

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

EXAMINATION REPORT

OF

LOCKHART TOWNSHIP

PIKE COUNTY, INDIANA

January 1, 2006 to December 31, 2006



FILED
01/22/2008

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Pallie Coleman Angela O'Neal	01-01-03 to 12-31-06 01-01-07 to 12-31-10
Chairman of the Township Board	William Caldemeyer	01-01-06 to 12-31-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF LOCKHART TOWNSHIP, PIKE COUNTY, INDIANA

We have examined the financial information presented herein of Lockhart Township (Township), for the period of January 1, 2006 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 year ended December 31, 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Supplementary Information, as listed in the Table of Contents, was presented for additional analysis and is not a required part of the basic financial information. The Supplementary Information has not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on the Supplementary Information.

STATE BOARD OF ACCOUNTS

December 10, 2007

LOCKHART TOWNSHIP, PIKE COUNTY
 SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
 ALL GOVERNMENTAL FUND TYPES
 As Of And For The Year Ended December 31, 2006

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
Township	\$ 18,716	\$ 20,603	\$ 23,469	\$ 15,850
Dog	343	73	416	-
Township Assistance	2,987	-	558	2,429
Firefighting	9,835	13,543	16,796	6,582
Cumulative Building - Community Center	45,018	4,255	2,944	46,329
Federal Refuge Grant	-	6,930	6,930	-
Levy Excess	805	-	805	-
Totals	<u>\$ 77,704</u>	<u>\$ 45,404</u>	<u>\$ 51,918</u>	<u>\$ 71,190</u>

The accompanying notes are an integral part of the financial information.

LOCKHART TOWNSHIP, PIKE 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, culture and recreation, 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

Normally 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 may 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.

LOCKHART TOWNSHIP
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

December 31, 2006

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>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 1
Buildings	446,000
Machinery and equipment	<u>156,808</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 602,809</u>

LOCKHART TOWNSHIP, PIKE COUNTY
EXAMINATION RESULTS AND COMMENTS

CONDITION OF RECORDS

The following deficiencies relating to the recordkeeping were noted:

1. There was no documentation presented for examination to reflect that record balances were reconciled to depository balances.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

2. The Financial and Appropriation Record (Form 1C) was not adequately maintained, receipt transactions were not dated, nor did the receipt register reflect the date received, disbursements were not carried to the budget classification, approved appropriations were not posted, and disbursements for salary and wages were not properly posted.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

3. Prescribed forms were not in use or were not adequately maintained:

- a. The General Payroll Form 99B, Employee Earnings Record was not in use.

- b. Township Form 16, Township Trustee's Receipt, was not in use. A non-prescribed receipt of a similar format was in use; however, observation and comparison revealed that the form was not dated, did not reflect the type of collection, (cash, check, money order, etc), and the sequence of issuance revealed that the receipt was not issued at the time of collection. The receipt written for interest received on account on the last day of each month was generally the first receipt of record for each month.

- c. The General Form 350, Register of Investments, was not adequately maintained, reflecting only the investments purchased. Pertinent information was not available without making inquiries of the investment activity with the depository.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

A similar comment appeared on a prior report.

LOCKHART TOWNSHIP, PIKE COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

CAPITAL ASSET RECORDS

Information presented for examination did not indicate an inventory or record of capital assets using Form 369.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded on the applicable General Fixed Asset Account Group. 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)

DISBURSEMENT DOCUMENTATION

Several payments were observed which did not contain adequate supporting documentation such as receipts, and invoices.

Due to the lack of supporting information, the validity and accountability for some monies disbursed could not be established.

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)

A similar comment appeared in a prior report.

EXCESSIVE OR UNREASONABLE COSTS

The Trustee paid a private company \$200 for cleaning the carpeting in her home. The Trustee, in addition to the cleaning of the carpeting, charged the Township for rental of office space in her home.

The Trustee reimbursed herself for mileage using Mileage Claim Form 101; however, information on the form did not provide the purpose of any of the travel reimbursements. Numerous trips were grouped by month using only the destination and number of trips to that destination and the number of miles for which reimbursement was received.

Additionally, undocumented telephone service, 100% of a newspaper subscription and 100% of internet service was paid.

The Township office is in the home, and the phone (only phone) is in the township name in the phone directory, the additional cost of that phone being listed as a township phone is reimbursable. Up to 50% of the base monthly service billing may also be reimbursed if approved by the township board in accordance with IC 36-6-8-3. Additionally, 100% of all documented long distance township business calls may be reimbursed. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

Indiana Code 36-6-8-3 states: "(a) The annual appropriations to a township executive for the expenses of renting an office and telephone and telegraph expenses must, as nearly as is possible, be equal to the actual cost of those items. If the township executive uses a part of the executive's residence for an office, the township legislative body shall appropriate a reasonable sum for that office space.

LOCKHART TOWNSHIP, PIKE COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

Every effort should be made by the governmental unit to avoid unreasonable or excessive costs. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

Supporting documentation such as receipts, cancelled 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)

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 13)

CONTRACTS

Records presented for examination indicate payments were made for cleaning services, maintenance and renovations of the fire station and community center and cemetery caretaking without a contract.

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provision of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

A similar comment appeared in a prior report.

LOCKHART TOWNSHIP, PIKE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 10, 2007, with Angela O'Neal, Trustee.