

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

PERRY TOWNSHIP

ALLEN COUNTY, INDIANA

January 1, 2010 to December 31, 2011



FILED
12/28/2012

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Roger Gump	01-01-07 to 12-31-14
Chairman of the Township Board	Michael Messmann	01-01-10 to 12-31-12



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF PERRY TOWNSHIP, ALLEN COUNTY, INDIANA

We have examined the accompanying financial statements of Perry 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 period.

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.

The Township's response to the Examination Results and Comments identified in our examination is described in the accompanying section of the report entitled Official Response. We did not examine the Township's response and, accordingly, we express no opinion on it.

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

November 19, 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.

PERRY TOWNSHIP, ALLEN 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	\$ 74,047	\$ 292,228	\$ 277,122	\$ 89,153
Township Assistance	75,184	782	17,159	58,807
Rainy Day	4,905	13,768	-	18,673
Northwest Allen County Fire Territory	302,925	751,588	698,187	356,326
Emergency Replacement	353,493	42,853	-	396,346
Levy Excess	-	1,729	-	1,729
Payroll Withholdings	-	240,355	240,355	-
Totals	<u>\$ 810,554</u>	<u>\$ 1,343,303</u>	<u>\$ 1,232,823</u>	<u>\$ 921,034</u>

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

PERRY TOWNSHIP, ALLEN 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	\$ 89,153	\$ 219,365	\$ 215,220	\$ 93,298
Township Assistance	58,807	378	14,881	44,304
Rainy Day	18,673	-	-	18,673
Levy Excess	1,729	-	1,729	-
Northwest Allen County Fire Territory	356,326	754,683	702,478	408,531
Emergency Replacement	396,346	20,090	17,251	399,185
Payroll Withholdings	-	280,807	280,807	-
Totals	<u>\$ 921,034</u>	<u>\$ 1,275,323</u>	<u>\$ 1,232,366</u>	<u>\$ 963,991</u>

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

PERRY TOWNSHIP, ALLEN 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.

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, emergency medical service fees, park rental fees, ordinance violations.

PERRY TOWNSHIP, ALLEN 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.

PERRY TOWNSHIP, ALLEN 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 any administration of the risks. These risks may also be mitigated by the Township by recording as a disbursement and replacement items purchased.

PERRY TOWNSHIP, ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give the Township authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS.

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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.

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

	Township	Township Assistance	Rainy Day	Northwest Allen County Fire Territory	Emergency Replacement	Levy Excess	Payroll Withholdings	Totals
Cash and investments - beginning	\$ 74,047	\$ 75,184	\$ 4,905	\$ 302,925	\$ 353,493	\$ -	\$ -	\$ 810,554
Receipts:								
Taxes	78,003	2	13,768	638,380	4,253	-	-	734,406
Charges for services	-	-	-	108,637	-	-	-	108,637
Other receipts	214,225	780	-	4,571	38,600	1,729	240,355	500,260
Total receipts	292,228	782	13,768	751,588	42,853	1,729	240,355	1,343,303
Disbursements:								
Personal services	64,205	-	-	427,035	-	-	-	491,240
Supplies	1,325	-	-	88	-	-	-	1,413
Other services and charges	11,592	600	-	249,786	-	-	-	261,978
Capital outlay	-	-	-	21,278	-	-	-	21,278
Other disbursements	200,000	16,559	-	-	-	-	240,355	456,914
Total disbursements	277,122	17,159	-	698,187	-	-	240,355	1,232,823
Excess (deficiency) of receipts over disbursements	15,106	(16,377)	13,768	53,401	42,853	1,729	-	110,480
Cash and investments - ending	\$ 89,153	\$ 58,807	\$ 18,673	\$ 356,326	\$ 396,346	\$ 1,729	\$ -	\$ 921,034

