

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

LIBERTY TOWNSHIP

WELLS COUNTY, INDIANA

January 1, 2010 to December 31, 2011



**FILED**  
11/26/2012



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Diane K. Rockwell	02-01-07 to 12-31-14
Chairman of the Township Board	Dwight I. Huffman E. Richard Borrer	01-01-10 to 12-31-10 01-01-11 to 12-31-12



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF LIBERTY TOWNSHIP, WELLS COUNTY, INDIANA

We have examined the accompanying financial statements of Liberty 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 Payables and Receivables, 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 25, 2012

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## 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.

LIBERTY TOWNSHIP, WELLS 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	\$ 20,249	\$ 11,341	\$ 10,752	\$ 20,838
Township Assistance	12,228	7,546	5,611	14,163
Fire Fighting	34,977	39,133	22,463	51,647
Cumulative Fire	15,020	9,683	4,749	19,954
Levy Excess	-	126	-	126
Totals	<u>\$ 82,474</u>	<u>\$ 67,829</u>	<u>\$ 43,575</u>	<u>\$ 106,728</u>

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

LIBERTY TOWNSHIP, WELLS 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	\$ 20,838	\$ 7,868	\$ 10,692	\$ 18,014
Township Assistance	14,163	3,855	4,165	13,853
Fire Fighting	51,647	23,918	23,808	51,757
Levy Excess	126	-	126	-
Cumulative Fire	<u>19,954</u>	<u>5,291</u>	<u>21,588</u>	<u>3,657</u>
Totals	<u>\$ 106,728</u>	<u>\$ 40,932</u>	<u>\$ 60,379</u>	<u>\$ 87,281</u>

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

LIBERTY TOWNSHIP, WELLS 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 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.

LIBERTY TOWNSHIP, WELLS COUNTY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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 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 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.

LIBERTY TOWNSHIP, WELLS COUNTY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

**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/](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 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.

LIBERTY TOWNSHIP, WELLS 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	Levy Excess	Totals
Cash and investments - beginning	\$ 20,249	\$ 12,228	\$ 34,977	\$ 15,020	\$ -	\$ 82,474
Receipts:						
Taxes	11,124	7,546	39,133	9,683	126	67,612
Other receipts	217	-	-	-	-	217
Total receipts	<u>11,341</u>	<u>7,546</u>	<u>39,133</u>	<u>9,683</u>	<u>126</u>	<u>67,829</u>
Disbursements:						
Personal services	6,351	-	-	-	-	6,351
Supplies	1,147	-	7,862	-	-	9,009
Other services and charges	3,254	5,611	14,601	-	-	23,466
Capital outlay	-	-	-	4,749	-	4,749
Total disbursements	<u>10,752</u>	<u>5,611</u>	<u>22,463</u>	<u>4,749</u>	<u>-</u>	<u>43,575</u>
Excess of receipts over disbursements	<u>589</u>	<u>1,935</u>	<u>16,670</u>	<u>4,934</u>	<u>126</u>	<u>24,254</u>
Cash and investments - ending	<u>\$ 20,838</u>	<u>\$ 14,163</u>	<u>\$ 51,647</u>	<u>\$ 19,954</u>	<u>\$ 126</u>	<u>\$ 106,728</u>

LIBERTY TOWNSHIP, WELLS 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	Levy Excess	Cumulative Fire	Totals
Cash and investments - beginning	\$ 20,838	\$ 14,163	\$ 51,647	\$ 126	\$ 19,954	\$ 106,728
Receipts:						
Taxes	3,823	3,660	9,733	-	5,242	22,458
Intergovernmental	3,775	195	13,645	-	49	17,664
Other receipts	270	-	540	-	-	810
Total receipts	<u>7,868</u>	<u>3,855</u>	<u>23,918</u>	<u>-</u>	<u>5,291</u>	<u>40,932</u>
Disbursements:						
Personal services	6,884	-	-	-	-	6,884
Supplies	431	-	23,808	-	-	24,239
Other services and charges	2,837	4,165	-	-	-	7,002
Capital outlay	-	-	-	-	21,588	21,588
Other disbursements	540	-	-	126	-	666
Total disbursements	<u>10,692</u>	<u>4,165</u>	<u>23,808</u>	<u>126</u>	<u>21,588</u>	<u>60,379</u>
Excess (deficiency) of receipts over disbursements	<u>(2,824)</u>	<u>(310)</u>	<u>110</u>	<u>(126)</u>	<u>(16,297)</u>	<u>(19,447)</u>
Cash and investments - ending	<u>\$ 18,014</u>	<u>\$ 13,853</u>	<u>\$ 51,757</u>	<u>\$ -</u>	<u>\$ 3,657</u>	<u>\$ 87,281</u>

