

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

EXAMINATION REPORT  
OF  
PENN TOWNSHIP  
ST. JOSEPH COUNTY, INDIANA  
January 1, 2007 to December 31, 2007



**FILED**  
03/19/2009



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Jeffrey Dean	01-01-07 to 12-31-10
Chairman of the Township Board	Ronald DeWinter Joseph R. Ganser	01-01-07 to 12-31-07 01-01-07 to 12-31-08



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF PENN TOWNSHIP, ST. JOSEPH COUNTY, INDIANA

We have examined the financial information presented herein of Penn Township (Township), for the period of January 1, 2007 to December 31, 2007. 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, 2007 and up to date September 15, 2008, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

November 25, 2008

PENN TOWNSHIP, ST. JOSEPH COUNTY  
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES  
As Of And For The Year Ended December 31, 2007

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
Township	\$ 70,335	\$ 374,898	\$ 474,128	\$ (28,895)
Dog	763	-	763	-
Township Assistance	139,890	640,510	639,803	140,597
Firefighting	144,129	1,045,457	1,067,522	122,064
Recreation	56,940	175,538	177,427	55,051
Rainy Day	39,409	-	-	39,409
Youth Center Donations	4,876	-	-	4,876
State Grants	48	-	48	-
Fire Debt	247,604	352,437	335,562	264,479
Township Assistance Debt	8,383	211,179	154,918	64,644
Fire Station	2,507	-	-	2,507
Cumulative Fire	184,225	310,728	227,518	267,435
Fiduciary Fund:				
Payroll Withholdings	2,063	156,345	158,861	(453)
Totals	<u>\$ 901,172</u>	<u>\$ 3,267,092</u>	<u>\$ 3,236,550</u>	<u>\$ 931,714</u>

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

PENN TOWNSHIP, ST. JOSEPH 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

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.

PENN TOWNSHIP, ST. JOSEPH COUNTY  
NOTES TO FINANCIAL INFORMATION  
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Township contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the Township authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund  
Harrison Building, Room 800  
143 West Market Street  
Indianapolis, IN 46204  
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

Note 7. Subsequent Event

On April 3, 2008, the Township Board approved Resolution 2008-3 authorizing a tax anticipation loan of \$814,000. These funds were needed to meet cash shortfalls caused by delays in property tax collections and distributions.

PENN TOWNSHIP, ST. JOSEPH COUNTY  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF CAPITAL ASSETS

December 31, 2007

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.

Primary Government

Governmental activities:

Capital assets, not being depreciated:

Land	\$ 66,500
Buildings	3,607,990
Machinery and equipment	<u>3,507,048</u>

Total governmental activities, capital  
assets not being depreciated \$ 7,181,538

PENN TOWNSHIP, ST. JOSEPH COUNTY  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 December 31, 2005

The Township has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Notes and loans payable	\$ 355,000	\$ 361,818
Bonds payable:		
General obligation bonds:		
2004 Fire Station Building	<u>2,065,000</u>	<u>289,496</u>
Total governmental activities debt	<u>\$ 2,420,000</u>	<u>\$ 651,314</u>

PENN TOWNSHIP, ST. JOSEPH COUNTY  
EXAMINATION RESULTS AND COMMENTS

APPROPRIATIONS

The records presented for examination indicated the following expenditures in excess of budgeted appropriations:

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
Township	2007	<u>\$ 6,814</u>

Indiana Code 6-1.1-18-4 states in part:

". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

ALCOHOL PURCHASES

The Township, during the period examined and up to September 19, 2008, reimbursed alcohol purchases of \$1,032.13 for Jeffrey Dean, Trustee; and \$10.50 for two Board members. The Trustee reimbursed the Township for the alcohol expenses. (See Summary, page 13)

The Trustee reimbursed the Township on February 19, 2009, \$10.50 for the two Board members.

Purchases of alcoholic beverages may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

CREDIT CARDS

Penn Township is using credit cards without an approved credit card policy.

The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed:

- (1) The governing board must authorize credit card use through an ordinance or resolution, which has been approved in the minutes.
- (2) Issuance and use should be handled by an official or employee designated by the board.
- (3) The purposes for which the credit card may be used must be specifically stated in the ordinance or resolution.
- (4) When the purpose for which the credit card has been issued has been accomplished, the card should be returned to the custody of the responsible person.

PENN TOWNSHIP, ST. JOSEPH COUNTY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

- (5) The designated responsible official or employee should maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.
- (6) Credit cards should not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system.
- (7) Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.
- (8) If properly authorized, an annual fee may be paid.

(Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

PERSONAL EXPENSES

The Township paid \$3,740.23 for local meals, during the period examined and to date. Per Jeffrey Dean, Trustee, the meals were for the Township Board, employee meetings, birthday parties, Christmas parties, meeting prospective employees, and Trustee meetings. No written documentation was available to substantiate the reasons for each meeting or the purchase of the meals.

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)

OVERDRAWN FUND BALANCES

The Township Fund and Payroll Withholdings Fund were overdrawn in 2007, by \$28,895 and \$453, respectively.

The 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 governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

RECREATION FUND EXPENDITURES

The Township Recreation Fund purchased a building to provide a recreation facility for the property owners who live in the Township. The project was not successful and the building was closed. The Township, in 2007, decided to use the building for a food bank. The Township hired a manager and personnel to run the food bank, paying the individuals out of the Recreation Fund. Starting in September 2008, the Director has been paid with donations made by the public. The food served and disbursed has

PENN TOWNSHIP, ST. JOSEPH COUNTY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

been donated by the public. Clients that used the food bank were not required to provide any proof of eligibility, per Township guidelines. The clients who used the food bank did not fill out an application for assistance, before receiving any aid at the food bank.

The township's standards for the administration of township assistance must include all applicable standards governing the provisions of basic necessities, including maximum amounts, special conditions, or other limitations on eligibility, if any have been established for one (1) or more basic needs.

A township trustee shall set income standards for the township that provide for financial eligibility in an amount consistent with reasonable costs of basic necessities in the trustee's particular township. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 6)

INFORMATIONAL COMMENT – OFFICIAL BOND

An official bond was purchased for the Trustee position. The bond was purchased from the Ohio Casualty Group for a coverage period December 31, 2006 to December 31, 2010. The amount of coverage for the bond is \$45,000.

PENN TOWNSHIP, ST. JOSEPH COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on November 25, 2008, with Jeffrey Dean, Trustee; and Joseph R. Ganser, Chairman of the Township Board.

PENN TOWNSHIP, ST. JOSEPH COUNTY  
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Jeffrey Dean, Trustee:			
Alcohol Purchases, page 9	\$ 1,032.13	\$	\$
Paid by Jeffrey Dean,			
March 13, 2009, Check 3030	<u>                    </u>	<u>1,032.13</u>	<u>                    </u> -
 Totals	 <u>\$ 1,032.13</u>	 <u>\$ 1,032.13</u>	 <u>\$            </u> -