

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

RAILROAD 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 Statement:	
Statement of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis .....	6
Notes to Financial Statement.....	7-9
Supplementary Information:	
Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis .....	12-13
Schedule of Leases and Debt .....	14
Schedule of Capital Assets.....	15
Examination Results and Comments:	
Appropriations.....	16
Prescribed Forms .....	16
Board Minutes.....	16-17
Sales Tax.....	17
Compensation and Benefits .....	17
Exit Conference.....	18

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Katherine Chaffins Roger Chaffins, Sr.	01-01-07 to 12-31-10 01-01-11 to 12-31-14
Chairman of the Township Board	Clarence E. Gehrke	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](http://www.in.gov/sboa)

INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the accompanying financial statement of Railroad Township (Township), for the years ended December 31, 2010 and 2011. The financial statement is the responsibility of the Township's management. Our responsibility is to express an opinion on the financial statement 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 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 statement. The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Leases and Debt, 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 statement. They have not been subjected to the examination procedures applied to the financial statement 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 of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

September 20, 2012

(This page intentionally left blank.)

## 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.

RAILROAD TOWNSHIP, STARKE COUNTY  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Years Ended December 31, 2010 and 2011

Fund	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
Township	\$ 22,981	\$ 43,172	\$ 35,450	\$ 30,703
Township Assistance	17,273	9,558	3,906	22,925
Fire Fighting	78,560	86,342	70,033	94,869
Rainy Day	181	843	-	1,024
Levy Excess	5,216	1,985	-	7,201
Cumulative Fire	295	8,830	7,645	1,480
Totals	<u>\$ 124,506</u>	<u>\$ 150,730</u>	<u>\$ 117,034</u>	<u>\$ 158,202</u>

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
Township	\$ 30,703	\$ 57,952	\$ 43,562	\$ 45,093
Township Assistance	22,925	-	1,130	21,795
Fire Fighting	94,869	72,725	74,708	92,886
Rainy Day	1,024	-	-	1,024
Levy Excess	7,201	506	1,985	5,722
Cumulative Fire	1,480	8,271	7,548	2,203
Totals	<u>\$ 158,202</u>	<u>\$ 139,454</u>	<u>\$ 128,933</u>	<u>\$ 168,723</u>

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

RAILROAD TOWNSHIP, STARKE 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.

*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 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.

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

RAILROAD TOWNSHIP, STARKE COUNTY  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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 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

RAILROAD TOWNSHIP, STARKE COUNTY  
NOTES TO FINANCIAL STATEMENT  
(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 statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

(This page intentionally left blank.)

## 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/](http://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 statement 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.

RAILROAD 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	Rainy Day	Levy Excess	Cumulative Fire	Totals
Cash and investments - beginning	\$ 22,981	\$ 17,273	\$ 78,560	\$ 181	\$ 5,216	\$ 295	\$ 124,506
Receipts:							
Taxes	21,174	8,564	68,802	-	225	7,860	106,625
Intergovernmental	17,839	994	7,014	-	-	970	26,817
Charges for services	1,800	-	8,500	-	-	-	10,300
Other receipts	2,359	-	2,026	843	1,760	-	6,988
Total receipts	<u>43,172</u>	<u>9,558</u>	<u>86,342</u>	<u>843</u>	<u>1,985</u>	<u>8,830</u>	<u>150,730</u>
Disbursements:							
Personal services	18,724	-	-	-	-	-	18,724
Supplies	195	-	21,803	-	-	-	21,998
Other services and charges	16,165	3,761	47,117	-	-	-	67,043
Capital outlay	-	-	-	-	-	7,509	7,509
Other disbursements	366	145	1,113	-	-	136	1,760
Total disbursements	<u>35,450</u>	<u>3,906</u>	<u>70,033</u>	<u>-</u>	<u>-</u>	<u>7,645</u>	<u>117,034</u>
Excess (deficiency) of receipts over disbursements	<u>7,722</u>	<u>5,652</u>	<u>16,309</u>	<u>843</u>	<u>1,985</u>	<u>1,185</u>	<u>33,696</u>
Cash and investments - ending	<u>\$ 30,703</u>	<u>\$ 22,925</u>	<u>\$ 94,869</u>	<u>\$ 1,024</u>	<u>\$ 7,201</u>	<u>\$ 1,480</u>	<u>\$ 158,202</u>

