

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

FINANCIAL STATEMENTS REVIEW REPORT

OF

MORGAN TOWNSHIP

OWEN COUNTY, INDIANA

January 1, 2017 to December 31, 2019



**FILED**  
07/20/2020



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Patricia Flowers Destanie P. Henderson	01-01-15 to 12-31-18 01-01-19 to 12-31-22
Chair of the Township Board	Tina Jackson	01-01-17 to 12-31-20



## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

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

We have reviewed the accompanying financial statements of Morgan Township (Township), for the period of January 1, 2017 to December 31, 2019. 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*  
Paul D. Joyce, CPA  
State Examiner

June 5, 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.

MORGAN TOWNSHIP, OWEN COUNTY  
 STATEMENT OF RECEIPTS, DISBURSEMENTS,  
 AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Years Ended December 31, 2017 and 2018

Fund	Cash and Investments 01-01-17	Receipts	Disbursements	Cash and Investments 12-31-17	Receipts	Disbursements	Cash and Investments 12-31-18
Township	\$ 8,809	\$ 20,091	\$ 14,412	\$ 14,488	\$ 26,340	\$ 19,472	\$ 21,356
Township Assistance	(12,835)	8,215	5,919	(10,539)	15,425	1,921	2,965
Fire Fighting	(17,572)	3,351	-	(14,221)	20,803	-	6,582
Rainy Day	3,545	-	-	3,545	-	918	2,627
Cumulative Fire	<u>42,822</u>	<u>12,227</u>	<u>12,000</u>	<u>43,049</u>	<u>11,705</u>	<u>30,671</u>	<u>24,083</u>
Totals	<u>\$ 24,769</u>	<u>\$ 43,884</u>	<u>\$ 32,331</u>	<u>\$ 36,322</u>	<u>\$ 74,273</u>	<u>\$ 52,982</u>	<u>\$ 57,613</u>

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

MORGAN TOWNSHIP, OWEN COUNTY  
 STATEMENT OF RECEIPTS, DISBURSEMENTS,  
 AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended December 31, 2019

Fund	Cash and Investments 01-01-19	Receipts	Disbursements	Cash and Investments 12-31-19
Township	\$ 21,356	\$ 12,239	\$ 12,858	\$ 20,737
Township Assistance	2,965	14,366	1,014	16,317
Fire Fighting	6,582	3,369	-	9,951
Rainy Day	2,627	1,109	-	3,736
Cumulative Fire	<u>24,083</u>	<u>11,791</u>	<u>6,000</u>	<u>29,874</u>
Totals	<u>\$ 57,613</u>	<u>\$ 42,874</u>	<u>\$ 19,872</u>	<u>\$ 80,615</u>

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

MORGAN 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 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.

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

*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.

**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 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.

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

**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.

**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 some funds with deficits in cash at December 31, 2017. This is a result of overspending.

MORGAN TOWNSHIP, OWEN COUNTY  
REVIEW RESULTS AND COMMENTS

**ADOPTION OF AND TRAINING ON INTERNAL CONTROL STANDARDS**

*Condition and Context*

The Township Board had not adopted the minimum level of internal controls as required by statute. The Township Board also had not provided the required training on internal control standards to appropriate personnel.

*Criteria*

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

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

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

**CERTIFICATION ON INTERNAL CONTROL STANDARDS**

*Condition and Context*

The Trustee incorrectly certified, in the Indiana Gateway for Government Units financial reporting system, that the Township had adopted internal control standards and appropriate personnel had received training regarding internal control standards for 2018 and 2019.

*Criteria*

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](#)."

**CONDITION OF RECORDS**

The same comment also appeared in prior Report B48894.

*Condition and Context*

There were numerous posting errors to the ledger in 2018. Receipts and disbursements were not always properly posted to the funds and/or posted correctly. Receipts and disbursements were not totaled monthly and yearly.

MORGAN TOWNSHIP, OWEN 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)

**APPROVAL OF SALARIES**

The same comment also appeared in prior Report B48894.

