

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

PRAIRIE TOWNSHIP

LAPORTE COUNTY, INDIANA

January 1, 2010 to December 31, 2010



FILED

12/27/2011

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Lynne A. Shei	01-01-07 to 12-31-14
Chairman of the Township Board	Chester M. Rosenkranz	01-01-10 to 12-31-11



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF PRAIRIE TOWNSHIP, LAPORTE COUNTY, INDIANA

We have examined the financial statement of Prairie Township (Township), for the period of January 1, 2010 to December 31, 2010. The Township's management is responsible for the financial statement. 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 statement and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the 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. The basis noted above is a different basis than that used in the prior year.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the Township for the year ended December 31, 2010, on the basis of accounting described in Note 1.

The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the financial statement. The schedule has not been subjected to the examination procedures applied to the financial statement and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Township's management and the Township Board and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

September 20, 2011

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FINANCIAL STATEMENT

The financial statement and accompanying notes were approved by management of the Township. The financial statement and notes are presented as intended by the Township.

PRAIRIE TOWNSHIP, LAPORTE COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2010

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
Township	\$ 4,887	\$ 13,657	\$ 12,692	\$ 5,852
Township Assistance	18,618	-	1,256	17,362
Fire Fighting	(36,337)	31,559	17,000	(21,778)
Dog	322	-	322	-
Rainy Day	10,000	189,284	51,848	147,436
School General	2,974,349	455,142	633,420	2,796,071
Pre-School	4,523	-	-	4,523
Transportation	4,572	54,104	33,138	25,538
Riverboat	57,840	9,628	64,139	3,329
License Plates	446	-	446	-
Stimulus Stabilization	37	-	37	-
Totals	<u>\$ 3,039,257</u>	<u>\$ 753,374</u>	<u>\$ 814,298</u>	<u>\$ 2,978,333</u>

The accompanying notes are an integral part of the Financial Statement.

PRAIRIE TOWNSHIP, LAPORTE COUNTY
NOTES TO FINANCIAL STATEMENT

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 statement presents the financial information for the Township (primary government), and does not include financial information for any of the Township's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of the Township (primary government).

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the 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. Receipts are recorded when received and disbursements are recorded when paid.

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 statement. The aggregate receipts may include, but are not limited to, the following sources:

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers 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.

Licenses and permits which include amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

PRAIRIE TOWNSHIP, LAPORTE COUNTY
NOTES TO FINANCIAL STATEMENT
(Continued)

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state, local road and street distribution 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.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable TV receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Other receipts which include amounts received from various sources which can include, but are 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 statement. The aggregate disbursements may include, but are not limited to, the following uses:

Personal services include outflows 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 which include 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 office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

PRAIRIE TOWNSHIP, LAPORTE COUNTY
NOTES TO FINANCIAL STATEMENT
(Continued)

F. Interfund Transfers

The Township may, from time to time, transfer money 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 money 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 money 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.

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 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 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.

PRAIRIE TOWNSHIP, LAPORTE COUNTY
NOTES TO FINANCIAL STATEMENT
(Continued)

State statutes authorize 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.

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. These risks may also be mitigated by the Township by recording as a disbursement and replacement items purchased.

Note 6. Subsequent Event

LaPorte County Property Taxes

For the past four property tax years LaPorte County has been unable to establish approved assessment amounts for county-wide properties. This has caused the County to bill property tax owners based on "provisional" tax bills since the 2006 payable 2007 property tax billing year. In November 2010, LaPorte County completed an approved assessment of property values for the 2006 payable 2007 property tax year. On April 1, 2011, the County sent to tax payers a reconciling bill for the 2006 payable 2007 property tax year which was due April 21, 2011 and then subsequently settled by the County to local units of government. These delays and uncertainties have resulted in a lower than budgeted property tax collection rate for the County. It is undeterminable how much property tax collections the County will receive once all the reconciliation bills have been distributed and the collections received.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Township's Annual Report can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Annual Report of the Township which is referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the examination. This is a common occurrence in any financial statement examination. The financial information presented in this report is examined information, and the accuracy of such information can be determined by reading the opinion given in the Independent Accountant's Report.

