

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

CENTER TOWNSHIP

STARKE COUNTY, INDIANA

January 1, 2010 to December 31, 2011



FILED
10/31/2012

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Accountant's Report.....	3
Financial Statements:	
Statements of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis	6-7
Notes to Financial Statements	8-10
Supplementary Information:	
Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis	12-13
Schedule of Capital Assets.....	14
Examination Results and Comments:	
Contracts	15
Deposit of Public Funds.....	15
Condition of Records	15-16
Appropriations.....	16
Supporting Documentation	16
Penalties, Interest and Other Charges	17
Exit Conference.....	18

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Rebecca Czarnecki Julie Manns	03-02-09 to 12-31-10 01-01-11 to 12-31-14
Chairman of the Township Board	Steve Berndt	01-01-10 to 12-31-12



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

INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the accompanying financial statements of Center Township (Township), for the years ended December 31, 2010 and 2011. The financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on the financial statements 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 statements 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 statements 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 statements referred to above present fairly, in all material respects, the financial position and results of operations of the Township for the years ended December 31, 2010 and 2011, on the basis of accounting described in Note 1.

Our examination was conducted for the purpose of forming an opinion on the Township's financial statements. The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statements. They have not been subjected to the examination procedures applied to the financial statements and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Township's management, Township Board, and others within the entity 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

October 4, 2012

(This page intentionally left blank.)

FINANCIAL STATEMENTS

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

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

Fund	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
Township	\$ 21,042	\$ 19,835	\$ 30,849	\$ 10,028
Township Assistance	8,433	4,415	10,060	2,788
Fire Fighting	14,083	40,293	50,831	3,545
Cumulative Fire	43,968	32	22,784	21,216
Fire Debt	8,145	4,170	8,352	3,963
Totals	<u>\$ 95,671</u>	<u>\$ 68,745</u>	<u>\$ 122,876</u>	<u>\$ 41,540</u>

The notes to the financial statements are an integral part of this statement.

CENTER TOWNSHIP, STARKE COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2011

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
Township	\$ 10,028	\$ 20,521	\$ 26,601	\$ 3,948
Township Assistance	2,788	3,450	6,254	(16)
Fire Fighting	3,545	14,690	17,000	1,235
Cumulative Fire	21,216	-	-	21,216
Fire Debt	3,963	-	-	3,963
Totals	<u>\$ 41,540</u>	<u>\$ 38,661</u>	<u>\$ 49,855</u>	<u>\$ 30,346</u>

The notes to the financial statements are an integral part of this statement.

CENTER TOWNSHIP, STARKE COUNTY
NOTES TO FINANCIAL STATEMENTS

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 statements present the financial information for the Township.

B. Basis of Accounting

The financial statements are 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 statements. The aggregate receipts may include 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.

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.

CENTER TOWNSHIP, STARKE COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 statements. The aggregate disbursements may include 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.

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

CENTER TOWNSHIP, STARKE COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Township's 2010 Annual Report can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

For additional financial information, the Township's 2011 Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statements contained in this report and the financial information presented in the Annual Reports of the Township which are 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.

CENTER TOWNSHIP, STARKE 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	Cumulative Fire	Fire Debt	Totals
Cash and investments - beginning	\$ 21,042	\$ 8,433	\$ 14,083	\$ 43,968	\$ 8,145	\$ 95,671
Receipts:						
Taxes	18,058	4,415	40,293	32	4,170	66,968
Charges for services	1,220	-	-	-	-	1,220
Other receipts	557	-	-	-	-	557
Total receipts	<u>19,835</u>	<u>4,415</u>	<u>40,293</u>	<u>32</u>	<u>4,170</u>	<u>68,745</u>
Disbursements:						
Personal services	16,440	1,684	-	-	-	18,124
Supplies	31	8,376	-	-	-	8,407
Other services and charges	14,111	-	50,831	-	-	64,942
Capital outlay	267	-	-	22,784	8,352	31,403
Total disbursements	<u>30,849</u>	<u>10,060</u>	<u>50,831</u>	<u>22,784</u>	<u>8,352</u>	<u>122,876</u>
Deficiency of receipts over disbursements	<u>(11,014)</u>	<u>(5,645)</u>	<u>(10,538)</u>	<u>(22,752)</u>	<u>(4,182)</u>	<u>(54,131)</u>
Cash and investments - ending	<u>\$ 10,028</u>	<u>\$ 2,788</u>	<u>\$ 3,545</u>	<u>\$ 21,216</u>	<u>\$ 3,963</u>	<u>\$ 41,540</u>

