

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

EXAMINATION REPORT
OF
HARRISON TOWNSHIP
HOWARD COUNTY, INDIANA
January 1, 2008 to December 31, 2009



FILED

07/15/2011

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	John Harbaugh, Jr.	01-01-02 to 12-31-10
Chairman of the Township Board	David Ancil	01-01-08 to 12-31-10



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF HARRISON TOWNSHIP, HOWARD COUNTY, INDIANA

We have examined the financial information presented herein of Harrison Township (Township), for the period of January 1, 2008 to December 31, 2009. The Township's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the Township for the years ended December 31, 2008 and 2009, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Long-Term Debt, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the basic financial information. The schedule has not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on the schedule.

STATE BOARD OF ACCOUNTS

December 20, 2010

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

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
Township	\$ 84,989	\$ 43,739	\$ 73,757	\$ 54,971
Township Assistance	98,988	45,674	45,993	98,669
Dog	142	-	-	142
Firefighting	160,010	100,455	100,977	159,488
Build Indiana	27,847	238	60	28,025
Cumulative Fire	<u>29,829</u>	<u>86,393</u>	<u>10,100</u>	<u>106,122</u>
Totals	<u>\$ 401,805</u>	<u>\$ 276,499</u>	<u>\$ 230,887</u>	<u>\$ 447,417</u>

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
Township	\$ 54,971	\$ 69,569	\$ 66,328	\$ 58,212
Township Assistance	98,669	31,620	50,355	79,934
Dog	142	-	-	142
Firefighting	159,488	106,419	94,506	171,401
Build Indiana	28,025	60	40	28,045
Cumulative Fire	<u>106,122</u>	<u>64,517</u>	<u>126,482</u>	<u>44,157</u>
Totals	<u>\$ 447,417</u>	<u>\$ 272,185</u>	<u>\$ 337,711</u>	<u>\$ 381,891</u>

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

HARRISON TOWNSHIP, HOWARD COUNTY
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The Township was established under the laws of the State of Indiana. The Township provides the following services: public safety, health and social services, culture and recreation, and general administrative services.

Note 2. Fund Accounting

The Township uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Township in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the Township on or prior to December 31 of the year collected.

HARRISON TOWNSHIP, HOWARD COUNTY
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 5. Deposits and Investments

Deposits, made in accordance with IC 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statute (IC 5-13-9) authorizes the Township to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Note 6. Restatements and Reclassifications

For the year ended December 31, 2007, certain changes have been made to the financial statements to more appropriately reflect financial activity of the primary government. The following schedule presents a summary of restated beginning balances by fund type. Prior period adjustments represent the correction of items that were incorrectly posted in prior years.

Fund Type	Balance as Reported December 31, 2007	Prior Period Adjustments	Balance as Restated January 1, 2008
Governmental	\$ 514,623	\$ (112,818)	\$ 401,805
Fiduciary	(924)	924	-
Totals	<u>\$ 513,699</u>	<u>\$ (111,894)</u>	<u>\$ 401,805</u>

HARRISON TOWNSHIP, HOWARD COUNTY
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2009

The Township has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Notes and loans payable	\$ 231,793	\$ 100,000
Total governmental activities debt	<u>\$ 231,793</u>	<u>\$ 100,000</u>

HARRISON TOWNSHIP, HOWARD COUNTY
EXAMINATION RESULTS AND COMMENTS

CONDITION OF RECORDS

The following deficiencies relating to the recordkeeping were noted. A similar comment was in prior Reports B29355 and B34173.

1. The reconciled depository balance as of December 31, 2009, is \$20,166.36 more than the Township Annual Report.

IC 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

2. Some transactions were recorded as "negative" receipts and disbursements.

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)

3. Township Form 1C, the Financial and Appropriation Record (fund ledger), was not properly maintained during the examination period. Instead, the Township is using a computer program to generate all accounting records. The resulting forms and reports are not replicas of prescribed or approved forms and have not been approved by the State Board of Accounts.

