

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

FINANCIAL STATEMENTS REVIEW REPORT

OF

HARRISON TOWNSHIP

ELKHART COUNTY, INDIANA

January 1, 2016 to December 31, 2018



FILED

07/13/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Kerry Yaw	01-01-16 to 12-31-20
Chairman of the Township Board	Galen Witmer	01-01-16 to 12-31-20



INDEPENDENT ACCOUNTANT'S REVIEW REPORT

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

We have reviewed the accompanying financial statements of Harrison Township (Township), for the period of January 1, 2016 to December 31, 2018. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Township's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with a regulatory 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 comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. This includes determining that the basis of accounting the Township uses is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatements whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with *Statements on Standards for Accounting and Review Services* promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with the prescribed basis of accounting described in Note 1. We believe that the results of our procedures provide a reasonable basis for our conclusion.

INDEPENDENT ACCOUNTANT'S REVIEW REPORT
(Continued)

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with the prescribed basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with 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 comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our conclusion is not modified with respect to this matter.


Paul D. Joyce, CPA
State Examiner

May 28, 2020

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.

HARRISON TOWNSHIP, ELKHART 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 General Fund	\$ 270,036	\$ 90,864	\$ 124,873	\$ 236,027	\$ 89,102	\$ 57,195	\$ 267,934
EMS	35,336	-	5,000	30,336	11,702	5,000	37,038
Township Assistance Fund	38,590	10,839	7,628	41,801	122	8,416	33,507
Fire Fighting Fund	322,668	166,708	101,174	388,202	170,893	100,398	458,697
Rainy Day Fund	32,433	96,709	-	129,142	-	11,838	117,304
Levy Excess Fund	1,571	-	-	1,571	-	-	1,571
Payroll Withholdings Fund	1,675	2,521	4,884	(688)	3,034	2,478	(132)
Totals	<u>\$ 702,309</u>	<u>\$ 367,641</u>	<u>\$ 243,559</u>	<u>\$ 826,391</u>	<u>\$ 274,853</u>	<u>\$ 185,325</u>	<u>\$ 915,919</u>

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

HARRISON TOWNSHIP, ELKHART COUNTY
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended December 31, 2018

Fund	Cash and Investments 01-01-18	Receipts	Disbursements	Cash and Investments 12-31-18
Township General Fund	\$ 267,934	\$ 112,409	\$ 239,882	\$ 140,461
EMS	37,038	5,992	25,000	18,030
Township Assistance Fund	33,507	1,693	17,351	17,849
Fire Fighting Fund	458,697	183,504	405,289	236,912
Rainy Day Fund	117,304	180,000	295,255	2,049
Levy Excess Fund	1,571	5,988	-	7,559
Payroll Withholdings Fund	(132)	3,134	3,928	(926)
Totals	<u>\$ 915,919</u>	<u>\$ 492,720</u>	<u>\$ 986,705</u>	<u>\$ 421,934</u>

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

HARRISON TOWNSHIP, ELKHART 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.

HARRISON TOWNSHIP, ELKHART 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.

Capital outlay. Amounts disbursed for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Other disbursements. Amounts disbursed for various other purposes including, but 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, 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.

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

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 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 December 31 of the year preceding the budget year or January 15 of the budget year if the Township is issuing debt after December 1 or intends on filing a shortfall appeal. These rates were based upon the assessed valuations adjusted for various tax credits from the preceding year's lien date of January 1. 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.

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

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.

Note 6. Cash Balance Deficits

The financial statements contain the Payroll Withholdings Fund with deficits in cash. This is a result of the nature of the fund and payroll timing issues.

HARRISON TOWNSHIP, ELKHART COUNTY
REVIEW RESULTS AND COMMENTS

PENALTIES AND INTEREST

Condition and Context

The Township failed to pay and remit taxes in a timely fashion throughout the review period resulting in the payment of \$65 in penalties and interest to the United States Treasury.

Criteria

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 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 unit. Any penalties, interest, or other charges paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

CONDITION OF RECORDS

Similar comments also appeared in prior Report B47230.

