

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

LOCKHART TOWNSHIP

PIKE COUNTY, INDIANA

January 1, 2010 to December 31, 2011



FILED
04/12/2013

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Angela O'Neal	01-01-07 to 12-31-14
Chairman of the Township Board	William Caldemeyer	01-01-10 to 12-31-13



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF LOCKHART TOWNSHIP, PIKE COUNTY, INDIANA

We have examined the accompanying financial statements of Lockhart Township (Township), for the period of January 1, 2010 to December 31, 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 effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. The basis noted above is a different basis than that used in the prior period.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position and results of operations of the Township for the period of January 1, 2010 to December 31, 2011.

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 period of January 1, 2010 to December 31, 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.

STATE BOARD OF ACCOUNTS

February 14, 2013

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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.

LOCKHART TOWNSHIP, PIKE 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	\$ 7,069	\$ 19,042	\$ 19,035	\$ 7,076
Township Assistance	1,184	3,296	2,823	1,657
Fire Fighting	21,015	17,094	12,748	25,361
Levy Excess	492	69	492	69
Community Building/Center	55,482	2,634	2,560	55,556
Firefighting Fundraiser	3,519	1,407	756	4,170
Fire Grant - Pc Foundation	2,200	-	1,925	275
Totals	<u>\$ 90,961</u>	<u>\$ 43,542</u>	<u>\$ 40,339</u>	<u>\$ 94,164</u>

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

LOCKHART TOWNSHIP, PIKE 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	\$ 7,076	\$ 19,720	\$ 20,317	\$ 6,479
Township Assistance	1,657	2,143	3,116	684
Fire Fighting	25,361	15,693	11,789	29,265
Levy Excess	69	10	79	-
Community Building/Center	9,896	2,750	8,881	3,765
Community Center - 100167812	2,289	-	-	2,289
Community Center - 100167813	43,371	-	-	43,371
Fire Grant - Pc Foundation	275	-	275	-
Firefighting Fundraiser	4,170	3,315	1,418	6,067
Totals	<u>\$ 94,164</u>	<u>\$ 43,631</u>	<u>\$ 45,875</u>	<u>\$ 91,920</u>

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

LOCKHART TOWNSHIP, PIKE 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.

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.

LOCKHART TOWNSHIP, PIKE COUNTY
NOTES TO FINANCIAL STATEMENTS

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.

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.

LOCKHART TOWNSHIP, PIKE COUNTY
NOTES TO FINANCIAL STATEMENTS

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.

Note 6. Combined Funds

Funds related to the Community Building/Center were reported individually in the 2011 financial statement but were combined into one fund in the 2010 financial statement.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Township's Annual Reports for years prior to 2011 can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

For additional financial information, the Township's Annual Report information for years 2011 and later 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.

LOCKHART TOWNSHIP, PIKE 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	Levy Excess	Community Building/Center	Firefighting Fundraiser	Fire Grant - Pc Foundation	Totals
Cash and investments - beginning	\$ 7,069	\$ 1,184	\$ 21,015	\$ 492	\$ 55,482	\$ 3,519	\$ 2,200	\$ 90,961
Receipts:								
Taxes	18,599	2,896	16,627	-	-	-	-	38,122
Other receipts	443	400	467	69	2,634	1,407	-	5,420
Total receipts	19,042	3,296	17,094	69	2,634	1,407	-	43,542
Disbursements:								
Personal services	15,090	538	-	-	-	-	-	15,628
Supplies	392	36	78	-	-	-	-	506
Other services and charges	3,553	300	12,670	-	2,160	756	1,925	21,364
Other disbursements	-	1,949	-	492	400	-	-	2,841
Total disbursements	19,035	2,823	12,748	492	2,560	756	1,925	40,339
Excess (deficiency) of receipts over disbursements	7	473	4,346	(423)	74	651	(1,925)	3,203
Cash and investments - ending	\$ 7,076	\$ 1,657	\$ 25,361	\$ 69	\$ 55,556	\$ 4,170	\$ 275	\$ 94,164

LOCKHART TOWNSHIP, PIKE 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	Community Building/Center	Community Center 100167812	Community Center 100167813	Fire Grant - Pc Foundation	Firefighting Fundraiser	Totals
Cash and investments - beginning	\$ 7,076	\$ 1,657	\$ 25,361	\$ 69	\$ 9,896	\$ 2,289	\$ 43,371	\$ 275	\$ 4,170	\$ 94,164
Receipts:										
Taxes	18,232	2,143	15,521	-	-	-	-	-	-	35,896
Charges for services	75	-	-	-	1,950	-	-	-	-	2,025
Other receipts	1,413	-	172	10	800	-	-	-	3,315	5,710
Total receipts	19,720	2,143	15,693	10	2,750	-	-	-	3,315	43,631
Disbursements:										
Personal services	12,152	500	-	-	-	-	-	-	-	12,652
Supplies	168	52	789	-	647	-	-	275	-	1,931
Other services and charges	6,584	2,126	10,286	-	7,834	-	-	-	1,418	28,248
Capital outlay	-	-	714	-	-	-	-	-	-	714
Other disbursements	1,413	438	-	79	400	-	-	-	-	2,330
Total disbursements	20,317	3,116	11,789	79	8,881	-	-	275	1,418	45,875
Excess (deficiency) of receipts over disbursements	(597)	(973)	3,904	(69)	(6,131)	-	-	(275)	1,897	(2,244)
Cash and investments - ending	\$ 6,479	\$ 684	\$ 29,265	\$ -	\$ 3,765	\$ 2,289	\$ 43,371	\$ -	\$ 6,067	\$ 91,920

LOCKHART TOWNSHIP, PIKE 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:	
Buildings	\$ 446,000
Machinery, equipment and vehicles	<u>155,608</u>
Total governmental activities	<u>601,608</u>
Total capital assets	<u><u>\$ 601,608</u></u>

LOCKHART TOWNSHIP, PIKE COUNTY
EXAMINATION RESULTS AND COMMENTS

BOARD OF FINANCE

Township Board minutes presented for examination did not contain information related to the annual meeting of the board of finance or the election of officers to the board of finance.

Indiana Code 5-13-7-6(a) states in part:

"Each local board of finance shall meet annually after the first Monday and on or before the last day of January. At the annual meeting the board of finance shall . . . Elect, from the board's membership . . . a president; and a secretary. The officers elected hold office until the officers' successors are elected and qualified."

A similar comment appeared in the prior report.

INTEREST ON INVESTMENTS

Interest earned on investments from community center funds was automatically added to the principal and not recorded in the records. Therefore, the cash and investment balance as of December 31, 2011, was understated by \$760.

Interest on investments should not be automatically added into the investment. Instead, interest on investments should be paid to the governmental unit at each maturity date and posted to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

LATE FILING OF 100-R, ANNUAL PERSONNEL REPORT

The 100-R annual report for 2011 audit year was filed on May 9, 2011, with the Indiana State Board of Accounts. Reports are required to be filed by January 31 of the current year.

The Township did not file the Certified Report of Names, Addresses, Duties and Compensation of Public Employees (Form 100R or its equivalent) for 2011 with the State Board of Accounts on a timely basis.

Indiana Code 5-11-13-1 states 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 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."

SALES TAX

Sales tax was paid on some reimbursements made for purchases.

Governmental funds generally are exempt from the payment of sales tax on qualifying purchases. Respective tax agencies should always be contacted concerning tax exemptions and payments. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

A similar comment appeared in the prior report.

LOCKHART TOWNSHIP, PIKE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on February 14, 2013, with Angela O'Neal, Trustee. The official concurred with our findings.