

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

FINANCIAL STATEMENTS AUDIT REPORT

OF

HARMONY TOWNSHIP

POSEY COUNTY, INDIANA

January 1, 2014 to December 31, 2017



**FILED**

12/14/2018



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	David O. Butler	01-01-14 to 11-30-14
	(Vacant)	12-01-14 to 12-18-14
	James R. Scarafia	12-19-14 to 12-31-18
Chairman of the Township Board	Daniel W. Creek	01-01-14 to 12-31-14
	Charles W. Mann	01-01-15 to 12-31-15
	Betty Gibbs	01-01-16 to 12-31-16
	Daniel W. Creek	01-01-17 to 12-31-18



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF HARMONY TOWNSHIP, POSEY COUNTY, INDIANA

**Report on the Financial Statements**

We have audited the accompanying financial statements of Harmony Township (Township), which comprise the financial position and results of operations for the period of January 1, 2014 to December 31, 2017, and the related notes to the financial statements as listed in the Table of Contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As discussed in Note 1 to the financial statements, the Township prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a 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 the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance 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, 2014 to December 31, 2017.


***Opinion on Regulatory Basis of Accounting***

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, 2014 to December 31, 2017, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

***Other Matters***

*Other Information*

Our audit 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, Schedule of Leases and Debt, 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 auditing procedures applied by us in the audit of the financial statements and, accordingly, we express no opinion on them.

  
Paul D. Joyce, CPA  
State Examiner

October 29, 2018

## FINANCIAL STATEMENTS AND ACCOMPANYING NOTES

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.

HARMONY TOWNSHIP, POSEY COUNTY  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Years Ended December 31, 2014 and 2015

Fund	Cash and Investments 01-01-14	Receipts	Disbursements	Cash and Investments 12-31-14	Receipts	Disbursements	Cash and Investments 12-31-15
Township	\$ 21,431	\$ 13,547	\$ 14,983	\$ 19,995	\$ 15,336	\$ 16,743	\$ 18,588
Township Assistance	6,870	6,212	5,124	7,958	6,575	3,762	10,771
Fire Fighting	9,260	193,064	26,417	175,907	29,554	198,109	7,352
Library	2,914	7,397	8,300	2,011	7,822	8,300	1,533
Rainy Day	1,904	-	-	1,904	-	-	1,904
Cumulative Fire	350	-	-	350	-	-	350
Fire Equipment Debt	-	-	-	-	37,984	30,589	7,395
Totals	<u>\$ 42,729</u>	<u>\$ 220,220</u>	<u>\$ 54,824</u>	<u>\$ 208,125</u>	<u>\$ 97,271</u>	<u>\$ 257,503</u>	<u>\$ 47,893</u>

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

HARMONY TOWNSHIP, POSEY COUNTY  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Years Ended December 31, 2016 and 2017

Fund	Cash and Investments 01-01-16	Receipts	Disbursements	Cash and Investments 12-31-16	Receipts	Disbursements	Cash and Investments 12-31-17
Township	\$ 18,588	\$ 15,581	\$ 16,238	\$ 17,931	\$ 18,065	\$ 16,071	\$ 19,925
Township Assistance	10,771	5,300	4,843	11,228	4,351	7,699	7,880
Fire Fighting	7,352	25,672	27,852	5,172	26,600	26,723	5,049
Library	1,533	8,741	8,500	1,774	8,773	8,500	2,047
Rainy Day	1,904	1,985	-	3,889	-	-	3,889
Cumulative Fire	350	-	-	350	-	-	350
Fire Equipment Debt	7,395	28,478	30,589	5,284	29,795	30,589	4,490
Totals	<u>\$ 47,893</u>	<u>\$ 85,757</u>	<u>\$ 88,022</u>	<u>\$ 45,628</u>	<u>\$ 87,584</u>	<u>\$ 89,582</u>	<u>\$ 43,630</u>

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

HARMONY TOWNSHIP, POSEY 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 Indiana 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 basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

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.* Amounts received from one or more of the following: property tax, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeeper's 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.* Amounts received from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of intergovernmental receipts include, but are not limited to, the following: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distributions received from the state, local road and street distributions 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.

