

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

**Paul D. Joyce, CPA
State Examiner**

COMPLIANCE ENGAGEMENT REPORT

OF

LIBERTY TOWNSHIP

WABASH COUNTY, INDIANA

January 1, 2020 to December 31, 2023



FILED

02/21/2025

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Patty Godfroy-Lengel Debra Dale	01-01-20 to 02-01-21 02-02-21 to 12-31-25
Chair of the Township Board	Gregg Wood Ron Huston	01-01-20 to 12-31-22 01-01-23 to 12-31-25



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INDIANA STATE BOARD OF ACCOUNTS

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

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of Liberty Township (Township), for the period of January 1, 2020 to December 31, 2023. The objective of this engagement was to determine compliance with applicable Indiana laws, regulations, and uniform compliance guidelines (Guidelines) established by the Indiana State Board of Accounts pursuant to Indiana Code 5-11-1-24. The objective of this engagement is not to opine on compliance or financial activity of the Township as this engagement was not conducted in accordance with any standards established by an authoritative standard setting body, and, as such, we do not provide any opinions on compliance or financial activity.

Management is responsible for preparing and maintaining its accounting records and related documents in accordance with applicable Indiana laws, regulations, and Guidelines. Management's responsibility also includes, but is not limited to, complying with other applicable Indiana laws, regulations, and Guidelines concerning how it operates: authorized sources and uses of funds; what reports are required to be prepared and filed; and what depositories and investment types are allowable.

We fulfilled our responsibility as detailed in the first paragraph, using procedures that verified the appropriate accounting for and reporting of cash, receipts, and disbursements; and the appropriate sources and uses of funds in accordance with applicable Indiana laws, regulations, and Guidelines. Expanding the scope and nature of these procedures can and does occur in specific circumstances.

The Comments contained herein, if any, describe the identified reportable instances of noncompliance found during our engagement. Our procedures were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified. Any Official Response to the Comments incorporated within this report was not verified for accuracy.

The Schedule of Officials and Statements of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis (Statements) are informational only. The Statements have not been subjected to any procedures designed to express an opinion or provide any assurance on them, and, accordingly, we do not express an opinion or provide any assurance on them.

This report is intended solely for the information and use of management, governance, and others within the organization. This restriction is not intended to limit the distribution of this report, which is a matter of public record. Reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>, and the Township's Annual Financial Reports filed by management can be found on the Indiana Gateway for Government Units financial reporting system website: <http://www.gateway.ifionline.org>.

The contents of this report were communicated to Debra Dale, Trustee, and Ron Huston, Chair of the Township Board, on February 6, 2025.



Beth Kelley, CPA, CFE
Deputy State Examiner

January 15, 2025

LIBERTY TOWNSHIP, WABASH COUNTY
COMMENT

CAPITAL ASSETS

Condition and Context

Internal controls were not in place to ensure compliance with applicable laws and regulations for capital assets. A capital asset policy for the Township that detailed the threshold at which an item is considered a capital asset was not presented for review. A detailed listing of assets or other supporting documentation was not provided, and no evidence that an inventory was performed at least every two years was not presented. The Township reported \$276,500 in buildings; \$1,607,703 in machinery, equipment, and vehicles; and \$1,000 in books and other capital assets in the December 31, 2023 Annual Financial Report filed in the Indiana Gateway for Government Units financial reporting system.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

Officials and employees are required to use prescribed and approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)



STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CASH
AND INVESTMENT BALANCES - REGULATORY BASIS

LIBERTY TOWNSHIP, WABASH COUNTY
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Years Ended December 31, 2020 and 2021