Condition and Context

The Annual Financial Report filed on the Indiana Gateway for Government Units financial reporting system for 2016, 2017, and 2018 did not match the Township records due to the following deficiencies noted:

1. The Township General Fund and Payroll Withholdings Fund receipts were understated on the 2016 financial statement by \$1,231 and \$2,520, respectively. In addition, the Township General Fund disbursements were understated on the 2016 financial statement by \$1,505.
2. The Township General Fund and Payroll Withholdings Fund receipts were understated on the 2018 financial statement by \$805 and \$3,314, respectively. In addition, the Township General Fund disbursements were understated on the 2018 financial statement by \$1,369.
3. The Township fund's reported 2018 beginning cash and investments balance did not agree to the ending cash and investment balance as of December 31, 2017.
4. Depository reconciliations of the fund balances to the bank account balances were conducted; however, the reconciliation performed only included one of the three accounts held by the Township. As of December 31, 2018, the adjusted bank account balances exceeded the ledger balance by \$707. In addition, the outstanding check list as of December 31, 2018, included a \$20,000 check to the Township for a transfer from the EMS fund to the Rainy Day Fund. The check remained outstanding until it was voided and receipted back to the EMS fund as of June 2019.

Additional review time was spent in order to verify the financial statements to the Township's ledger and bank statements.

Adjustments were proposed and approved by the Trustee.

HARRISON TOWNSHIP, ELKHART COUNTY
REVIEW RESULTS AND COMMENTS
(Continued)

Criteria

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

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](#)."

TRAINING AND CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

Documentation of training on internal control standards provided to personnel was not provided.

The Township certified on the Indiana Gateway for Government Units financial reporting system that appropriate personnel were trained on the internal control standards for 2016, 2017, and 2018. However, the Township Board did not have documentation to support if personnel received the internal control training; therefore, the certifications were incorrect.

Criteria

Indiana Code 5-11-1-27(g) states in part:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that: . . .

- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

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](#)."

HARRISON TOWNSHIP, ELKHART COUNTY
REVIEW RESULTS AND COMMENTS
(Continued)

TRANSFERS TO RAINY DAY FUND

Condition and Context

The Township made transfers from the Township General Fund to the Rainy Day Fund totaling \$63,534 and \$180,000, in 2016 and 2018, respectively, without the Township Board's approval. In 2016, the Township Board had approved a \$6,000 transfer from the Township General Fund; however, \$63,534 was actually transferred.

In addition, the transfers from the Township General Fund exceeded the 10 percent maximum as allowed by Indiana Code. The Township General Fund total annual budget for 2016 and 2018, was \$60,000 and \$65,000, respectively. Thus, the maximum allowed by law to transfer was \$6,000 and \$6,500, for 2016 and 2018, respectively.

Criteria

Pursuant to IC 36-1-8-5.1, a Township can establish a rainy day fund (RDF) through the adoption of a resolution. The resolution must state the following: (1) the purposes of the RDF and (2) the sources of funding for the RDF. The sources of funding can include dormant funds (IC 36-1-8-5), CAGIT (IC 6-3.5-1.1-21.1), COIT (IC 6-3.5-6-17.3), CEDIT (IC 6-3.5-7-17.3), or any other funding source specified in the resolution and not otherwise prohibited by law.

In addition, a Township can transfer an amount from a fund as long as it is authorized by the resolution, does not exceed 10% of the total annual budget for that fiscal year and is not from a debt service fund.

Our position is that a unit can transfer money from an appropriated fund to the RDF as long as the purpose of the levy has been fulfilled (and the Township Board has stated as such) and the transfer does not exceed 10% of the total annual budget. Also, any fund that has been declared dormant (by the Township Board) under IC 36-1-8-5 can be transferred to the RDF. Please note that Debt Service Funds are explicitly prohibited from being transferred to the RDF. There have been changes to the fire fund statute that now allows a Township to transfer money from the fire fund. (Township Bulletin and Uniform Compliance Guidelines, September 2018)

OVERDRAWN CASH BALANCES

Condition and Context

The financial statements presented included the Payroll Withholdings Fund with an overdrawn cash balance of \$688, \$132, and \$926, at December 31, 2016, 2017, and 2018, respectively.

Criteria

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

HARRISON TOWNSHIP, ELKHART COUNTY
EXIT CONFERENCE

The contents of this report were discussed on May 28, 2020, with Kerry Yaw, Trustee, and Galen Witmer, Chairman of the Township Board.