

B36907

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

EXAMINATION REPORT

OF

LOCKHART TOWNSHIP

PIKE COUNTY, INDIANA

January 1, 2007 to December 31, 2009



**FILED**  
05/12/2010



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials .....	2
Independent Accountant's Report.....	3
Financial Information:	
Schedules of Receipts, Disbursements, and Cash and Investment Balances .....	4
Notes to Financial Information .....	5-6
Supplementary Information:	
Schedule of Capital Assets.....	7
Examination Results and Comments:	
Board of Finance .....	8
Board Minutes.....	8
Prescribed Forms .....	8-9
Conflict of Interest Disclosure.....	9-10
Appropriations.....	10
Condition of Records .....	10-11
Sales Tax.....	11
Penalties, Interest, and Other Charges .....	11-12
Exit Conference.....	13

OFFICIALS

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



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

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, 2007 to December 31, 2009. 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, 2008, and 2009, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

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

STATE BOARD OF ACCOUNTS

April 19, 2010

LOCKHART TOWNSHIP, PIKE COUNTY  
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL GOVERNMENTAL FUND TYPES  
As Of And For The Years Ended December 31, 2007, 2008, And 2009

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
Township	\$ 15,850	\$ 21,927	\$ 26,242	\$ 11,535
Township Assistance	2,429	1,635	1,764	2,300
Firefighting	6,582	14,002	10,702	9,882
Cumulative Building - Community Center	46,329	5,162	612	50,879
Levy Excess	-	270	-	270
Totals	<u>\$ 71,190</u>	<u>\$ 42,996</u>	<u>\$ 39,320</u>	<u>\$ 74,866</u>

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
Township	\$ 11,535	\$ 23,067	\$ 26,102	\$ 8,500
Township Assistance	2,300	1,222	1,435	2,087
Firefighting	9,882	14,889	11,826	12,945
Firefighter Fundraiser	-	2,945	1,024	1,921
Cumulative Building - Community Center	50,879	7,663	4,429	54,113
Levy Excess	270	-	270	-
Totals	<u>\$ 74,866</u>	<u>\$ 49,786</u>	<u>\$ 45,086</u>	<u>\$ 79,566</u>

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
Township	\$ 8,500	\$ 19,000	\$ 20,431	\$ 7,069
Township Assistance	2,087	1,061	1,964	1,184
Firefighting	12,945	18,987	10,917	21,015
Firefighter Fundraiser	1,921	2,862	1,264	3,519
Cumulative Building - Community Center	54,113	2,624	1,255	55,482
Federal Refuge Grant	-	2,200	-	2,200
Levy Excess	-	492	-	492
Totals	<u>\$ 79,566</u>	<u>\$ 47,226</u>	<u>\$ 35,831</u>	<u>\$ 90,961</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

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.

LOCKHART TOWNSHIP, PIKE 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.

LOCKHART TOWNSHP, PIKE COUNTY  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CAPITAL ASSETS  
 For The Year Ended December 31, 2009

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>158,637</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 604,638</u>

LOCKHART TOWNSHIP, PIKE COUNTY  
EXAMINATION RESULTS AND COMMENTS

BOARD OF FINANCE

Township Board minutes presented for examination did not contain information related to the annual meeting of the board of finance or the election of officers to the board of finance.

IC 5-13-7-6(a) states:

"Each local board of finance shall meet annually after the first Monday and on or before the last day of January. At the annual meeting the board of finance shall . . . Elect, from the board's membership . . . a president; and a secretary . . . The officers elected hold office until the officers' successors are elected and qualified."

BOARD MINUTES

Not all minutes of meetings of the governing body were available for examination. Board minutes did not disclose all proceedings that took place. Minutes reflect a general statement as to the purpose of the meeting. The minutes did not indicate who made the motion to introduce an item to be addressed, acceptance of a Conflict of Interest Disclosure Statement from the Trustee, Contracts of the Township, etc.

IC 5-14-1.5-4(b) states:

"As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes taken, by individual members if there is a roll call.
- (5) Any additional information required under IC 5-1.5-2-2.5."

PRESCRIBED FORMS

The following prescribed forms were not in use or were not maintained in the manner prescribed:

Township Form 1C - Financial and Appropriation Record, was not maintained in the manner prescribed. The Financial and Appropriation Record reflected numerous posting and classification errors and was not properly totaled. The Financial and Appropriation detail by Funds did not reconcile to the record control (Total All Funds Column).

Township Form 15 - Annual Report contained numerous reporting errors and was not properly totaled. Part 1 (Statement of Receipts, Disbursements and Balances) did not agree with Part 4 (Cash and Investments for the Fiscal Year ended 2007).