All governmental units are required by law to use the forms prescribed by the State Board of Accounts; however, if it is desirable to have a prescribed form modified to conform for computer applications, letter copies of the proposed form may be submitted to the State Board of Accounts for approval. No form should be printed and placed into use, other than a prescribed form, without prior approval. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

4. The Township Annual Report (Township Form 15) for the year 2008 was not presented for examination. The Township Annual Report for the year 2009 did not include all of the township funds and did not agree to the ledger presented for examination.

The Township Trustee's Report of Receipts and Disbursements for the Calendar Year is an abstract report of receipts and disbursements for the calendar year. The annual report shall be prepared, verified, and filed with the State Board of Accounts within 30 days after the close of each fiscal year. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 2)

Accounting records and other public records must be maintained in a manner that will support accurate financial statements. Anything other than an unqualified opinion on the Independent Accountant Report on the financial statements may have adverse financial consequences with the possibility of an increase in interest rate cost to the taxpayers of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

HARRISON TOWNSHIP, HOWARD COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

DEPOSIT OF PUBLIC FUNDS

We noted two instances where County Option Income Tax checks were deposited 86 and 55 days after the check date. A similar comment appeared in prior Report B34173.

IC 5-13-6-1(c) states in part: "The public funds collected by township trustees shall be deposited in the designated depository on or before the first and fifteenth day of each month."

PENALTIES, INTEREST, AND OTHER CHARGES - SUPPORTING DOCUMENTATION

Information presented for examination indicates that, in some cases, amounts were paid to the Internal Revenue Service and the Indiana Department of Revenue for penalties, interest, and other charges in the amount of \$7,821.90. Other payments were made to the Internal Revenue Service and the Indiana Department of Revenue in the amount of \$8,549.77 for which adequate documentation was not available. We are recognizing this as a questioned cost. Questioned cost are expenses made that are questioned because of (a) an alleged violation of a provision of law, regulation, contract grant, cooperative agreement, or other agreement or document governing the expenditures of funds, (b) a finding that at the time of the audit, such cost is not supported by adequate documentation, or (c) a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable. As a result, payments were made in the amount of \$16,371.67 that were in excess of the tax obligations for 2008 and 2009 combined. A similar comment appeared in reports B29355 and B34173.

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)

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)

The Trustee, John Harbaugh, Jr., was requested to provide adequate documentation to support the questioned cost of \$8,549.77 or to reimburse the Township for the undocumented expenditure. (See Summary of Questioned Costs, page 13)

The Trustee, John Harbaugh, Jr., was requested to reimburse the Township \$7,821.90 for the penalties, interest, and undocumented disbursements paid. (See Summary of Charges, page 14)

PRESCRIBED FORMS

The following prescribed forms (or approved forms) were not in use:

HARRISON TOWNSHIP, HOWARD COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

Form No.	Form Name
General Form 99A	Employee's Service Record
General Form 99B	Employee's Earnings Record
General Form 100R	Certified Report of Names, Addresses, Duties and Compensation of Public Employees
General Form 369	Capital Asset Ledger
Township Form 1C	Financial and Appropriation Record
Township Form 16	Township Trustee's Receipt
Township Form 17	Resolution Recommending Salaries of Township Officers and Employees

A similar comment appeared in Reports B29355 and B34173.

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)

OPTICAL IMAGES OF CHECKS

The financial institution did not return the actual cancelled checks with the monthly bank statements, but instead returned an optical image of only the front side of the checks. A similar comment appeared in prior Reports B29355 and B34173.

IC 5-15-6-3(a) concerning optical imaging of checks states in part:

". . . 'original records' includes the optical image of a check or deposit document when: (1) the check or deposit document is recorded, copied, or reproduced by an optical imaging process . . . ; and (2) the drawer of the check receives an optical image of the check after the check is processed for payment . . ."

IC 26-2-8-111 states in part:

"(a) If a law requires that certain records be retained, that requirement is met by retaining an electronic record of the information in the record that: (1) accurately reflects the information set forth in the record after it was first generated in its final form as an electronic record or otherwise; and (2) remains accessible for later reference . . . (e) If a law requires retention of a check, that requirement is satisfied by retention of an electronic record of the information on the front and back of the check in accordance with subsection (a)."

