

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

CENTER TOWNSHIP

LAKE COUNTY, INDIANA

January 1, 2010 to December 31, 2012



FILED
05/09/2013

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Eldon W. Strong	01-01-07 to 12-31-12
	Tammy Hershman (Interim)	01-01-13 to 01-27-13
	Paul Bremer	01-28-13 to 12-31-14
Chairman of the Township Board	Roland E. Wise	01-01-10 to 12-31-11
	Bryan Bodamer	01-01-12 to 12-31-12
	Kate Webster	01-01-13 to 12-31-13



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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the accompanying financial statement of Center Township (Township), for the period of January 1, 2010 to December 31, 2012. 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 effects on the financial statement 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 statement referred to above does 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, 2012.

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 period of January 1, 2010 to December 31, 2012, 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 Payables and Receivables, 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.

Bruce Hartman
State Examiner

March 6, 2013

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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.

CENTER TOWNSHIP, LAKE COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Years Ended December 31, 2010, 2011, And 2012

Fund	Cash and Investments			Cash and Investments			Cash and Investments			Cash and Investments
	01-01-10	Receipts	Disbursements	12-31-10	Receipts	Disbursements	12-31-11	Receipts	Disbursements	12-31-12
Township	\$ 455,782	\$ 165,663	\$ 83,379	\$ 538,066	\$ 161,854	\$ 105,262	\$ 594,658	\$ 106,362	\$ 86,874	\$ 614,146
Township Assistance	44,112	183,473	113,858	113,727	252,630	109,551	256,806	156,447	105,277	307,976
Fire Fighting	1,395,207	505,406	646,302	1,254,311	560,333	243,978	1,570,666	352,651	375,680	1,547,637
Cumulative Fire	352,249	61,929	3,637	410,541	67,762	3,610	474,693	38,002	9,216	503,479
Holiday Relief	8,196	1,583	829	8,950	3,622	1,108	11,464	3,102	1,984	12,582
Payroll Deduction	3,010	22,965	22,965	3,010	24,427	25,200	2,237	24,917	25,218	1,936
Totals	<u>\$ 2,258,556</u>	<u>\$ 941,019</u>	<u>\$ 870,970</u>	<u>\$ 2,328,605</u>	<u>\$ 1,070,628</u>	<u>\$ 488,709</u>	<u>\$ 2,910,524</u>	<u>\$ 681,481</u>	<u>\$ 604,249</u>	<u>\$ 2,987,756</u>

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

CENTER TOWNSHIP, LAKE 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.

CENTER TOWNSHIP, LAKE COUNTY
NOTES TO FINANCIAL STATEMENT
(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 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

CENTER TOWNSHIP, LAKE COUNTY
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

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.

CENTER TOWNSHIP, LAKE COUNTY
NOTES TO FINANCIAL STATEMENT
(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.

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 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.

CENTER TOWNSHIP, LAKE 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	Holiday Relief	Payroll Deduction	Totals
Cash and investments - beginning	\$ 455,782	\$ 44,112	\$ 1,395,207	\$ 352,249	\$ 8,196	\$ 3,010	\$ 2,258,556
Receipts:							
Taxes	156,340	182,881	478,375	61,929	-	-	879,525
Charges for services	1,692	-	2,031	-	-	-	3,723
Other receipts	7,631	592	25,000	-	1,583	22,965	57,771
Total receipts	<u>165,663</u>	<u>183,473</u>	<u>505,406</u>	<u>61,929</u>	<u>1,583</u>	<u>22,965</u>	<u>941,019</u>
Disbursements:							
Personal services	56,964	38,924	-	-	-	-	95,888
Supplies	517	631	2,248	-	-	-	3,396
Other services and charges	21,526	14,028	133,910	-	829	-	170,293
Capital outlay	4,372	-	510,144	3,637	-	-	518,153
Other disbursements	-	60,275	-	-	-	22,965	83,240
Total disbursements	<u>83,379</u>	<u>113,858</u>	<u>646,302</u>	<u>3,637</u>	<u>829</u>	<u>22,965</u>	<u>870,970</u>
Excess (deficiency) of receipts over disbursements	<u>82,284</u>	<u>69,615</u>	<u>(140,896)</u>	<u>58,292</u>	<u>754</u>	<u>-</u>	<u>70,049</u>
Cash and investments - ending	<u>\$ 538,066</u>	<u>\$ 113,727</u>	<u>\$ 1,254,311</u>	<u>\$ 410,541</u>	<u>\$ 8,950</u>	<u>\$ 3,010</u>	<u>\$ 2,328,605</u>

