

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

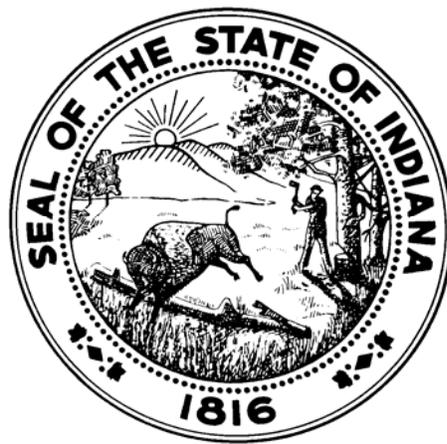
EXAMINATION REPORT

OF

RAILROAD TOWNSHIP

STARKE COUNTY, INDIANA

January 1, 2005 to December 31, 2006



FILED
03/28/2007

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Sherry Paulsen	01-01-03 to 12-31-06
	Katherine Chaffins	01-01-07 to 12-31-10
Chairman of the Township Board	Kevin Goin	01-01-05 to 12-31-05
	John Lukac, Jr.	01-01-06 to 12-31-06
	Clarence E. Gehrke	01-01-07 to 12-31-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF RAILROAD TOWNSHIP, STARKE COUNTY, INDIANA

We have examined the financial information presented herein of Railroad Township (Township), for the period of January 1, 2005 to December 31, 2006. The Township's management is responsible for the financial information presented herein. Our responsibility is to express an opinion 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 information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the Township for the years ended December 31, 2005 and 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Long-Term Debt, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the basic financial information. The Schedule of Long-Term Debt has not been subjected to the examination procedures applied to the basic financial information, and accordingly, we express no opinion.

STATE BOARD OF ACCOUNTS

February 8, 2007

RAILROAD TOWNSHIP, STARKE COUNTY
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL FUND TYPES
As Of And For The Years Ended December 31, 2005 And 2006

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
Township	\$ 7,152	\$ 25,738	\$ 23,541	\$ 9,349
Dog	360	58	68	350
Township Assistance	1,568	9,332	8,463	2,437
Township Assistance Debt	7,544	7,424	14,490	478
Firefighting	4,778	47,965	50,169	2,574
Fire Debt	16,504	42,837	58,056	1,285
Cumulative Fire	14,553	10,711	20,089	5,175
Totals	<u>\$ 52,459</u>	<u>\$ 144,065</u>	<u>\$ 174,876</u>	<u>\$ 21,648</u>

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
Township	\$ 9,349	\$ 33,315	\$ 31,970	\$ 10,694
Dog	350	172	65	457
Township Assistance	2,437	11,536	6,628	7,345
Township Assistance Debt	478	639	1,117	-
Firefighting	2,574	68,843	60,581	10,836
Levy Excess	-	1,126	-	1,126
Fire Debt	1,285	674	1,959	-
Cumulative Fire	5,175	10,896	6,427	9,644
Totals	<u>\$ 21,648</u>	<u>\$ 127,201</u>	<u>\$ 108,747</u>	<u>\$ 40,102</u>

The accompanying notes are an integral part of the schedules.

RAILROAD TOWNSHIP, STARKE COUNTY
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The Township was established under the laws of the State of Indiana. The Township provides the following services: public safety, health and social services, and general administrative services.

Note 2. Fund Accounting

The Township uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Township in June and December. 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% 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 become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the Township on or prior to December 31 of the year collected.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were 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 statute (IC 5-13-9) authorizes 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.

RAILROAD TOWNSHIP, STARKE COUNTY
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2006

The Township has entered into the following long-term debt:

Description of Debt	Ending Balance	Due Within One Year
Governmental Activities:		
Notes and loans payable	\$ 16,046	\$ 5,151
Total governmental activities long-term debt	\$ 16,046	\$ 5,151

RAILROAD TOWNSHIP, STARKE COUNTY
EXAMINATION RESULTS AND COMMENTS

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

The Township submitted inaccurate information to the Internal Revenue Service on the W-2 forms for 2005.

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)

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

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 governmental 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 governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

CAPITAL ASSET RECORDS

No information was presented for audit that would indicate an inventory or record of capital assets using Form 369.

Every governmental unit should have a complete inventory of all fixed assets owned which reflect their acquisition value. Such inventory should be recorded on the applicable Capital Asset 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)

SUPPORTING DOCUMENTATION

Several payments 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 some money disbursed could not be established. Some credit card statements were also paid without invoices or documentation as to who the vendor was.

RAILROAD TOWNSHIP, STARKE COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

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)

MACHINE RENT

Sherry Paulsen, Trustee paid herself \$3,000 for "machine rent". Ms. Paulsen indicated the payment represented 3 years of "rent" for a computer she had purchased for township business. Further discussions with Ms. Paulsen revealed that the computer was used mostly for personal reasons and the amount of township business actually done on the computer was immaterial.

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 14)

We requested Sherry Paulsen, Trustee, to reimburse the Township for \$3,000 for machine rent paid in 2006 which was repaid on February 8, 2007. (See Summary, page 10)

RAILROAD TOWNSHIP, STARKE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on February 8, 2007, with Sherry Paulson, former Trustee; and Katherine Chaffin, Trustee. The officials concurred with our findings.

RAILROAD TOWNSHIP, STARKE COUNTY
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Sherry Paulsen, Trustee, Machine Rent, Page 8	<u>\$ 3,000</u>	<u>\$ 3,000</u>	<u>\$ -</u>