

**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2765**

EXAMINATION REPORT  
OF  
LIBERTY TOWNSHIP  
HENRY COUNTY, INDIANA  
January 1, 2004 to December 31, 2005



**FILED**  
09/22/2006



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OFFICIALS

Office

Official

Term

Trustee

Patricia Patrick

01-01-03 to 12-31-06

Chairman of the  
Township Board

William Bowman

01-01-04 to 12-31-06



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the schedules of receipts, disbursements, and cash and investment balances of Liberty Township (Township), for the period of January 1, 2004 to December 31, 2005. The Township's management is responsible for the schedules. Our responsibility is to express an opinion 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 schedule of receipts, disbursements, and cash and investment balances and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the schedules referred to above present fairly, in all material respects, the cash transactions of the Township for the years ended December 31, 2004 and 2005, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

August 10, 2006

LIBERTY TOWNSHIP, HENRY COUNTY  
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL GOVERNMENTAL FUND TYPES  
As Of And For The Years Ended December 31, 2004 And 2005

	Cash and Investments 01-01-04	Receipts	Disbursements	Cash and Investments 12-31-04
Governmental Funds:				
Township	\$ 9,144	\$ 29,247	\$ 13,413	\$ 24,978
Dog	304	54	4	354
Township Assistance	12,848	6,057	370	18,535
Firefighting	12,677	41,861	3,266	51,272
Wilbur Wright Birthplace	1,115	267	-	1,382
Totals	<u>\$ 36,088</u>	<u>\$ 77,486</u>	<u>\$ 17,053</u>	<u>\$ 96,521</u>

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
Township	\$ 24,978	\$ 15,615	\$ 17,493	\$ 23,100
Dog	354	108	54	408
Township Assistance	18,535	2,496	1,759	19,272
Firefighting	51,272	21,964	30,064	43,172
Park and Recreation	-	1,101	-	1,101
Wilbur Wright Birthplace	1,382	-	-	1,382
Levy Excess	-	643	-	643
Totals	<u>\$ 96,521</u>	<u>\$ 41,927</u>	<u>\$ 49,370</u>	<u>\$ 89,078</u>

The accompanying notes are an integral part of the schedules.

LIBERTY TOWNSHIP, HENRY COUNTY  
NOTES TO SCHEDULES

Note 1. Introduction

The Township was established under the laws of the State of Indiana. The Township provides the following services: public safety, health and social services, culture and recreation, and general administrative services.

Note 2. Fund Accounting

The Township uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Township in June and December. 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% 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 become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the Township on or prior to December 31 of the year collected.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were 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 statute (IC 5-13-9) authorizes 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.

LIBERTY TOWNSHIP, HENRY COUNTY  
EXAMINATION RESULTS AND COMMENTS

INTEREST ON INVESTMENTS

Interest earned on investments was automatically added to the principal and not recorded in the records.

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)

PRESCRIBED FORMS

Prescribed General Form 350, Register of Investments, was not in use.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

OPTICAL IMAGES OF WARRANTS

The financial institution did not return the actual cancelled checks with the monthly bank statements, but instead, returned only an optical image of the front side of the checks.

Indiana Code 5-15-6-3 concerning optical imaging of checks states in part:

"(a) . . . 'original records' . . . includes the optical image of a check or deposit document when:

- (1) the check or deposit document is recorded, copied, or reproduced by an optical imaging process . . . ; and
- (2) the drawer of the check receives an optical image of the check after the check is processed for payment . . ."

Further, Indiana Code 26-2-8-111 states in part:

"(a) If a law requires that certain records be retained, that requirement is met by retaining an electronic record of the information in the record that:

- (1) accurately reflects the information set forth in the record after it was first generated in its final form as an electronic record or otherwise: and
- (2) remains accessible for later reference."

(e) If a law requires retention of a check, that requirement is satisfied by retention of an electronic record of the information on the front and back of the check in accordance with subsection (a)."

PAYROLL WITHHOLDINGS

Payroll withholdings for 2004 and 2005 were not made in a timely manner.

LIBERTY TOWNSHIP, HENRY COUNTY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

DOG TAX ADMINISTRATIVE FEE

Administrative fees for dog tax were not receipted to the Township Fund.

Indiana Code 15-5-9-1 states in part: "For each individual dog tag or kennel license issued under this chapter, the township assessor (or trustee who collects the fee) shall retain from the fee described in this section, an administrative fee of fifty cents (\$0.50). Administrative fees collected by the assessor shall be deposited in the county general fund, and administrative fees collected by the trustee shall be deposited in the township general fund."

ACCOUNTABLE ITEMS

Unused dog tags for 2004 and 2005 were not presented for examination.

Tickets, goods for sale, billings, and other collections are considered accountable items for which a corresponding deposit must be made in the bank accounts of the governmental unit.

The deposit ticket or attached documentation must provide a detailed listing of the deposit, which includes at a minimum, check numbers and corresponding names of the payors. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

CONTRACTS

Records presented for examination indicate payments were made to the Wilbur Wright Birthplace in 2004 and 2005 with no contract to support the payments. No signed contract was provided for examination to support 2004 payments to the Liberty Township Volunteer Fire Department. We also noted that payments made to the Liberty Township Volunteer Fire Department in 2005 exceeded the contract amount. The contract specified that the contract amount included COIT revenues, but the amount was paid in addition to the contract amount. Contracts for mowing in 2004 and 2005 did not specify the amount to be paid for the service.

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

LIBERTY TOWNSHIP, HENRY COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on August 10, 2006, with Patricia Patrick, Trustee. The official concurred with our findings.