The supplementary information presented was approved by management of the Township. It is presented as intended by the Township.

PRAIRIE TOWNSHIP, LAPORTE COUNTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010

	Township	Township Assistance	Fire Fighting	Dog	Rainy Day	School General
Cash and investments - beginning	\$ 4,887	\$ 18,618	\$ (36,337)	\$ 322	\$ 10,000	\$ 2,974,349
Receipts:						
Taxes	12,953	-	31,559	-	-	7,538
Licenses and permits	-	-	-	-	-	4,952
Intergovernmental	-	-	-	-	-	437,254
Charges for services	-	-	-	-	-	4,952
Other receipts	704	-	-	-	189,284	446
Total receipts	<u>13,657</u>	<u>-</u>	<u>31,559</u>	<u>-</u>	<u>189,284</u>	<u>455,142</u>
Disbursements:						
Personal services	11,725	-	-	-	669	400
Supplies	383	-	-	-	14,761	1,181
Other services and charges	584	1,256	17,000	-	25,196	442,554
Capital outlay	-	-	-	-	11,222	-
Other disbursements	-	-	-	322	-	189,285
Total disbursements	<u>12,692</u>	<u>1,256</u>	<u>17,000</u>	<u>322</u>	<u>51,848</u>	<u>633,420</u>
Excess (deficiency) of receipts over disbursements	<u>965</u>	<u>(1,256)</u>	<u>14,559</u>	<u>(322)</u>	<u>137,436</u>	<u>(178,278)</u>
Cash and investments - ending	<u>\$ 5,852</u>	<u>\$ 17,362</u>	<u>\$ (21,778)</u>	<u>\$ -</u>	<u>\$ 147,436</u>	<u>\$ 2,796,071</u>

PRAIRIE TOWNSHIP, LAPORTE COUNTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Pre-School	Transportation	Riverboat	License Plates	Stimulus Stabilization	Totals
Cash and investments - beginning	\$ 4,523	\$ 4,572	\$ 57,840	\$ 446	\$ 37	\$ 3,039,257
Receipts:						
Taxes	-	54,104	-	-	-	106,154
Licenses and permits	-	-	75	-	-	5,027
Intergovernmental	-	-	9,553	-	-	446,807
Charges for services	-	-	-	-	-	4,952
Other receipts	-	-	-	-	-	190,434
Total receipts	-	54,104	9,628	-	-	753,374
Disbursements:						
Personal services	-	17,193	-	-	-	29,987
Supplies	-	5,013	151	-	-	21,489
Other services and charges	-	10,932	600	-	37	498,159
Capital outlay	-	-	63,388	-	-	74,610
Other disbursements	-	-	-	446	-	190,053
Total disbursements	-	33,138	64,139	446	37	814,298
Excess (deficiency) of receipts over disbursements	-	20,966	(54,511)	(446)	(37)	(60,924)
Cash and investments - ending	\$ 4,523	\$ 25,538	\$ 3,329	\$ -	\$ -	\$ 2,978,333

PRAIRIE TOWNSHIP, LAPORTE COUNTY
EXAMINATION RESULTS AND COMMENTS

NEGATIVE FUND BALANCE

The fund balance of the Fire Fighting Fund was overdrawn \$21,778 at December 31, 2010.

The fund 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)

CONDITION OF RECORDS

In 2010, the Trustee was reimbursed \$8,040 from the Rainy Day Fund for items purchased for a house that was owned by the Township. The supporting documentation (invoices and receipts of items purchased by the Trustee) provided totaled more than the amount that was reimbursed to the Trustee; however, due to the condition of records, we could not match the supporting documents to a particular check received by the Trustee. Due to the disorganized nature of the supporting documentation, the validity and accountability of the money disbursed to the Trustee could not be established.

