

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

HOBART 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	Barbara Rosser Thomas Silich	01-01-10 to 12-31-10 01-01-11 to 12-31-14
Chairman of the Township Board	Michael Ellis	01-01-10 to 12-31-13



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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the accompanying financial statement of Hobart 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 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 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 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.

Bruce Hartman
State Examiner

March 18, 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.

HOBART 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 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
Township Fund	\$ 26,988	\$ 318,209	\$ 247,189	\$ 98,008
Park and Recreation Fund	4,473	110,873	75,386	39,960
Township Assistance Fund	133,159	487,780	496,395	124,544
Fire Fighting Fund	15,667	504	3,000	13,171
Property Maintenance Fund	98,019	149,644	221,074	26,589
Payroll Deduction Fund	-	-	-	-
Totals	<u>\$ 278,306</u>	<u>\$ 1,067,010</u>	<u>\$ 1,043,044</u>	<u>\$ 302,272</u>

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
Township Fund	\$ 98,008	\$ 288,555	\$ 333,152	\$ 53,411
Park and Recreation Fund	39,960	4,989	38,779	6,170
Township Assistance Fund	124,544	517,850	462,764	179,630
Fire Fighting Fund	13,171	1,537	3,000	11,708
Property Maintenance Fund	26,589	124,526	129,876	21,239
Payroll Deduction Fund	-	-	-	-
Totals	<u>\$ 302,272</u>	<u>\$ 937,457</u>	<u>\$ 967,571</u>	<u>\$ 272,158</u>

Fund	Cash and Investments 01-01-12	Receipts	Disbursements	Cash and Investments 12-31-12
Township Fund	\$ 53,411	\$ 221,659	\$ 249,772	\$ 25,298
Park and Recreation Fund	6,170	63,211	26,641	42,740
Township Assistance Fund	179,630	266,250	315,267	130,613
Fire Fighting Fund	11,708	169	3,000	8,877
Property Maintenance Fund	21,239	99,781	110,978	10,042
Payroll Deduction Fund	-	58,693	58,693	-
Totals	<u>\$ 272,158</u>	<u>\$ 709,763</u>	<u>\$ 764,351</u>	<u>\$ 217,570</u>

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

HOBART 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. Receipts

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts include the following sources:

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the Township.

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state, local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling 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.

HOBART TOWNSHIP, LAKE COUNTY
NOTES TO FINANCIAL STATEMENT
(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.

D. 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.

Debt service principal and interest which include fixed obligations resulting from financial transactions previously entered into by the Township. It includes all expenditures for the reduction of the principal and interest of the Township's general obligation indebtedness.

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.

E. 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.

F. 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.

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

HOBART 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.

Note 7. Combined Funds

Funds related to Payroll Deduction were reported individually in the 2012 financial statement but were combined with the Township, Township Assistance, Property Maintenance, and Parks & Recreation funds for the 2010 and 2011 financial statement.

Note 8. Tax Anticipation Warrants

Due to the continued delay in the distribution of property taxes caused by the reassessment of Lake County, the Township issued tax anticipation warrants for \$250,000 in 2009. The Township Fund received \$100,000 and the Township Assistance Fund received \$150,000. The Tax Anticipation Warrants were fully repaid in 2012.

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.

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

	Township Fund	Park and Recreation Fund	Township Assistance Fund	Fire Fighting Fund	Property Maintenance Fund	Payroll Deduction Fund	Totals
Cash and investments - beginning	\$ 26,988	\$ 4,473	\$ 133,159	\$ 15,667	\$ 98,019	\$ -	\$ 278,306
Receipts:							
Taxes	149,675	873	277,432	504	82,944	-	511,428
Charges for services	10,330	-	-	-	3,100	-	13,430
Other receipts	158,204	110,000	210,348	-	63,600	-	542,152
Total receipts	<u>318,209</u>	<u>110,873</u>	<u>487,780</u>	<u>504</u>	<u>149,644</u>	<u>-</u>	<u>1,067,010</u>
Disbursements:							
Personal services	207,195	4,493	88,046	-	121,276	-	421,010
Supplies	3,035	3,083	3,000	-	3,545	-	12,663
Other services and charges	36,959	5,416	14,654	3,000	14,848	-	74,877
Capital outlay	-	14,998	-	-	18,801	-	33,799
Other disbursements	-	47,396	390,695	-	62,604	-	500,695
Total disbursements	<u>247,189</u>	<u>75,386</u>	<u>496,395</u>	<u>3,000</u>	<u>221,074</u>	<u>-</u>	<u>1,043,044</u>
Excess (deficiency) of receipts over disbursements	<u>71,020</u>	<u>35,487</u>	<u>(8,615)</u>	<u>(2,496)</u>	<u>(71,430)</u>	<u>-</u>	<u>23,966</u>
Cash and investments - ending	<u>\$ 98,008</u>	<u>\$ 39,960</u>	<u>\$ 124,544</u>	<u>\$ 13,171</u>	<u>\$ 26,589</u>	<u>\$ -</u>	<u>\$ 302,272</u>