LIBERTY TOWNSHIP, WELLS COUNTY  
SCHEDULE OF PAYABLES AND RECEIVABLES  
December 31, 2011

<u>Government</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 991</u>	<u>\$ 15,543</u>

LIBERTY TOWNSHIP, WELLS COUNTY  
EXAMINATION RESULTS AND COMMENTS

***CERTIFIED REPORT (FORM 100R) NOT TIMELY FILED***

The Township did not file the Certified Report of Names, Addresses, Duties and Compensation of Public Employees (Form 100R or its equivalent) with the State Board of Accounts on a timely basis for the years 2010 and 2011. The reports, which are due in January of the following year, were filed May 12, 2011, and March 16, 2012, respectively.

During the examination period, Indiana Code 5-11-13-1 stated in part:

"Every state, county, city, town, township, or school official . . . shall during the month of January of each year prepare, make, and sign a written or printed certified report, correctly and completely showing the names and business addresses of each and all officers, employees, and agents . . . and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts."

***COMPLIANCE REQUIREMENTS - ANNUAL REPORT***

The Township made payments to a volunteer fire department. This information was not included in the Financial Assistance to Non-Governmental Entities section of the Gateway Township Annual Report.

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)

***FIREFIGHTING CONTRACTS***

There were no agreements or contracts presented for examination to support payments for firefighting services.

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)

***BOARD MINUTES/MEETINGS***

Meetings of the legislative body (Township Board) were not always held when required. Also, the minutes did not clearly indicate actions taken by the Township Board, were not approved by the Township Board, and were not placed in a permanent record book. Due to these items, it is difficult to determine if all minutes were provided for examination.

During the examination period, Indiana Code 5-14-1.5-4(b) stated:

LIBERTY TOWNSHIP, WELLS COUNTY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

"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."

Indiana Code 36-6-6-7(a) states:

"The legislative body shall meet at the office of the executive on the first Tuesday after the first Monday in January of each year. At this meeting the legislative body shall elect one (1) member as chairman for that year and one (1) member as secretary for that year."

Indiana Code 36-6-6-9(a) states:

"The legislative body shall meet on or before the third Tuesday after the first Monday in January of each year. At this meeting it shall consider and approve, in whole or in part, the annual report of the executive presented under IC 36-6-4-12."

Indiana Code 36-6-6-8 states:

"The legislative body shall keep a permanent record of its proceedings in a book furnished by the executive. The secretary of the legislative body shall, under the direction of the legislative body, record the minutes of the proceedings of each meeting in full and shall provide copies of the minutes to each member of the legislative body before the next meeting is convened. After the minutes are approved by the legislative body, the secretary of the legislative body shall place the minutes in the permanent record book. The chairman of the legislative body shall retain the record in his custody."

***PENALTIES, INTEREST, AND OTHER CHARGES***

Penalties and interest totaling \$45.62 were paid to the Internal Revenue Service on March 30, 2010, for the late filing of the 2009 Employer's Annual Federal Tax Return.

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)

LIBERTY TOWNSHIP, WELLS COUNTY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

***RESOLUTION ESTABLISHING SALARIES OF TOWNSHIP OFFICERS AND EMPLOYEES***

The salaries of the Trustee and township employees were not approved by the Township Board using Form 17, Resolution Establishing Salaries of Township Officers and Employees, for the years 2010 and 2011.

Indiana Code 36-6-6-10 requires the township board to set the salaries; wages; rates of hourly pay; and remuneration other than statutory allowances of all township officials and employees, except assessing officials and employees, for the year 1985 and each year thereafter . . . A type of format for recording these salaries should be the existing format of Township Form No. 17. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 2)

LIBERTY TOWNSHIP, WELLS COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on October 25, 2012, with Diane K. Rockwell, Trustee. The official concurred with our findings.