Fund	Cash and Investments 01-01-20	Receipts	Disbursements	Cash and Investments 12-31-20	Receipts	Disbursements	Cash and Investments 12-31-21
TOWNSHIP FUND	\$ 69,471	\$ 42,503	\$ 21,590	\$ 90,384	\$ 46,815	\$ 20,974	\$ 116,225
TOWNSHIP ASSISTANCE	55,943	56	4,814	51,185	2,200	4,415	48,970
FIRE FIGHTING FUND	120,875	89,582	68,982	141,475	118,005	61,577	197,903
RAINY DAY FUND	36,390	-	8,000	28,390	-	-	28,390
EXCESS LEVY	2	-	-	2	-	-	2
CUMULATIVE FIRE FUND	231,132	15,278	-	246,410	15,328	-	261,738
COMMUNITY CEMETERY	363	-	-	363	-	-	363
PAYROLL DEDUCTIONS	22	1,565	1,459	128	1,459	1,459	128
Totals	<u>\$ 514,198</u>	<u>\$ 148,984</u>	<u>\$ 104,845</u>	<u>\$ 558,337</u>	<u>\$ 183,807</u>	<u>\$ 88,425</u>	<u>\$ 653,719</u>

LIBERTY TOWNSHIP, WABASH COUNTY
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Years Ended December 31, 2022 and 2023

Fund	Cash and Investments 01-01-22	Receipts	Disbursements	Cash and Investments 12-31-22	Receipts	Disbursements	Cash and Investments 12-31-23
TOWNSHIP FUND	\$ 116,225	\$ 46,756	\$ 25,968	\$ 137,013	\$ 87,118	\$ 23,885	\$ 200,246
TOWNSHIP ASSISTANCE	48,970	-	5,204	43,766	2,648	6,370	40,044
FIRE FIGHTING FUND	197,903	99,275	79,310	217,868	73,239	75,962	215,145
RAINY DAY FUND	28,390	-	8,000	20,390	-	7,668	12,722
EXCESS LEVY	2	-	-	2	-	-	2
CUMULATIVE FIRE FUND	261,738	14,345	-	276,083	15,045	38,935	252,193
COMMUNITY CEMETERY	363	-	-	363	-	-	363
PAYROLL DEDUCTIONS	128	1,459	1,437	150	1,459	1,437	172
Totals	\$ <u>653,719</u>	\$ <u>161,835</u>	\$ <u>119,919</u>	\$ <u>695,635</u>	\$ <u>179,509</u>	\$ <u>154,257</u>	\$ <u>720,887</u>

LIBERTY TOWNSHIP TRUSTEE
Deb Dale
8691 S. 200 E.
La Fontaine, IN 46940
(765) 981-2848
libertytownship@embarqmail.com

February 14, 2025

Indiana State Board of Accounts
302 West Washington Street, Room E418
Indianapolis, IN 46204-2765

RE: Compliance Audit

To Whom It May Concern,

I would like to respond to the Compliance Audit regarding the Capital Assets Policy. Once it was discovered Liberty Township did not have a Capital Assets Policy, I drafted one and it was approved at our January Board Meeting on January 27, 2025.

I would like for our Capital Assets Policy to be included with the Compliance Audit Comments.

Sincerely,



Deb Dale
Liberty Township Trustee

Attachments: Form 4 Engagement Report
Capital Assets Policy

LIBERTY TOWNSHIP
CAPITAL ASSETS POLICY
JANUARY 27, 2025

PURPOSE

This capital asset policy will be effective for capital assets in 2025. The purpose of this policy is to facilitate the preparation of financial statements in conformity with generally accepted accounting principles.

CLASSIFICATION OF ASSETS

Capital assets are personal and real property used in the operation of the Liberty Township Advisory Board (Township Board) that have an expected estimated useful life beyond a single period. Capital assets are to include any item that falls into one of the following categories:

- I. Land
- II. Building and Building Improvements
- III. Improvements Other Than Buildings
- IV. Equipment
- V. Cemeteries
 - A. Are recorded on the capital assets ledger at their historical cost or estimated replacement cost.
 - B. Contributed assets are recorded at their estimated fair value when received.
 - C. Cemetery grounds are recorded as land, structures as buildings, and roads and drainage systems as infrastructure.

CAPITALIZATION THRESHOLDS

To be considered a capital asset for financial reporting purposes, an item (other than land) must be at or above the capitalization threshold and have a unit historical cost of \$5,000.00 or more. Assets will remain as part of the property record until they are retired or are disposed of, sold, traded in, and the like, regardless of net book value amount.

