

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

JEFFERSON TOWNSHIP

HUNTINGTON COUNTY, INDIANA

January 1, 2010 to December 31, 2012



**FILED**  
09/26/2013



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	David E. Keller	01-01-07 to 12-31-14
Chairman of the Township Board	Joseph Landrum Randy Pinkerton	01-01-10 to 12-31-10 01-01-11 to 12-31-13



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF JEFFERSON TOWNSHIP, HUNTINGTON COUNTY, INDIANA

We have examined the accompanying financial statement of Jefferson Township (Township), for the period of January 1, 2010 to December 31, 2012. The financial statement is the responsibility of the Township's management. Our responsibility is to express an opinion on the financial statement 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 statement 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 statement 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 statement 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 statement 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, 2012.

In our opinion, the financial statement referred to above presents 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, 2012, 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 statement. 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 statement. They have not been subjected to the examination procedures applied to the financial statement and, accordingly, we express no opinion on them.

Bruce Hartman  
State Examiner

August 21, 2013

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## FINANCIAL STATEMENT

The financial statement and accompanying notes were approved by management of the Township.  
The financial statement and notes are presented as intended by the Township.

JEFFERSON TOWNSHIP, HUNTINGTON COUNTY  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For The Years Ended December 31, 2010, 2011 and 2012

Fund	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
Township	\$ 36,098	\$ 14,128	\$ 11,391	\$ 38,835
Township Assistance	24,795	3,635	5,333	23,097
Fire Fighting	46,432	22,217	16,035	52,614
Cumulative Fire	<u>37,374</u>	<u>7,032</u>	<u>15,000</u>	<u>29,406</u>
Totals	<u>\$ 144,699</u>	<u>\$ 47,012</u>	<u>\$ 47,759</u>	<u>\$ 143,952</u>

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
Township	\$ 38,835	\$ 14,035	\$ 10,225	\$ 42,645
Township Assistance	23,097	3,201	3,137	23,161
Fire Fighting	52,614	22,186	16,530	58,270
Cumulative Fire	<u>29,406</u>	<u>7,385</u>	<u>-</u>	<u>36,791</u>
Totals	<u>\$ 143,952</u>	<u>\$ 46,807</u>	<u>\$ 29,892</u>	<u>\$ 160,867</u>

Fund	Cash and Investments 01-01-12	Receipts	Disbursements	Cash and Investments 12-31-12
Township	\$ 42,645	\$ 10,766	\$ 10,504	\$ 42,907
Township Assistance	23,161	3,079	4,991	21,249
Fire Fighting	58,270	13,293	16,529	55,034
Cumulative Fire	<u>36,791</u>	<u>4,016</u>	<u>-</u>	<u>40,807</u>
Totals	<u>\$ 160,867</u>	<u>\$ 31,154</u>	<u>\$ 32,024</u>	<u>\$ 159,997</u>

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

JEFFERSON TOWNSHIP, HUNTINGTON COUNTY  
NOTES TO FINANCIAL STATEMENT

**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 statement presents the financial information for the Township.

*B. Basis of Accounting*

The financial statement is 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 statement. 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.

JEFFERSON TOWNSHIP, HUNTINGTON COUNTY  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*E. Disbursements*

Disbursements are presented in the aggregate on the face of the financial statement. 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.

**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

JEFFERSON TOWNSHIP, HUNTINGTON COUNTY  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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 statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

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## 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/](http://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 statement 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.

JEFFERSON TOWNSHIP, HUNTINGTON 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>Cumulative Fire</u>	<u>Totals</u>
Cash and investments - beginning	\$ 36,098	\$ 24,795	\$ 46,432	\$ 37,374	\$ 144,699
Receipts:					
Taxes	12,870	3,423	21,907	6,995	45,195
Other receipts	<u>1,258</u>	<u>212</u>	<u>310</u>	<u>37</u>	<u>1,817</u>
Total receipts	<u>14,128</u>	<u>3,635</u>	<u>22,217</u>	<u>7,032</u>	<u>47,012</u>
Disbursements:					
Personal services	6,263	-	-	-	6,263
Supplies	626	46	-	-	672
Other services and charges	4,185	-	16,035	-	20,220
Capital outlay	317	-	-	15,000	15,317
Other disbursements	<u>-</u>	<u>5,287</u>	<u>-</u>	<u>-</u>	<u>5,287</u>
Total disbursements	<u>11,391</u>	<u>5,333</u>	<u>16,035</u>	<u>15,000</u>	<u>47,759</u>
Excess (deficiency) of receipts over disbursements	<u>2,737</u>	<u>(1,698)</u>	<u>6,182</u>	<u>(7,968)</u>	<u>(747)</u>
Cash and investments - ending	<u>\$ 38,835</u>	<u>\$ 23,097</u>	<u>\$ 52,614</u>	<u>\$ 29,406</u>	<u>\$ 143,952</u>