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

	Township	Township Assistance	Rainy Day	Levy Excess	Northwest Allen County Fire Territory	Emergency Replacement	Payroll Withholdings	Totals
Cash and investments - beginning	\$ 89,153	\$ 58,807	\$ 18,673	\$ 1,729	\$ 356,326	\$ 396,346	\$ -	\$ 921,034
Receipts:								
Taxes	55,611	-	-	-	526,398	-	-	582,009
Intergovernmental	16,696	-	-	-	83,585	-	-	100,281
Charges for services	-	-	-	-	113,284	-	-	113,284
Other receipts	147,058	378	-	-	31,416	20,090	280,807	479,749
Total receipts	<u>219,365</u>	<u>378</u>	<u>-</u>	<u>-</u>	<u>754,683</u>	<u>20,090</u>	<u>280,807</u>	<u>1,275,323</u>
Disbursements:								
Personal services	62,111	-	-	1,729	478,858	-	-	542,698
Supplies	1,188	64	-	-	-	-	-	1,252
Other services and charges	6,921	14,817	-	-	205,505	-	-	227,243
Capital outlay	-	-	-	-	815	17,251	-	18,066
Other disbursements	145,000	-	-	-	17,300	-	280,807	443,107
Total disbursements	<u>215,220</u>	<u>14,881</u>	<u>-</u>	<u>1,729</u>	<u>702,478</u>	<u>17,251</u>	<u>280,807</u>	<u>1,232,366</u>
Excess (deficiency) of receipts over disbursements	<u>4,145</u>	<u>(14,503)</u>	<u>-</u>	<u>(1,729)</u>	<u>52,205</u>	<u>2,839</u>	<u>-</u>	<u>42,957</u>
Cash and investments - ending	<u>\$ 93,298</u>	<u>\$ 44,304</u>	<u>\$ 18,673</u>	<u>\$ -</u>	<u>\$ 408,531</u>	<u>\$ 399,185</u>	<u>\$ -</u>	<u>\$ 963,991</u>

PERRY TOWNSHIP, ALLEN 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:	
Buildings	\$ 320,000
Improvements other than buildings	64,311
Machinery, equipment and vehicles	1,593,665
Total governmental activities	1,977,976
Total capital assets	\$ 1,977,976

PERRY TOWNSHIP, ALLEN COUNTY
EXAMINATION RESULTS AND COMMENTS

PERSONAL EXPENSES

Two award dinners were held at Elegant Occasion. The first was held in December 2010 for 65 guests, at a cost of \$2,218.77, and another in December 2011 for 52 guests, at a cost of \$1,836.03. These were both paid for from the Northwest Allen County Fire Territory Fund.

These award dinners are not considered expenses that relate to the functions and purposes of the governmental unit and are unreasonable.

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)

Every effort should be made by the governmental unit to avoid unreasonable or excessive costs. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

CREDIT CARDS

The Township used credit cards in some instances to purchase items without an approved credit card policy.

In December 2011, the PNC credit card statement included a \$17.60 charge to a local Pizza Hut (Pine Valley). It was not noted who this charge was for and the reason that the Township needed to pay for this expense. The Marathon charge statements should have had the individual invoices attached. These invoices should have stated who purchased the gas and for what vehicle the gas was purchased for.

The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed:

1. The governing board must authorize credit card use through an ordinance or resolution, which has been approved in the minutes.
2. Issuance and use should be handled by an official or employee designated by the board.
3. The purposes for which the credit card may be used must be specifically stated in the ordinance or resolution.
4. When the purpose for which the credit card has been issued has been accomplished, the card should be returned to the custody of the responsible person.
5. The designated responsible official or employee should maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.
6. Credit cards should not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system.

PERRY TOWNSHIP, ALLEN COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

7. Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.
8. If properly authorized, an annual fee may be paid.

(Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

The Township did not comply with directives of the Internal Revenue Service (IRS) by not issuing 1099 Miscellaneous statements for several vendors.

Per IRS regulations, Federal W-9's should be on file for the vendors. All individuals, sole proprietorships, partnerships and LLC's should receive Federal Form 1099 Miscellaneous statements for amounts they were paid greater than \$600 in a calendar year.

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)

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

PERRY TOWNSHIP, ALLEN COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 19, 2012, with Roger Gump, Trustee. The Official Response has been made a part of this report and may be found on page 20.

November 26, 2012

**Official Response to State Board of Accounts Audit
covering period of January 1, 2010 to December 31, 2011**

Item 1: Personal Expenses

The bill for Elegant Occasions was a December fire department meeting used to present special honors and boost morale for dedicated fireman/EMT's who unselfishly spend countless hours away from their family (without reimbursement) to serve our community. It is very unfortunate that we will no longer be able to do this.

Item 2: Credit Card

We feel that we have complied with most of the rules relating to the credit card by always have receipts for purchases and very limited access to use of the credit card by individuals, but a resolution was never officially adopted. A resolution covering the use of the credit card will be adopted at our next Township Board Meeting.

Item 3: Federal and State Agencies

After the State Board of Accounts meeting in Indianapolis, we started updating the W9 forms. My accountant had told me that we did not need W9 forms for Township Assistant vendors. Evidently that information was incorrect. Currently, we have about 90% of the W9 forms completed and are working on getting the rest. We will comply with the over \$600 requirement for those who need 1099's.

Roger L. Gump
Perry Township (Allen County) Trustee