CERTIFIED REPORT NOT FILED

The Township did not file a certified report of compensation of officers and employees (Form 100-R or its equivalent) with the State Board of Accounts for the years 2008 and 2009. A similar comment appeared in prior Reports B29335 and B34173.

IC 5-11-13-1 states in part:

"Every state, county, city, town, township, or school official . . . shall during the month of January of each year prepare, make, and sign a written or printed certified report, correctly and completely showing the names and business addresses of each and all officers, employees, and agents . . . and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts."

HARRISON TOWNSHIP, HOWARD COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

CAPITAL ASSET RECORDS

Information presented for examination did not indicate an inventory or record of capital assets using Form 369. The unit presented a listing of assets; however, it was not on the prescribed form, nor were there cost amounts included.

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)

OFFICIAL BOND

An official bond for John Harbaugh, Jr., was obtained and covered the period beginning from January 1, 2007 and ending December 31, 2010, in the amount of \$15,000. Effective January 1, 2010, annual bond coverage was obtained in the amount of \$30,000. The guarantor for both bonds was Employers Mutual Casualty Company.

Public Law 176, House Enrolled Act 1514, effective July 1, 2009, amends IC 5-4-1-18 to provide in part (c) Except as provided in subsections (h) and (i), the fiscal bodies of the respective units shall fix the amount of the bond of . . . township trustees . . . as follows: (1) The amount of annual coverage must equal (\$30,000) thirty thousand dollars for each one million dollars (\$1,000,000) of receipts of the officer's office during the last complete fiscal year before the purchase of the bond, subject to subdivision (2). (2) The amount of annual coverage may not be less than thirty thousand dollars (\$30,000) nor more than three hundred thousand dollars (\$300,000) unless the fiscal body approves a greater amount of annual coverage for the officer or employee. . . . The amount of annual coverage of the bond of any other person required to file an individual bond shall be fixed by the fiscal body of the unit at not less than fifteen thousand dollars (\$15,000)."

The State Board of Accounts is of the audit position in order to comply with the changes made in Public Law 176 effective July 1, 2009, governments will have to purchase riders on their current bond coverage for the remainder of the calendar year; and beginning January 1, 2010, will have to provide annual bond coverage. We are also of the audit position a new bond should be obtained for each year and continuation certificates or renewals should not be used in lieu of obtaining a new bond. (Township Bulletin and Uniform Compliance Guidelines, August 2009, Volume 286, page 4)

ADDITIONAL AUDIT COSTS - CONDITION OF RECORDS

Additional audit time was required to examine financial statements and other information necessary for the examination report.

Audit costs or other costs incurred because of poor records, nonexistent records or other inadequate bookkeeping practices may be the personal obligation of the responsible official or employee of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual Townships, Chapter 13)

HARRISON TOWNSHIP, HOWARD COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 21, 2010, with John Harbaugh Jr., Trustee, and Kent Weaver, Board member.

HARRISON TOWNSHIP, HOWARD COUNTY
SUMMARY OF QUESTIONED COSTS

	<u>Questioned Costs</u>
John Harbaugh, Jr., Trustee: Penalties, Interest, and Other Charges - Supporting Documentation, page 9	<u>\$ 8,549.77</u>

HARRISON TOWNSHIP, HOWARD COUNTY
SUMMARY OF CHARGES

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
John Harbaugh, Jr., Trustee:			
Penalties, Interest, and Other Charges -			
Supporting Documentation, page 9	<u>\$ 7,821.90</u>	<u>\$ -</u>	<u>\$ 7,821.90</u>

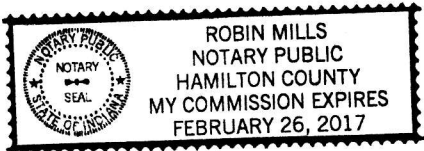
AFFIDAVIT

STATE OF INDIANA)
)
Hamilton COUNTY)

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

David Bixler
Field Examiner

Subscribed and sworn to before me this 22 day of March, 2011.



Robin M Mills
Notary Public

My Commission Expires: _____

County of Residence: _____