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

	Township Fund	Park and Recreation Fund	Township Assistance Fund	Fire Fighting Fund	Property Maintenance Fund	Payroll Deduction Fund	Totals
Cash and investments - beginning	\$ 98,008	\$ 39,960	\$ 124,544	\$13,171	\$ 26,589	\$ -	\$302,272
Receipts:							
Taxes	254,179	4,548	487,757	1,403	106,324	-	854,211
Intergovernmental	13,910	435	29,107	134	5,564	-	49,150
Charges for services	12,202	-	-	-	3,200	-	15,402
Other receipts	8,264	6	986	-	9,438	-	18,694
Total receipts	<u>288,555</u>	<u>4,989</u>	<u>517,850</u>	<u>1,537</u>	<u>124,526</u>	<u>-</u>	<u>937,457</u>
Disbursements:							
Personal services	206,498	18,513	95,498	-	109,798	-	430,307
Supplies	3,392	4,631	4,750	-	1,874	-	14,647
Other services and charges	36,812	12,770	210,646	3,000	6,779	-	270,007
Debt service - principal and interest	76,263	-	151,870	-	-	-	228,133
Capital outlay	4,172	2,865	-	-	7,975	-	15,012
Other disbursements	6,015	-	-	-	3,450	-	9,465
Total disbursements	<u>333,152</u>	<u>38,779</u>	<u>462,764</u>	<u>3,000</u>	<u>129,876</u>	<u>-</u>	<u>967,571</u>
Excess (deficiency) of receipts over disbursements	<u>(44,597)</u>	<u>(33,790)</u>	<u>55,086</u>	<u>(1,463)</u>	<u>(5,350)</u>	<u>-</u>	<u>(30,114)</u>
Cash and investments - ending	<u>\$ 53,411</u>	<u>\$ 6,170</u>	<u>\$ 179,630</u>	<u>\$11,708</u>	<u>\$ 21,239</u>	<u>\$ -</u>	<u>\$272,158</u>

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

	Township Fund	Park and Recreation Fund	Township Assistance Fund	Fire Fighting Fund	Property Maintenance Fund	Payroll Deduction Fund	Totals
Cash and investments - beginning	\$ 53,411	\$ 6,170	\$ 179,630	\$11,708	\$ 21,239	\$ -	\$ 272,158
Receipts:							
Taxes	185,494	6,125	232,742	124	72,623	-	497,108
Intergovernmental	17,755	586	22,278	45	6,951	-	47,615
Charges for services	18,000	6,500	-	-	-	-	24,500
Other receipts	410	50,000	11,230	-	20,207	58,693	140,540
Total receipts	<u>221,659</u>	<u>63,211</u>	<u>266,250</u>	<u>169</u>	<u>99,781</u>	<u>58,693</u>	<u>709,763</u>
Disbursements:							
Personal services	129,468	5,925	157,379	-	100,968	-	393,740
Supplies	2,611	2,239	1,391	-	-	-	6,241
Other services and charges	66,248	18,477	136,497	3,000	10	-	224,232
Debt service - principal and interest	295	-	-	-	-	-	295
Capital outlay	1,150	-	-	-	-	-	1,150
Other disbursements	50,000	-	20,000	-	10,000	58,693	138,693
Total disbursements	<u>249,772</u>	<u>26,641</u>	<u>315,267</u>	<u>3,000</u>	<u>110,978</u>	<u>58,693</u>	<u>764,351</u>
Excess (deficiency) of receipts over disbursements	<u>(28,113)</u>	<u>36,570</u>	<u>(49,017)</u>	<u>(2,831)</u>	<u>(11,197)</u>	<u>-</u>	<u>(54,588)</u>
Cash and investments - ending	<u>\$ 25,298</u>	<u>\$ 42,740</u>	<u>\$ 130,613</u>	<u>\$ 8,877</u>	<u>\$ 10,042</u>	<u>\$ -</u>	<u>\$ 217,570</u>

HOBART 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.

	Ending Balance
Governmental activities:	
Land	\$ 23
Infrastructure	1
Buildings	670,417
Improvements other than buildings	22,350
Machinery, equipment and vehicles	111,429
Books and other	12,673
Total governmental activities	816,893
Total capital assets	\$ 816,893

HOBART TOWNSHIP, LAKE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on March 18, 2013, with Thomas Silich, Trustee, and Michael Ellis, Chairman of the Township Board. Our examination disclosed no material items that warrant comment at this time.