

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

EXAMINATION REPORT
OF
STERLING TOWNSHIP
CRAWFORD COUNTY, INDIANA
January 1, 2005 to December 31, 2006



FILED
09/27/2007

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OFFICIALS

Office

Official

Term

Trustee

Russell Newkirk

01-01-03 to 12-31-10

Chairman of the
Township Board

Lisa Riddell

01-01-05 to 12-31-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF STERLING TOWNSHIP, CRAWFORD COUNTY, INDIANA

We have examined the financial information presented herein of Sterling Township (Township), for the period of January 1, 2005 to December 31, 2006. The Township's management is responsible for the financial information presented herein. 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 financial information presented herein 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 financial information referred to above presents fairly, in all material respects, the financial information of the Township for the years ended December 31, 2005 and 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

July 9, 2007

STERLING TOWNSHIP, CRAWFORD COUNTY
 SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
 ALL GOVERNMENTAL FUND TYPES
 As Of And For The Years Ended December 31, 2005 And 2006

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
Township	\$ 19,127	\$ 21,247	\$ 12,723	\$ 27,651
Dog	371	154	525	-
Township Assistance	<u>14,101</u>	<u>4,835</u>	<u>4,049</u>	<u>14,887</u>
Totals	<u>\$ 33,599</u>	<u>\$ 26,236</u>	<u>\$ 17,297</u>	<u>\$ 42,538</u>

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
Township	\$ 27,651	\$ 16,758	\$ 11,852	\$ 32,557
Township Assistance	<u>14,887</u>	<u>1,667</u>	<u>3,245</u>	<u>13,309</u>
Totals	<u>\$ 42,538</u>	<u>\$ 18,425</u>	<u>\$ 15,097</u>	<u>\$ 45,866</u>

The accompanying notes are an integral part of the financial information.

STERLING TOWNSHIP, CRAWFORD COUNTY
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The Township was established under the laws of the State of Indiana. The Township provides the following services: health and social services, 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.

STERLING TOWNSHIP, CRAWFORD COUNTY
EXAMINATION RESULTS AND COMMENTS

BOARD OF FINANCE

The 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 (B) a secretary. . . . The officers elected hold office until the officers' successors are elected and qualified."

CONDITION OF RECORDS

The following deficiencies relating to the recordkeeping were noted during the examination period:

- (1) Record balances were not reconciled to depository balances.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

- (2) There were a considerable number of posting errors. The errors included deposits not receipted and checks and receipts either not recorded or posted to the wrong fund.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

STERLING TOWNSHIP, CRAWFORD COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

PAYROLL DEDUCTIONS

Social Security and Medicare taxes were not properly withheld from Board member's wages during the examination period.

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

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)

STERLING TOWNSHIP, CRAWFORD COUNTY
EXIT CONFERENCE

The contents of this report were discussed on July 16, 2007, with Russell Newkirk, Trustee. The official concurred with our findings.