

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

HARRISON TOWNSHIP

OWEN COUNTY, INDIANA

January 1, 2010 to December 31, 2011



FILED
05/28/2013

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Robert E. Janke	01-01-07 to 12-31-14
Chairman of the Township Board	Betty Jordan	01-01-10 to 12-31-13



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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the accompanying financial statements of Harrison 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. The basis noted above is a different basis than that used in the prior period.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statements referred to above do 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, 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.

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

STATE BOARD OF ACCOUNTS

February 12, 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.

HARRISON 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	\$ 6,217	\$ 13,347	\$ 14,340	\$ 5,224
Township Assistance	1,503	1,750	1,392	1,861
Fire Fighting	2,039	2,895	3,772	1,162
Levy Excess	-	1,041	-	1,041
Cemetery	10	-	-	10
Rainy Day	-	335	335	-
Totals	<u>\$ 9,769</u>	<u>\$ 19,368</u>	<u>\$ 19,839</u>	<u>\$ 9,298</u>

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

HARRISON 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	\$ 5,224	\$ 11,417	\$ 13,049	\$ 3,592
Township Assistance	1,861	784	1,989	656
Fire Fighting	1,162	3,441	3,600	1,003
Levy Excess	1,041	-	1,041	-
Cemetery	10	-	-	10
Totals	<u>\$ 9,298</u>	<u>\$ 15,642</u>	<u>\$ 19,679</u>	<u>\$ 5,261</u>

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

HARRISON 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), 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.

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

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 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.

HARRISON 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.

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

	<u>Township</u>	<u>Township Assistance</u>	<u>Fire Fighting</u>	<u>Levy Excess</u>	<u>Cemetery</u>	<u>Rainy Day</u>	<u>Totals</u>
Cash and investments - beginning	\$ 6,217	\$ 1,503	\$ 2,039	\$ -	\$ 10	\$ -	\$ 9,769
Receipts:							
Taxes	13,243	1,750	2,895	-	-	-	17,888
Other receipts	<u>104</u>	<u>-</u>	<u>-</u>	<u>1,041</u>	<u>-</u>	<u>335</u>	<u>1,480</u>
Total receipts	<u>13,347</u>	<u>1,750</u>	<u>2,895</u>	<u>1,041</u>	<u>-</u>	<u>335</u>	<u>19,368</u>
Disbursements:							
Personal services	5,967	1,281	3,600	-	-	335	11,183
Supplies	286	-	-	-	-	-	286
Other services and charges	7,196	-	-	-	-	-	7,196
Capital outlay	158	-	-	-	-	-	158
Other disbursements	<u>733</u>	<u>111</u>	<u>172</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,016</u>
Total disbursements	<u>14,340</u>	<u>1,392</u>	<u>3,772</u>	<u>-</u>	<u>-</u>	<u>335</u>	<u>19,839</u>
Excess (deficiency) of receipts over disbursements	<u>(993)</u>	<u>358</u>	<u>(877)</u>	<u>1,041</u>	<u>-</u>	<u>-</u>	<u>(471)</u>
Cash and investments - ending	<u>\$ 5,224</u>	<u>\$ 1,861</u>	<u>\$ 1,162</u>	<u>\$ 1,041</u>	<u>\$ 10</u>	<u>\$ -</u>	<u>\$ 9,298</u>

HARRISON 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	Levy Excess	Cemetery	Totals
Cash and investments - beginning	\$ 5,224	\$ 1,861	\$ 1,162	\$ 1,041	\$ 10	\$ 9,298
Receipts:						
Taxes	2,645	371	1,788	-	-	4,804
Intergovernmental	1,714	413	1,609	-	-	3,736
Other receipts	7,058	-	44	-	-	7,102
Total receipts	<u>11,417</u>	<u>784</u>	<u>3,441</u>	<u>-</u>	<u>-</u>	<u>15,642</u>
Disbursements:						
Personal services	3,600	-	-	-	-	3,600
Supplies	1,041	-	-	-	-	1,041
Other services and charges	8,408	1,989	-	-	-	10,397
Other disbursements	-	-	3,600	1,041	-	4,641
Total disbursements	<u>13,049</u>	<u>1,989</u>	<u>3,600</u>	<u>1,041</u>	<u>-</u>	<u>19,679</u>
Deficiency of receipts over disbursements	<u>(1,632)</u>	<u>(1,205)</u>	<u>(159)</u>	<u>(1,041)</u>	<u>-</u>	<u>(4,037)</u>
Cash and investments - ending	<u>\$ 3,592</u>	<u>\$ 656</u>	<u>\$ 1,003</u>	<u>\$ -</u>	<u>\$ 10</u>	<u>\$ 5,261</u>

