 41,721</u>	<u>\$ 216,613</u>

JACKSON TOWNSHIP, OWEN 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.

	Ending Balance
Governmental activities:	
Land	\$ 58,000
Buildings	200,000
Improvements other than buildings	22,100
Machinery, equipment, and vehicles	27,000
Total governmental activities	307,100
Total capital assets	\$ 307,100

JACKSON TOWNSHIP, OWEN COUNTY
EXAMINATION RESULTS AND COMMENTS

ANNUAL REPORT

The Annual Report for 2010 and 2011 were filed with incorrect amounts and not all funds were in agreement with the ledger. Annual reports were corrected and resubmitted February 6, 2013.

RESOLUTION ESTABLISHING SALARIES

Township Form 17, Resolution Establishing Salaries of Township Officers and Employees, was not passed by the Township Board for 2010 or 2011.

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."

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. However, please remember the township board should RECORD THE SALARIES SO FIXED IN THE TOWNSHIP BOARD MINUTES. A type of format for recording these salaries should be the existing format of Township Form No. 17. We recommend the board set the salaries of township officials and employees, in conjunction with the preparation and completion of the township budget.

Township Form No. 17 (Revised 2008) has been prescribed to fulfill the requirements of the statute. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 2)

SUPPORTING DOCUMENTATION

Three payments were observed for supplies and credit card purchases, totaling \$2,545, which did not contain adequate supporting documentation, such as receipts, invoices, and other public records. Due to the lack of supporting information, the validity and accountability for this money disbursed could not be established.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

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

APPROPRIATIONS

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

Fund	Years	Excess Amount Expended
Fire Protection Territory	2010	\$ 52,241
Fire Protection Territory	2011	4,028

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."

CONTRACTS

Records presented for examination indicated payments were made for cemetery mowing in 2010 and 2011 without a contract or approved amount of payment.

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

OVERPAYMENT OF COMPENSATION AND BENEFITS

Stan Frank, Fire Territory Chief, and Brad Allen, Fire Territory Director, each received \$300 more than the approved salary for the year 2010.

Indiana Code 36-8-19-8 states in part:

"(a) . . . the designated provider unit must establish a fire protection territory fund from which all expenses of operating and maintaining the fire protection services within the territory, including repairs, fees, salaries, depreciation on all depreciable assets, rents, supplies, contingencies, and all other expenses lawfully incurred within the territory shall be paid.

(c) The provider unit, with the assistance of each of the other participating units, shall annually budget the necessary money to meet the expenses of operation and maintenance of the fire protection services within the territory . . ."

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, 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)

The Trustee and Chairman of the Township Board were advised to collect the overpayments of compensation and benefits for reimbursement to the Township funds.

JACKSON TOWNSHIP, OWEN COUNTY
EXIT CONFERENCE

The contents of this report were discussed on February 27, 2013, with Janet Paris, Trustee. The official concurred with our findings.

The contents of this report were discussed on February 27, 2013, by telephone conversation, with Stan Frank, former Fire Territory Chief.

The contents of this report were discussed on March 6, 2013, by telephone conversation, with Robert Cummins, Chairman of the Township Board, and Brad Allen, Fire Territory Director.