*Condition and Context*

The Township Board had not established the salaries of the Township officers and employees during the review period.

*Criteria*

Indiana Code 36-6-6-10(c) states in part: "The township legislative body shall fix the compensation of all officers and employees of the township. Compensation shall be established using an annual, monthly or biweekly salary schedule. . . ."

**ANNUAL FINANCIAL REPORT ERRORS**

A similar comment also appeared in the prior Reports B42337, entitled *ANNUAL FINANCIAL REPORT* and B48894, entitled *ANNUAL FINANCIAL REPORT ERRORS*.

*Condition and Context*

The Annual Financial Reports for both 2017 and 2018 each contained a number of errors and did not properly reflect the financial activity of the Township. In total, the receipts, disbursements, and beginning and ending cash and investment balances were under (over) reported as follows:

<u>Years</u>	<u>Beginning Balance</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Ending Balance</u>
2017	\$ -	\$ 800	\$ (99)	\$ 899
2018	<u>899</u>	<u>37,531</u>	<u>18,648</u>	<u>19,782</u>
Totals	<u>\$ 899</u>	<u>\$ 38,331</u>	<u>\$ 18,549</u>	<u>\$ 20,681</u>

Adjustments were proposed, approved by the Trustee, and made to the financial statements.

MORGAN TOWNSHIP, OWEN COUNTY  
REVIEW RESULTS AND COMMENTS  
(Continued)

*Criteria*

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](#)."

**FAILURE TO ESTABLISH TOWNSHIP ASSISTANCE STANDARDS**

The same comment also appeared in the prior Report B48894.

*Condition and Context*

The Township Board did not establish Township Assistance Standards for 2017 and 2018.

*Criteria*

Indiana Code 12-20-5.5-1(b) states:

"The township's standards for the issuance of township assistance and the processing of applications must be:

- (1) governed by the requirements of this article;
- (2) proposed by the township trustee, adopted by the township board, and filed with the board of county commissioners;
- (3) reviewed and updated annually to reflect changes in the cost of basic necessities in the township and changes in the law;
- (4) published in a single written document, including addenda attached to the document; and
- (5) posted in a place prominently visible to the public in all offices of the township trustee where township assistance applications are taken or processed."

**NEPOTISM POLICY**

The same comment also appeared in prior Report B48894.

*Condition and Context*

The Township did not have a Nepotism Policy.

MORGAN TOWNSHIP, OWEN COUNTY  
REVIEW RESULTS AND COMMENTS  
(Continued)

*Criteria*

Indiana Code 36-1-20.2-9(a) states in part: "This chapter establishes minimum requirements regarding employment of relatives. The legislative body of the unit shall adopt a policy that includes, at a minimum, the requirements set forth in the chapter. . . ."

**NEPOTISM CERTIFICATIONS**

The same comment also appeared in prior Report B48894.

*Condition and Context*

Each elected officer did not annually certify in writing that the officer had not violated Indiana Code 36-1-20.2 (Nepotism) by December 31, 2017, 2018, and 2019.

*Criteria*

Indiana Code 36-1-20.2-16 states: "Each elected officer of the unit shall annually certify in writing, subject to the penalties for perjury that the officer has not violated this chapter. An officer shall submit that certification to the executive of the unit not later than December 31 of each year."

**INTERNAL CONTROLS**

The same comment also appeared in prior Report B48894.

*Condition and Context*

The internal controls over disbursements and reporting were insufficient. Controls were in place for the Township Board to review and approve the Annual Financial Report; however, the controls in place were ineffective and did not properly prevent, or detect and correct, material misstatements in a timely manner. Once internal controls are established, they should be monitored and assessed to ensure their quality and effectiveness.

*Criteria*

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

MORGAN TOWNSHIP, OWEN COUNTY  
REVIEW RESULTS AND COMMENTS  
(Continued)

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

MORGAN TOWNSHIP, OWEN COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on June 5, 2020, with Destanie P. Henderson, Trustee, and Tina Jackson, Chair of the Township Board.