General Form 100-R - Certified Report of Names, Addresses, Duties and Compensation of Public Employees was not filed with the State Examiner in compliance with Indiana Code 5-11-13-1.

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

General Form 99B – Employee Earnings Record was not presented for examination.

General Form 350 - Register of Investments was not maintained for the period under examination.

General Form 369 - Capital Asset Ledger was not adequately maintained, providing for only a partial listing of fixed asset purchases and not provide the detail and totals by classification.

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)

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)

CONFLICT OF INTEREST DISCLOSURE

Aron O'Neal, Township Clerk, is the spouse of Angela O'Neal, Township Trustee. A Uniform Conflict of Interest Disclosure Statement does not appear to have been filed.

IC 35-44-1-3 states in part:

"(a) A public servant who knowingly or intentionally: (1) has a pecuniary interest in; or (2) derives a profit from; a contract or purchase connected with an action by the governmental entity served by the public servant commits conflict of interest, a Class D felony."

"(c) This section does not prohibit a public servant from having a pecuniary interest in or deriving a profit from a contract or purchase connected with the governmental entity served . . . (3) if the public servant; (A) is an elected public servant . . . and (B) makes a disclosure under subsection (d)(1) through (d)(6). . . ."

"(d) A disclosure required by this section must: (1) be in writing; (2) describe the contract or purchase to be made by the governmental entity; (3) describe the pecuniary interest that the public servant has in the contract or purchase; (4) be affirmed under penalty of perjury; (5) be submitted to the governmental entity and be accepted by the governmental entity in a public meeting of the governmental entity prior to final action on the contract or purchase; (6) be filed within fifteen (15) days after final action on the contract or purchase with: (A) the state board of accounts; and (B) . . . the clerk of the circuit court in the county where the governmental entity takes final action on the contract or purchase . . ."

"(g) A public servant has a pecuniary interest in a contract or purchase if the contract or purchase will result or is intended to result in an ascertainable increase in the income or net worth of: (1) the public servant; or (2) a dependent of the public servant who: (A) is under the direct or indirect administrative control of the public servant; or (B) receives a contract or purchase order that is reviewed, approved, or directly or indirectly administered by the public servant."

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

"(k) As used in this section, 'dependent' means any of the following: (1) The spouse of a public servant. (2) A child, stepchild, or adoptee (as defined in IC 31-3-4-1) of a public servant who is: (A) unemancipated; and (B) less than eighteen (18) years of age. (3) Any individual more than one-half (1/2) of whose support is provided during a year by the public servant."

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>\$ 2,502</u>

IC 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."

CONDITION OF RECORDS

The Financial and Appropriation Record (Form 1C) was not maintained in the manner prescribed, reflecting the following deficiencies relating to the recordkeeping: 1) there were a considerable number of posting errors with checks not posted to the disbursement classifications in the proper amounts, 2) the sum of the total disbursement detail by budget classification did not agree with the total fund control disbursements, 3) total of fund receipts and disbursements did not foot to the all funds control, and 4) approved appropriations were not always posted correctly or were recorded in excess of the approved budget order.

The 2009 Township appropriation posted to the Financial and Appropriation Record (Form 1C) exceeded the approved budget order in the amount of \$2,494. We noted that some receipts were posted as a disbursement. Disbursements were not always classified by type of disbursement, supplies, other services and charges, etc., and transactions posted were not correctly to the Financial and Appropriation Record.

The Annual Report (Form 15) was not in agreement with the financial information recorded in the Financial and Appropriation Record (Form 1C).

The bank account reconciliations presented for examination reflected the reconciliation was performed to the Financial and Appropriation Record control. The schedule of monthly fund balances was presented for examination that agreed in total with the control of all funds; however, the schedule of fund balances presented did not agree with the fund balances per the Financial and Appropriation Record.

The Township's Financial and Appropriation Record and Investment Record presented for examination did not reflect the investments and the activity for the examination period.

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

A similar comment appeared in prior reports.

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, the responsible official or employee may be held responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

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)

IC 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."

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)

#### SALES TAX

Sales tax was paid for some purchases.

Governmental funds generally are exempt from the payment of sales tax on qualifying purchases. Respective tax agencies should always be contacted concerning tax exemptions and payments. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

#### PENALTIES, INTEREST, AND OTHER CHARGES

Information presented for examination indicates that, in some cases, amounts payable to vendors and other suppliers of goods and services are not being paid until after the delinquency invoice dates.

Penalties and interest totaling \$23.88 were paid to the Internal Revenue Service (IRS) on March 3, 2008, for the period ended September 30, 2007; third quarter IRS 941 taxes not remitted until November 2007.

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.

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

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)

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)

LOCKHART TOWNSHIP, PIKE COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on April 19, 2010, with Angela O'Neal, Trustee.