The capitalization threshold for the following classes of assets shall be:

I.	Land	\$ 5,000.00
II.	Buildings and Building Improvements	\$50,000.00
III.	Improvements Other Than Buildings	\$50,000.00
IV.	Equipment	\$ 5,000.00

With regard to improvements and buildings, a capital outlay must be significant and increase capacity, increase efficiency or extend the asset's estimated useful life beyond the original expectation.

A change in capacity increases the level of service provided by the asset. A change in efficiency increases the level of service but without increasing the size of the asset or the change maintains the same level of service at a lower cost.

For example, an addition to a building provides increased square footage, hence, the capacity is increased and the capital outlay is capitalized. An extended estimated useful life involves a significant alteration, structural change or improvement.

While substantial repairs and renovations will be reviewed for potential capitalization, it is anticipated that most will be expenses in the current year. These expenses often merely restore the asset to the original service potential but do not necessarily improve the asset.

All land is capitalized at the time of acquisition regardless of historical costs or fair value if donated.

HISTORICAL COST OR ESTIMATED HISTORICAL COSTS

PROSPECTIVE REPORTING -

Capital assets are recorded at historical cost which includes any ancillary charges necessary to place the asset into its intended location and condition for use. Ancillary charges include, for example, transportation charges, site preparation costs, and professional fees. Engineering costs (internal and external) include related preliminary project and environmental studies; project estimating, design, and planning (drawings and specifications); and construction engineering, construction management, construction inspection and project payment. Donated capital assets are recorded at their estimated fair value at the time of acquisition.

RETROACTIVE REPORTING -

When actual historical cost source data was unavailable, estimated historical cost was developed utilizing a normal costing approach. With this method of estimating historical cost, a current replacement cost was ascertained. An appropriate cost index (including Consumer Price Index and Federal Highway Price Trends) corresponding to an estimated date of acquisition/construction was then applied to "deflate" the replacement cost to an estimated historical cost.

ESTIMATED USEFUL LIVES OF DEPRECIABLE ASSETS

Capital assets have estimated useful lives extending beyond a single reporting period (one year) and are depreciated using the straight line method with no allowance for

salvage value. The estimated useful lives currently used were developed with the input of knowledgeable staff and reflect our government's experience with these assets:

I.	Land	Non-Depreciable
II.	Buildings and Improvements to Buildings	50 years
III.	Equipment	5 years
IV.	Improvements Other Than Buildings	15 years

DEPRECIATION METHOD/CONVENTION

Depreciation will be calculated using the straight line method and full year convention. No salvage value or residual value will be recognized.

RETIREMENTS

Retirements apply to all capital assets including land, buildings, improvements other than buildings, and equipment.

When an asset is disposed of, scrapped, sold, subject to demolition, etc., it is to be removed from the property record and the appropriate reduction will be made to historical cost, accumulated depreciation, and net book value amounts.

Retirements will reflect the actual historical cost of the asset when the amount is ascertainable. When historical cost is not ascertainable, an estimated historical cost will be determined.

RESPONSIBILITY FOR PROPERTY RECORD MAINTENANCE

The Township Trustee will ensure that reporting for capital assets is being exercised by establishing a capital asset inventory, both initially and periodically in subsequent years. The Township Trustee will further ensure that the capital asset report will be updated annually to reflect improvements, additions, retirements, and transfers and to reflect the new annual capital asset balance for financial reporting purposes and the annual and accumulated depreciation calculations and net book value amounts.

Day to day stewardship of property is the expressed responsibility of the department utilizing the property. The departments have the responsibility to report improvements, additions, retirements and transfers in detail to the Township Trustee in a timely manner.

DULY PASSED AND ADOPTED this 27th day of January, 2025, by the LIBERTY TOWNSHIP ADVISORY BOARD.

Voting For

Voting Against

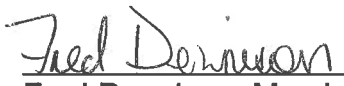
Abstain




Ron Huston, President



Jon Gillespie, Member



Fred Dennison, Member

Approved this 27th of January, 2025: 
Debra Dale, Trustee

Attest and Certified: 
Jon Gillespie, Secretary