HARRISON TOWNSHIP, OWEN COUNTY
EXAMINATION RESULTS AND COMMENTS

FINANCIAL AND APPROPRIATION RECORD ENTRIES

Records presented for examination showed that the local tax distribution dated December 20, 2010, was posted to the Fire Fighting Fund and should have been posted to the Township Fund.

Receipts and disbursements during the year are to be posted on lines 3 to 34, inclusive. Show the date received, the receipt number (posted in "Voucher Number" column), the name of person from whom received, the nature or purpose of the receipt, and the amount in columns A-1, Total All Funds, and the appropriate fund to which the receipt belongs in B-1, C-1, etc. The total of the funds columns will equal the entry in A-1. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 3)

SUPPORTING DOCUMENTATION

As stated in prior Report B36887, payments for supplies and insurance totaling \$320 were observed 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 these disbursements 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)

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:

"(b) 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)

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

BANK ACCOUNT RECONCILIATIONS

Depository reconciliation of the fund balances to the bank account balances was incorrect for 2011. The Township did not include all of the reconciling items in their December 31, 2011 bank reconciliation.

Indiana Code 5-13-6-1(e) states in part: "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."

APPROPRIATIONS

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

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
Township Assistance	2011	<u>\$ 180</u>

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."

PAYROLL DEDUCTIONS

Payments to two Township Board members were made without payroll deductions for taxes.

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)

CONTRACTS

Records presented for examination indicated the fire contract was overpaid by \$2,806 in 2010.

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)

Governmental units should collect any overpayments made. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

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

CAPITAL ASSETS

Information presented for examination did not indicate an inventory or record of capital assets was maintained.

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 Assets 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)

DEBIT CARDS

Records presented for examination indicated that a debit card in the Township's name was being used without a written policy and approval by the Township Board.

Indiana Code 36-1-8-11.5 states:

"(a) As used in this section, 'electronic funds transfer' means any transfer of funds, other than a transaction originated by check, draft, or similar paper instrument, that is initiated through an electronic terminal, telephone, or computer or magnetic tape for the purpose of ordering, instructing, or authorizing a financial institution to debit or credit an account.

(b) The fiscal body of a political subdivision or the board of a municipally owned utility may adopt a resolution to authorize an electronic funds transfer method of payment of claims. If a proper body adopts a resolution under this subsection, the political subdivision or municipally owned utility may pay money from its funds by electronic funds transfer. (c) A political subdivision or municipally owned utility that pays a claim by electronic funds transfer shall comply with all other requirements for the payment of claims by political subdivisions or municipal utilities."

HARRISON TOWNSHIP, OWEN COUNTY
EXIT CONFERENCE

The contents of this report were discussed on February 12, 2013, with Robert E. Janke, Trustee. The Official Response has been made a part of this report and may be found on page 18.

2/18/2013

To State Board of Accounts

I did not over pay the town of Gosport for fire protection in 2010.

The years 2008,2009,2010,2011 I requested a budget of \$4100.00 each year and received it .That is what I paid Gosport VFD each year. When I was given my receipts by the town clerk I got home with them and needed a contract to staple them to so they wouldn't get lost The contract I got out of the file I did not look at. It was a contract from 2007. That is why it had the wrong amount on it. I paid the town of Gosport exactly what I had requested in my 2010 budget.

Thank You

Robert E Janke