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

	<u>Township</u>	<u>Township Assistance</u>	<u>Fire Fighting</u>	<u>Cumulative Fire</u>	<u>Totals</u>
Cash and investments - beginning	\$ 38,835	\$ 23,097	\$ 52,614	\$ 29,406	\$ 143,952
Receipts:					
Taxes	7,118	2,885	17,248	6,823	34,074
Intergovernmental	5,516	240	4,787	562	11,105
Other receipts	1,401	76	151	-	1,628
Total receipts	<u>14,035</u>	<u>3,201</u>	<u>22,186</u>	<u>7,385</u>	<u>46,807</u>
Disbursements:					
Personal services	5,810	-	-	-	5,810
Supplies	161	-	-	-	161
Other services and charges	2,610	3,137	16,530	-	22,277
Other disbursements	1,644	-	-	-	1,644
Total disbursements	<u>10,225</u>	<u>3,137</u>	<u>16,530</u>	<u>-</u>	<u>29,892</u>
Excess of receipts over disbursements	<u>3,810</u>	<u>64</u>	<u>5,656</u>	<u>7,385</u>	<u>16,915</u>
Cash and investments - ending	<u>\$ 42,645</u>	<u>\$ 23,161</u>	<u>\$ 58,270</u>	<u>\$ 36,791</u>	<u>\$ 160,867</u>

JEFFERSON TOWNSHIP, HUNTINGTON COUNTY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012

	<u>Township</u>	<u>Township Assistance</u>	<u>Fire Fighting</u>	<u>Cumulative Fire</u>	<u>Totals</u>
Cash and investments - beginning	\$ 42,645	\$ 23,161	\$ 58,270	\$ 36,791	\$ 160,867
Receipts:					
Taxes	4,140	2,793	8,237	3,699	18,869
Intergovernmental	6,549	250	4,983	317	12,099
Other receipts	<u>77</u>	<u>36</u>	<u>73</u>	<u>-</u>	<u>186</u>
Total receipts	<u>10,766</u>	<u>3,079</u>	<u>13,293</u>	<u>4,016</u>	<u>31,154</u>
Disbursements:					
Personal services	6,008	-	-	-	6,008
Supplies	468	-	-	-	468
Other services and charges	2,390	4,991	16,529	-	23,910
Other disbursements	<u>1,638</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,638</u>
Total disbursements	<u>10,504</u>	<u>4,991</u>	<u>16,529</u>	<u>-</u>	<u>32,024</u>
Excess (deficiency) of receipts over disbursements	<u>262</u>	<u>(1,912)</u>	<u>(3,236)</u>	<u>4,016</u>	<u>(870)</u>
Cash and investments - ending	<u>\$ 42,907</u>	<u>\$ 21,249</u>	<u>\$ 55,034</u>	<u>\$ 40,807</u>	<u>\$ 159,997</u>

JEFFERSON TOWNSHIP, HUNTINGTON COUNTY  
SCHEDULE OF CAPITAL ASSETS  
December 31, 2012

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:	
Machinery, equipment, and vehicles	<u>\$          450</u>

JEFFERSON TOWNSHIP, HUNTINGTON COUNTY  
EXAMINATION RESULTS AND COMMENTS

**APPROPRIATIONS**

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

Fund	Years	Excess Amount Expended
Township	2010	\$ 666
Fire Fighting	2010	150
Fire Fighting	2012	664

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."

**COMPENSATION AND BENEFITS**

Compensation and benefits were paid to five Township officials and employees in each of the years 2010, 2011, and 2012. The compensation and benefits paid to these officials and employees was \$6,926 for 2010, \$6,956 for 2011, and \$7,026 for 2012 and was not approved by the Township Board using Township Form 17, Resolution Establishing Salaries of Township Officers and Employees.

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 13)

Indiana Code 36-6-10 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. . . . A type of format for recording these salaries should be the existing format of Township Form No. 17.

Township Form 17 (Revised 2008) has been prescribed to fulfill the requirements of the statute. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 2)

**ANNUAL REPORT**

The Annual Report for each year of the examination period contained errors and did not properly reflect the financial activity of the Township. Ending balances at December 31 did not agree with subsequent year January 1 balances in each of the three years examined.

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

JEFFERSON TOWNSHIP, HUNTINGTON COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on August 21, 2013, with David E. Keller, Trustee.