CENTER TOWNSHIP, LAKE 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	Holiday Relief	Payroll Deduction	Totals
Cash and investments - beginning	\$ 538,066	\$ 113,727	\$ 1,254,311	\$ 410,541	\$ 8,950	\$ 3,010	\$ 2,328,605
Receipts:							
Taxes	145,812	235,449	529,222	64,125	-	-	974,608
Intergovernmental	9,488	14,151	30,878	3,637	-	-	58,154
Other receipts	6,554	3,030	233	-	3,622	24,427	37,866
Total receipts	<u>161,854</u>	<u>252,630</u>	<u>560,333</u>	<u>67,762</u>	<u>3,622</u>	<u>24,427</u>	<u>1,070,628</u>
Disbursements:							
Personal services	57,940	39,165	-	-	-	-	97,105
Supplies	2,040	251	5,362	-	-	-	7,653
Other services and charges	36,445	70,135	238,616	-	1,108	-	346,304
Capital outlay	8,837	-	-	3,610	-	-	12,447
Other disbursements	-	-	-	-	-	25,200	25,200
Total disbursements	<u>105,262</u>	<u>109,551</u>	<u>243,978</u>	<u>3,610</u>	<u>1,108</u>	<u>25,200</u>	<u>488,709</u>
Excess (deficiency) of receipts over disbursements	<u>56,592</u>	<u>143,079</u>	<u>316,355</u>	<u>64,152</u>	<u>2,514</u>	<u>(773)</u>	<u>581,919</u>
Cash and investments - ending	<u>\$ 594,658</u>	<u>\$ 256,806</u>	<u>\$ 1,570,666</u>	<u>\$ 474,693</u>	<u>\$ 11,464</u>	<u>\$ 2,237</u>	<u>\$ 2,910,524</u>

CENTER TOWNSHIP, LAKE COUNTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012

	Township	Township Assistance	Fire Fighting	Cumulative Fire	Holiday Relief	Payroll Deduction	Totals
Cash and investments - beginning	\$ 594,658	\$ 256,806	\$ 1,570,666	\$ 474,693	\$ 11,464	\$ 2,237	\$ 2,910,524
Receipts:							
Taxes	93,186	142,109	325,640	35,091	-	-	596,026
Intergovernmental	8,798	14,338	27,011	2,911	-	-	53,058
Other receipts	4,378	-	-	-	3,102	24,917	32,397
Total receipts	<u>106,362</u>	<u>156,447</u>	<u>352,651</u>	<u>38,002</u>	<u>3,102</u>	<u>24,917</u>	<u>681,481</u>
Disbursements:							
Personal services	51,424	35,606	-	-	-	-	87,030
Supplies	1,620	522	-	-	-	-	2,142
Other services and charges	20,248	64,035	375,680	-	-	-	459,963
Capital outlay	11,482	-	-	9,216	-	-	20,698
Other disbursements	2,100	5,114	-	-	1,984	25,218	34,416
Total disbursements	<u>86,874</u>	<u>105,277</u>	<u>375,680</u>	<u>9,216</u>	<u>1,984</u>	<u>25,218</u>	<u>604,249</u>
Excess (deficiency) of receipts over disbursements	<u>19,488</u>	<u>51,170</u>	<u>(23,029)</u>	<u>28,786</u>	<u>1,118</u>	<u>(301)</u>	<u>77,232</u>
Cash and investments - ending	<u>\$ 614,146</u>	<u>\$ 307,976</u>	<u>\$ 1,547,637</u>	<u>\$ 503,479</u>	<u>\$ 12,582</u>	<u>\$ 1,936</u>	<u>\$ 2,987,756</u>

CENTER TOWNSHIP, LAKE COUNTY
SCHEDULE OF PAYABLES AND RECEIVABLES
December 31, 2012

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 2,673</u>	<u>\$ -</u>

CENTER TOWNSHIP, LAKE COUNTY
SCHEDULE OF CAPITAL ASSETS
December 31, 2012

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:	
Machinery, equipment and vehicles	<u>\$ 941,844</u>
Total capital assets	<u><u>\$ 941,844</u></u>

CENTER TOWNSHIP, LAKE COUNTY
EXAMINATION RESULTS AND COMMENTS

ANNUAL REPORT

The annual reports for 2010, 2011, and 2012 contained a number of errors and did not properly reflect the financial activity of Center Township, Lake County. All three annual reports did not report the balances and activity of the Payroll Deduction Fund. The 2010 annual report did not properly reflect the receipts and disbursements activity of the Holiday Relief Fund. Both funds were included in the records of the Township.

Indiana Code 5-11-1-4(a) states in part:

"The state examiner shall require from every . . . local governmental unit, . . . financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

CASH DISBURSEMENTS

In 2012, there were three dates where a cash withdrawal was made from the Holiday Relief Fund checking account. The cash withdrawals were used to purchase items for the Township's food pantry from a grocery store that did not accept checks. Receipts were retained for the purchases and any cash not used for the purchase of food was then deposited back to the Holiday Relief Fund bank account. The following shows a schedule of the cash withdrawals and their uses:

Cash Withdrawal Date	Cash Withdrawal Amount	Amount in Receipts for Food Purchase	Date of Receipts	Amount of Cash Not Used for Food Purchase	Date Deposited Back to Bank
			08-17-12 and		
08-14-12	\$ 300.00	\$ 265.48	08-20-12	\$ 34.52	08-30-12
10-17-12	400.00	186.93	10-19-12	213.07	11-20-12
12-12-12	1,000.00	325.49	12-12-12	674.51	12-18-12

Disbursements, other than properly authorized petty cash disbursements, shall be by check or warrant, not by cash or other methods unless specifically authorized by statute, federal or state rule. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

CENTER TOWNSHIP, LAKE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on March 14, 2013, with Eldon W. Strong, former Trustee; Paul Bremer, Trustee; Tammy Hershman, Deputy Trustee and Clerk; and Kate Webster, Chairman of the Township Board.