

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

INDIANA STATE ARMORY BOARD

July 1, 2008 to June 30, 2011



FILED
07/24/2012

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OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|------------------------|---|--|
| Adjutant General | Major General R. Martin Umbarger | 01-10-05 to 01-13-13 |
| President of the Board | Major General Robert G Moorehead, Retired Major General Richard L. Chastain, Retired | 07-01-08 to 04-17-09 04-18-09 to 06-30-13 |



STATE OF INDIANA
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE INDIANA STATE ARMORY BOARD

We have examined the financial statement of the Indiana State Armory Board (Board), for the period of July 1, 2008 to June 30, 2011. The Board's management is responsible for the financial statement. 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 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 Board 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 prior years.

In our opinion, the financial statement referred to above present fairly, in all material respects, the financial position and results of operations of the Board for the years ended June 30, 2009, 2010, and 2011 on the basis of accounting described in Note 1.

The Board's response to the Examination Result and Comment identified in our examination is described in the accompanying section of the report entitled Official Response. We did not examine the Board's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board's management 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

April 18, 2012

INDIANA STATE ARMORY BOARD
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
As Of And For The Years Ended June 2009, 2010, And 2011

| | <u>2009</u> | <u>2010</u> | <u>2011</u> |
|--|------------------------|------------------------|------------------------|
| <u>Consolidated</u> | | | |
| Cash and Investments, July 1: | \$ 7,044,849.25 | \$ 7,580,363.91 | \$ 7,149,058.83 |
| Receipts: | | | |
| Federal Reimbursements | 7,896,425.74 | 4,764,556.23 | 3,396,725.25 |
| Interest Income | 143,719.98 | 94,736.80 | 56,293.76 |
| Rental Income | 449,938.42 | 398,333.38 | 458,596.81 |
| Sales | 74,106.28 | 74,542.49 | 72,540.56 |
| Miscellaneous Reimbursements/Receipts | <u>864,562.84</u> | <u>63,782.75</u> | <u>205,968.39</u> |
| Total Receipts: | <u>9,428,753.26</u> | <u>5,395,951.65</u> | <u>4,190,124.77</u> |
| Disbursements: | | | |
| Services by contract | 2,504,307.80 | 2,907,003.05 | 2,344,682.80 |
| Materials, parts and supplies | 499,749.08 | 390,597.71 | 488,938.43 |
| Equipment | 50,837.94 | 52,024.28 | 68,755.69 |
| Land, buildings and improvements | 154,890.18 | 198,199.93 | 87,498.19 |
| Other | 268,916.51 | 261,962.85 | 265,913.47 |
| Transfers to primary government | <u>5,414,537.09</u> | <u>2,017,468.91</u> | <u>773,421.20</u> |
| Total Disbursements: | <u>8,893,238.60</u> | <u>5,827,256.73</u> | <u>4,029,209.78</u> |
| Excess of receipts over disbursements: | <u>535,514.66</u> | <u>(431,305.08)</u> | <u>160,914.99</u> |
| Cash and investments, June 30 | <u>\$ 7,580,363.91</u> | <u>\$ 7,149,058.83</u> | <u>\$ 7,309,973.82</u> |

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

INDIANA STATE ARMORY BOARD
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The Indiana State Armory Board (Board) was established under Indiana Code 10-16-3 to provide, manage, and care for armories for the use of the military and naval forces of Indiana. Revenues are received from federal reimbursements, state appropriations, rental of properties, interest on investments, and other miscellaneous sources.

The accompanying financial statement presents the financial information for the Board.

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.

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 investment.

Note 2. Deposits and Investments

Deposits, made in accordance with Indiana Code 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 issues or offered by a qualifying financial institution.

Indiana Code 5-13 authorizes the Board to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds.

Note 3. Temporary Loans

The Board has been called upon to loan funds to the Special Disbursing Officer (SDO) Fund maintained by the Adjutant General's Office (TAG). These loans are short term and repaid upon replenishment of the SDO by the Auditor of State. At June 30, 2011, a short term loan of \$250,000 was outstanding. The TAG repaid loan on March 29, 2012, via account transfer from SDO to the State Armory Board.

INDIANA STATE ARMORY BOARD
EXAMINATION RESULT AND COMMENT

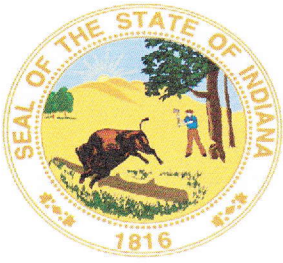
OUTSTANDING CHECKS

During our examination of the outstanding checks at the State Armory Board, we found that the outstanding checks list contained checks which had been outstanding for more than one year after issued.

Indiana Code 32-34-1-20, 32-34-1-26, and 32-34-1-27 provide that checks which have been issued and are outstanding for one year after they were written are presumed to be abandoned and are to be remitted to the Attorney General's Office as unclaimed property.

INDIANA STATE ARMORY BOARD
EXIT CONFERENCE

The contents of this report were discussed on July 9, 2012, with Colonel David Shorter, Director of State Operations; John Bailey, State Controller; and Kami Woods, Accounting Supervisor. The Official Response has been made a part of this report and may be found on page 8.



STATE ARMORY BOARD

Major General (Ret) Richard L. Chastain, President
2002 SOUTH HOLT ROAD
INDIANAPOLIS, INDIANA 46241-4839

July 10, 2012

State Controller's Office

OFFICIAL RESPONSE

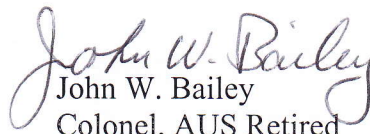
Indiana State Board of Accounts
302 W Washington St
Room E 418
Indianapolis, IN 46201-2765

Dear Sir,

We are providing this official response in reference to the Financial Statement Examination Report of the Indiana State Armory Board for the period of July 1, 2008 to June 30, 2011. The examination result and comment states, "During our examination of the outstanding checks at the State Armory Board, we found that the outstanding checks list contained checks which had been outstanding for more than one year after issued."

We have now implemented a new standard operating procedure that will remedy this issue. Each month, during the bank reconciliation process, outstanding checks will be reviewed. Any check over six (6) months will be researched through coordination with the vendor. Any outstanding check that has not been cashed after one year of issue shall be remitted to the Attorney General's Office as unclaimed property.

Sincerely,


John W. Bailey
Colonel, AUS Retired
State Controller

OFFICIAL RESPONSE