CENTER TOWNSHIP, STARKE COUNTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011

	Township	Township Assistance	Fire Fighting	Cumulative Fire	Fire Debt	Totals
Cash and investments - beginning	\$ 10,028	\$ 2,788	\$ 3,545	\$ 21,216	\$ 3,963	\$ 41,540
Receipts:						
Taxes	5,240	2,795	14,317	-	-	22,352
Intergovernmental	6,667	103	373	-	-	7,143
Charges for services	8,104	-	-	-	-	8,104
Other receipts	510	552	-	-	-	1,062
Total receipts	20,521	3,450	14,690	-	-	38,661
Disbursements:						
Personal services	14,876	-	-	-	-	14,876
Supplies	561	-	-	-	-	561
Other services and charges	11,164	6,254	17,000	-	-	34,418
Total disbursements	26,601	6,254	17,000	-	-	49,855
Deficiency of receipts over disbursements	(6,080)	(2,804)	(2,310)	-	-	(11,194)
Cash and investments - ending	\$ 3,948	\$ (16)	\$ 1,235	\$ 21,216	\$ 3,963	\$ 30,346

CENTER TOWNSHIP, STARKE COUNTY
SCHEDULE OF CAPITAL ASSETS
December 31, 2011

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>Ending Balance</u>
Governmental activities:	
Land	\$ 306,710
Machinery, equipment and vehicles	<u>1,400</u>
Total capital assets	<u>\$ 308,110</u>

CENTER TOWNSHIP, STARKE COUNTY
EXAMINATION RESULTS AND COMMENTS

CONTRACTS

Records presented for examination indicated payments made to the City of Knox for fire protection in 2010 and 2011 were not in compliance with the terms of the contract. The contract states, "The Township shall pay the City of Knox the sum of Thirty Thousand Dollars annually. Said payment shall be made, one-third on or before February 15th, and two-thirds on or before July 15th." All contract payments made by Center Township were delinquent during both years examined. Also at December 31, 2011, the balance owed to the City of Knox for the 2011 fire protection contract was \$17,000.

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

DEPOSIT OF PUBLIC FUNDS

We noted 13 instances during the examination period where the Trustee was not making deposits in a timely manner. The funds involved were from the distribution of local taxes from the County Auditor to the Township. The number of days between distribution date and corresponding bank deposit ranged from 11 to 69 days later. The amounts of these delinquent deposits ranged from \$130 to \$16,146.

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."

CONDITION OF RECORDS

The following deficiencies relating to the recordkeeping were noted:

1. Record balances were not reconciled to depository balances in 2011. At December 31, 2011, the bank balance was \$30,964, and the ledger balance was \$30,349, with a difference of \$615. We considered this unreconciled difference to be insignificant, and therefore it did not affect our opinion on the financial statements.

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."

2. There were a considerable number of posting errors in 2011. These errors included disbursements not extended to individual funds, addition errors not detected, and the omission of two funds, the Cumulative Fire and the Fire Debt funds, from the ledger.

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. The total all funds column balances shown in the Financial and Appropriation Record did not agree to the calculated sum of all funds' balances. For December 31, 2011, this difference is \$24,063, between the total all funds column, \$30,349, and the calculated sum of all funds' balances, \$6,286. This difference is due in large part to the omission of the two funds as described in (2) above, whose combined balances were \$25,180.

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

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 ledger, 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)

4. The Gateway Annual Report for 2011 was presented for examination but was not correct. Receipts, disbursements, and fund balances reported were immaterially incorrect, did not agree to the ledger, and did not reconcile to the depository at year end. Adjustments were suggested to the Trustee, who has been given the opportunity to make these corrections.

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)

APPROPRIATIONS

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

Fund	Years	Excess Amount Expended
Fire Fighting	2010	\$ 13,031
Cumulative Fire	2010	22,784
Township	2011	2,989

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."

SUPPORTING DOCUMENTATION

Out of 15 claims reviewed, two 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.

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)

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

PENALTIES, INTEREST, AND OTHER CHARGES

Penalties and interest totaling \$148 were paid to the Indiana Department of Revenue during 2011 for the late filing and payment of state and local withholding taxes for the periods ending March 31, 2011, and September 30, 2011. Additionally, no payments were made during 2011 to the Internal Revenue Service for federal withholding taxes for that year. These payments were subsequently made in 2012, however no documentation was provided for examination to determine at this time the amount of penalties and interest that might be assessed and owed by the Township.

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)

CENTER TOWNSHIP, STARKE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 4, 2012, with Julie Manns, Trustee. The official concurred with our findings.