Some of the supporting documentation, totaling \$79, provided appears to be personal in nature. This included some clothes, food, and alcoholic beverages.

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)

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

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)

TIMELY DEPOSITS

In 2007, LaPorte County issued two checks to Prairie Township. County check 120557 for \$37.50 was issued on August 17, 2007, and County check 121881 for \$15,000 was issued on September 24, 2007. As of September 13, 2011, these checks have not been deposited by Prairie Township. Records were not available in the prior examination to determine whether the checks had been posted to the records or not.

Indiana Code 5-13-6-1(c) states in part: ". . . The public funds collected by township trustees shall be deposited in the designated depository on or before the first and fifteenth day of each month. . . ."

All documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1 et seq., commonly referred to as the Public Records Law. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

PRAIRIE TOWNSHIP, LAPORTE COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

BOARD MINUTES

Minutes of meetings of the governing body for the year 2010 were not provided for examination.

Indiana Code 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."

RECORDS NOT PROVIDED FOR EXAMINATION

The following records were not provided for the examination: Township board minutes, Form 17 - Resolution Establishing Salaries for Township Officers and Employees, 2010 Township budget forms, Form W-2 for employees, and Forms 1099-Misc.

Without the Township Board minutes we were unable to determine the actions taken by the Board.

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)

CASH DISBURSEMENTS

In 2010, two checks totaling \$4,743 were written for petty cash and cashed by Lynne A. Shei, Trustee. The first check was written on October 21, 2010, for \$2,150. The supporting documentation provided for examination totaled \$2,000; however, it did not state who received the cash. No documentation was provided for the difference of \$150. The second check was written on November 8, 2010, for \$2,593. The supporting documentation provided for examination totaled \$2,593 and was properly itemized; however, it did not state who received the cash.

Records presented for examination indicated that the compensation paid to the undisclosed individuals above were not reported to the Internal Revenue Service.

PRAIRIE TOWNSHIP, LAPORTE COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

Compliance is required, as applicable, with generally accepted accounting principles, and standards issued by the Governmental Accounting Standards Board, Financial Accounting Standards Board, and other standards setting bodies and also with various accounting guides, manuals and other publications. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

SALES TAX

In 2010, the Trustee paid \$629.39 in sales tax 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)

SUPPORTING DOCUMENTATION

Several payments were observed which did not contain adequate supporting documentation, such as receipts, invoices, and other public records. Payments reviewed that did not contain supporting documentation included: \$2,193.81 for bus repairs; \$1,600.00 for property insurance; \$2,100.00 for insurance on school buses; and \$23,223.79 for legal fees associated with the Township School. Due to the lack of supporting information, the validity and accountability for these 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)

LIST OF EMPLOYEES NOT FILED WITH COUNTY TREASURER

Officials or employees of the Township had money due from the Township, but a list of such employees was not certified to the County Treasurer.

Indiana Code 6-1.1-22-14(a) states in part:

"On or before June 1 and December 1 of each year . . . the disbursing officer of each political subdivision and the township executive shall certify the names and addresses of each person who has money due from the political subdivision to the treasurer of each county in which the political subdivision is located."

CAPITAL ASSET RECORDS

A list of capital assets owned by the Township was not provided for examination using General Form 369 - Capital Asset Ledger.

PRAIRIE TOWNSHIP, LAPORTE COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

Every governmental unit should have a complete inventory of all capital 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)

PRAIRIE TOWNSHIP, LAPORTE COUNTY
EXIT CONFERENCE

An exit conference was scheduled for September 20, 2011, with Lynne A. Shei, Trustee; however, the Trustee did not attend. On September 21, 2011, an attempt was made to reschedule a second exit conference date with the Trustee. The Trustee did not respond. On September 22, 2011, the Trustee was provided copies of the examination results and comments electronically and as of October 5, 2011, the Trustee has not made any attempts of communicating with the State Board of Accounts.