HARMONY TOWNSHIP, POSEY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

*Charges for services.* Amounts received for services including, but not limited to, the following: planning commission charges, building department charges, copies of public records, copy machines charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable TV receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

*Other receipts.* Amounts received from various sources, including, but 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.* Amounts disbursed 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.* Amounts disbursed for 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, but are not limited to, the following: office supplies, operating supplies, and repair and maintenance supplies.

*Other services and charges.* Amounts disbursed for services including, but not limited to, the following: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

*Debt service - principal and interest.* Amounts disbursed for 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.* Amounts disbursed for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

*F. Interfund Transfers*

The Township may, from time to time, make transfers 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 amounts 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 amounts accounted for in a specific fund

HARMONY TOWNSHIP, POSEY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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 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 lien date (March 1 in a year ending before January 1, 2016 and January 1 in a year beginning after December 31, 2015) 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, the following: 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.

HARMONY TOWNSHIP, POSEY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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.

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#### OTHER INFORMATION - UNAUDITED

The Township's Annual Financial Reports information can be found on the Indiana Gateway for Government Units 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 Township's Annual Financial Reports referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The other information presented was approved by management of the Township. It is presented as intended by the Township.

HARMONY TOWNSHIP, POSEY COUNTY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2014

	Township	Township Assistance	Fire Fighting	Library	Rainy Day	Cumulative Fire	Fire Equipment Debt	Totals
Cash and investments - beginning	\$ 21,431	\$ 6,870	\$ 9,260	\$ 2,914	\$ 1,904	\$ 350	\$ -	\$ 42,729
Receipts:								
Taxes	12,700	6,132	7,698	7,256	-	-	-	33,786
Intergovernmental receipts	847	80	5,417	141	-	-	-	6,485
Charges for services	-	-	11,340	-	-	-	-	11,340
Other receipts	-	-	168,609	-	-	-	-	168,609
Total receipts	<u>13,547</u>	<u>6,212</u>	<u>193,064</u>	<u>7,397</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>220,220</u>
Disbursements:								
Personal services	6,455	-	-	-	-	-	-	6,455
Supplies	338	-	13,017	-	-	-	-	13,355
Other services and charges	8,190	5,124	13,400	8,300	-	-	-	35,014
Total disbursements	<u>14,983</u>	<u>5,124</u>	<u>26,417</u>	<u>8,300</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>54,824</u>
Excess (deficiency) of receipts over disbursements	<u>(1,436)</u>	<u>1,088</u>	<u>166,647</u>	<u>(903)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>165,396</u>
Cash and investments - ending	<u>\$ 19,995</u>	<u>\$ 7,958</u>	<u>\$ 175,907</u>	<u>\$ 2,011</u>	<u>\$ 1,904</u>	<u>\$ 350</u>	<u>\$ -</u>	<u>\$ 208,125</u>

HARMONY TOWNSHIP, POSEY COUNTY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2015

	Township	Township Assistance	Fire Fighting	Library	Rainy Day	Cumulative Fire	Fire Equipment Debt	Totals
Cash and investments - beginning	\$ 19,995	\$ 7,958	\$ 175,907	\$ 2,011	\$ 1,904	\$ 350	\$ -	\$ 208,125
Receipts:								
Taxes	14,866	6,482	8,347	7,647	-	-	14,182	51,524
Intergovernmental receipts	212	93	5,027	175	-	-	23,802	29,309
Charges for services	-	-	11,680	-	-	-	-	11,680
Other receipts	258	-	4,500	-	-	-	-	4,758
Total receipts	15,336	6,575	29,554	7,822	-	-	37,984	97,271
Disbursements:								
Personal services	9,287	-	-	-	-	-	-	9,287
Supplies	476	-	11,900	-	-	-	-	12,376
Other services and charges	6,980	3,762	17,600	8,300	-	-	-	36,642
Debt service - principal and interest	-	-	-	-	-	-	30,589	30,589
Capital outlay	-	-	168,609	-	-	-	-	168,609
Total disbursements	16,743	3,762	198,109	8,300	-	-	30,589	257,503
Excess (deficiency) of receipts over disbursements	(1,407)	2,813	(168,555)	(478)	-	-	7,395	(160,232)
Cash and investments - ending	\$ 18,588	\$ 10,771	\$ 7,352	\$ 1,533	\$ 1,904	\$ 350	\$ 7,395	\$ 47,893