RAILROAD 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	Rainy Day	Levy Excess	Cumulative Fire	Totals
Cash and investments - beginning	\$ 30,703	\$ 22,925	\$ 94,869	\$ 1,024	\$ 7,201	\$ 1,480	\$ 158,202
Receipts:							
Taxes	28,259	-	64,928	-	-	7,513	100,700
Intergovernmental	15,773	-	6,548	-	-	758	23,079
Charges for services	8,500	-	-	-	-	-	8,500
Other receipts	5,420	-	1,249	-	506	-	7,175
Total receipts	<u>57,952</u>	<u>-</u>	<u>72,725</u>	<u>-</u>	<u>506</u>	<u>8,271</u>	<u>139,454</u>
Disbursements:							
Personal services	18,804	-	-	-	-	-	18,804
Supplies	248	-	31,445	-	-	-	31,693
Other services and charges	24,409	1,089	42,937	-	-	-	68,435
Capital outlay	-	-	-	-	-	7,510	7,510
Other disbursements	101	41	326	-	1,985	38	2,491
Total disbursements	<u>43,562</u>	<u>1,130</u>	<u>74,708</u>	<u>-</u>	<u>1,985</u>	<u>7,548</u>	<u>128,933</u>
Excess (deficiency) of receipts over disbursements	<u>14,390</u>	<u>(1,130)</u>	<u>(1,983)</u>	<u>-</u>	<u>(1,479)</u>	<u>723</u>	<u>10,521</u>
Cash and investments - ending	<u>\$ 45,093</u>	<u>\$ 21,795</u>	<u>\$ 92,886</u>	<u>\$ 1,024</u>	<u>\$ 5,722</u>	<u>\$ 2,203</u>	<u>\$ 168,723</u>

RAILROAD TOWNSHIP, STARKE COUNTY  
 SCHEDULE OF LEASES AND DEBT  
 December 31, 2011

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Governmental activities:			
Notes and loans payable	Fire Department Rescue Truck	<u>\$ 3,659</u>	<u>\$ 3,755</u>

RAILROAD 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.

	Ending Balance
Governmental activities:	
Land	\$ 44,500
Buildings	173,000
Improvements other than buildings	5,000
Machinery, equipment and vehicles	368,000
Total capital assets	\$ 590,500

RAILROAD TOWNSHIP, STARKE COUNTY  
EXAMINATION RESULTS AND COMMENTS

**APPROPRIATIONS**

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

<u>Fund</u>	<u>Years</u>	<u>Excess Amount Expended</u>
General	2010	\$ 1,601
General	2011	3,712
Fire Fighting	2011	4,708

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."

**PRESCRIBED FORMS**

The Financial and Appropriation Record does not show the approved budget for any funds for 2010 and 2011. The Record also does not show the calculated appropriation balances. Without posting the approved budget to the Record and calculating the appropriation balances, the Trustee is unable to determine if disbursements exceed approved budgeted appropriations.

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)

**BOARD MINUTES**

No Board meeting minutes were provided showing that the Board approved the 2012 budget. The next to last 2011 meeting minutes in the official minutes' book does not show a date of the meeting. No January 2012 meeting minutes were provided for our audit showing Board reorganization and showing Board approval of the Township annual report.

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

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."

***SALES TAX***

Sales tax was paid on utility bills paid by the Trustee. For the month of January 2011, the Trustee paid three utility bills that included \$152 in sales tax.

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)

***COMPENSATION AND BENEFITS***

No salary resolution showing Township Board approval of compensation rates was provided for our audit.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 17)

RAILROAD TOWNSHIP, STARKE COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on September 20, 2012, with Roger Chaffins, Sr., Trustee.  
The official concurred with our findings.