HARMONY TOWNSHIP, POSEY COUNTY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2016

	Township	Township Assistance	Fire Fighting	Library	Rainy Day	Cumulative Fire	Fire Equipment Debt	Totals
Cash and investments - beginning	\$ 18,588	\$ 10,771	\$ 7,352	\$ 1,533	\$ 1,904	\$ 350	\$ 7,395	\$ 47,893
Receipts:								
Taxes	15,119	5,227	8,347	8,549	-	-	28,462	65,704
Intergovernmental receipts	212	73	5,295	192	1,985	-	16	7,773
Charges for services	250	-	12,030	-	-	-	-	12,280
Total receipts	15,581	5,300	25,672	8,741	1,985	-	28,478	85,757
Disbursements:								
Personal services	9,020	-	-	-	-	-	-	9,020
Supplies	443	-	12,289	-	-	-	-	12,732
Other services and charges	6,775	4,843	15,563	8,500	-	-	-	35,681
Debt service - principal and interest	-	-	-	-	-	-	30,589	30,589
Total disbursements	16,238	4,843	27,852	8,500	-	-	30,589	88,022
Excess (deficiency) of receipts over disbursements	(657)	457	(2,180)	241	1,985	-	(2,111)	(2,265)
Cash and investments - ending	\$ 17,931	\$ 11,228	\$ 5,172	\$ 1,774	\$ 3,889	\$ 350	\$ 5,284	\$ 45,628

HARMONY TOWNSHIP, POSEY COUNTY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2017

	Township	Township Assistance	Fire Fighting	Library	Rainy Day	Cumulative Fire	Fire Equipment Debt	Totals
Cash and investments - beginning	\$ 17,931	\$ 11,228	\$ 5,172	\$ 1,774	\$ 3,889	\$ 350	\$ 5,284	\$ 45,628
Receipts:								
Taxes	17,719	4,308	14,206	8,551	-	-	29,779	74,563
Intergovernmental receipts	177	43	4	222	-	-	16	462
Charges for services	169	-	12,390	-	-	-	-	12,559
Total receipts	18,065	4,351	26,600	8,773	-	-	29,795	87,584
Disbursements:								
Personal services	8,870	-	-	-	-	-	-	8,870
Supplies	109	-	11,108	-	-	-	-	11,217
Other services and charges	7,092	7,699	15,615	8,500	-	-	-	38,906
Debt service - principal and interest	-	-	-	-	-	-	30,589	30,589
Total disbursements	16,071	7,699	26,723	8,500	-	-	30,589	89,582
Excess (deficiency) of receipts over disbursements	1,994	(3,348)	(123)	273	-	-	(794)	(1,998)
Cash and investments - ending	\$ 19,925	\$ 7,880	\$ 5,049	\$ 2,047	\$ 3,889	\$ 350	\$ 4,490	\$ 43,630

HARMONY TOWNSHIP, POSEY COUNTY  
 SCHEDULE OF LEASES AND DEBT  
 December 31, 2017

Description of Debt		Ending	Principal and
Type	Purpose	Principal	Interest Due
		Balance	Within One
			Year
Governmental activities:			
Notes and loans payable	Purchase a new fire truck	\$ 87,671	\$ 30,589
Totals		<u>\$ 87,671</u>	<u>\$ 30,589</u>

HARMONY TOWNSHIP, POSEY COUNTY  
SCHEDULE OF CAPITAL ASSETS  
December 31, 2017

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>322,100</u>
Total capital assets	\$ <u><u>322,100</u></u>

## OTHER REPORTS

In addition to this report, other reports may have been issued for the Township. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.