

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

UNION TOWNSHIP

ST. JOSEPH COUNTY, INDIANA

January 1, 2010 to December 31, 2010



FILED

10/18/2011

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Bob E. Feitz William L. Stroup	01-01-07 to 12-31-10 01-01-11 to 12-31-14
Chairman of the Township Board	Frank W. Creighton	01-01-10 to 12-31-11



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF UNION TOWNSHIP, ST. JOSEPH COUNTY, INDIANA

We have examined the financial statement of Union Township (Township), for the period of January 1, 2010 to December 31, 2010. The Township's management is responsible for the financial statement. 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 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 statements 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 basis noted above is a different basis than that used in the prior year.

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 year ended December 31, 2010, on the basis of accounting described in Note 1.

The Combining Schedule 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 statement. They have not been subjected to the examination procedures applied to the financial statement and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Township's management and the Township Board, and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

September 1, 2011

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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.

UNION TOWNSHIP, ST. JOSEPH COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2010

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
Township	\$ 242,850	\$ 117,192	\$ 112,406	\$ 247,636
Township Assistance	31,138	35,071	16,216	49,993
Levy Excess	8,373	545	-	8,918
Rainy Day	66,254	4,056	-	70,310
Fire Territory	87,166	90,471	129,579	48,058
Fire Equipment	81,844	42,019	-	123,863
Fire Replacement	76,987	22,557	6,621	92,923
Totals	<u>\$ 594,612</u>	<u>\$ 311,911</u>	<u>\$ 264,822</u>	<u>\$ 641,701</u>

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

UNION TOWNSHIP, ST. JOSEPH 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 (primary government), and does not include financial information for any of the Township's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of the Township (primary government).

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 may include, but are not limited to, 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.

Licenses and permits which include amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

UNION TOWNSHIP, ST. JOSEPH COUNTY
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

Fines and forfeits which include receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

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 statements. The aggregate disbursements may include, but are not limited to, 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.

UNION TOWNSHIP, ST. JOSEPH COUNTY
NOTES TO FINANCIAL STATEMENT
(Continued)

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 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.

UNION TOWNSHIP, ST. JOSEPH COUNTY
NOTES TO FINANCIAL STATEMENT
(Continued)

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 statements. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the Township by recording as a disbursement and replacement items purchased.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Township's Annual Report can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

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 Report of the Township which is 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 prepared and/or approved by management of the Township. It is presented as intended by the Township.

UNION TOWNSHIP, ST. JOSEPH COUNTY
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For The Year Ended December 31, 2010

	<u>Township</u>	<u>Township Assistance</u>	<u>Levy Excess</u>	<u>Rainy Day</u>	<u>Fire Territory</u>	<u>Fire Equipment</u>	<u>Fire Replacement</u>	<u>Totals</u>
Cash and investments - beginning	\$ 242,850	\$ 31,138	\$ 8,373	\$ 66,254	\$ 87,166	\$ 81,844	\$ 76,987	\$ 594,612
Receipts:								
Taxes	106,834	34,944	-	-	90,471	-	19,966	252,215
Other receipts	<u>10,358</u>	<u>127</u>	<u>545</u>	<u>4,056</u>	<u>-</u>	<u>42,019</u>	<u>2,591</u>	<u>59,696</u>
Total receipts	<u>117,192</u>	<u>35,071</u>	<u>545</u>	<u>4,056</u>	<u>90,471</u>	<u>42,019</u>	<u>22,557</u>	<u>311,911</u>
Disbursements:								
Personal services	68,362	-	-	-	53,432	-	-	121,794
Supplies	946	-	-	-	6,564	-	4,294	11,804
Other services and charges	34,943	16,216	-	-	69,583	-	2,327	123,069
Capital outlay	8,155	-	-	-	-	-	-	8,155
Other disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total disbursements	<u>112,406</u>	<u>16,216</u>	<u>-</u>	<u>-</u>	<u>129,579</u>	<u>-</u>	<u>6,621</u>	<u>264,822</u>
Excess (deficiency) of receipts over disbursements	<u>4,786</u>	<u>18,855</u>	<u>545</u>	<u>4,056</u>	<u>(39,108)</u>	<u>42,019</u>	<u>15,936</u>	<u>47,089</u>
Cash and investments - ending	<u>\$ 247,636</u>	<u>\$ 49,993</u>	<u>\$ 8,918</u>	<u>\$ 70,310</u>	<u>\$ 48,058</u>	<u>\$ 123,863</u>	<u>\$ 92,923</u>	<u>\$ 641,701</u>

UNION TOWNSHIP, ST. JOSEPH COUNTY
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
December 31, 2010

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>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 107,000
Buildings	135,000
Machinery and equipment	<u>521,000</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 763,000</u>

UNION TOWNSHIP, ST. JOSEPH COUNTY
EXAMINATION RESULTS AND COMMENTS

PAYMENTS TO THE TOWN OF LAKEVILLE

On December 2, 2010, the Township Trustee paid the Town of Lakeville \$5,000. The ledger entry describes this payment as master plan, township share. On December 31, 2010, the Trustee paid the Town \$5,000 and the ledger entry describes this as streetscapes. The January 24, 2011 Township Board minutes show that the Board approved the 2010 annual report, but did not approve the two \$5,000 checks paid to the Town. The current Trustee entered into an agreement with the Town Board on January 4, 2011, that shows the latter \$5,000 is to be used for the sole purpose to go toward the local match for the INDOT project. This agreement shows this offer is only valid after the Town accepts the INDOT grant, no later than December 31, 2011. No invoice, contract, or agreement was provided for examination to support the first \$5,000 payment. Due to the lack of supporting information, the validity and accountability for some money disbursed could not be established.

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)

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)

PUBLIC RECORDS NOT AVAILABLE FOR AUDIT

The December 31, 2010 reconciliation of the ledger cash balance with the bank balances and the December 2010 bank statement were not provided for our examination. Reconcilements and bank statements for the first 11 months of 2010 were available for our examination. We were able to verify the accuracy of the November 30, 2010 reconciliation with the bank balance. We observed that the July 31, 2011 reconciliation was performed with no variance.

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)

COMPENSATION AND BENEFITS

Two part-time firemen were paid at rates that did not agree with the Form 17, Resolution Establishing Salaries of Township Officers and Employees, which the Township Board approved. The W-2s for the two firemen show they were paid \$22,662 and \$7,818, respectively, during 2010. The Form 17 shows two firemen paid \$12,000 per year. The actual rate of pay was \$12 per hour for each fireman. Payroll documents show that each fireman, or their substitutes, worked 50 hours every two weeks. This calculates to \$15,600 per year for each fireman.

UNION TOWNSHIP, ST. JOSEPH COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 17)

PAYMENTS TO AMBULANCE SERVICE

During 2010, the Township paid four quarterly payments, in the amount of \$9,319 each, to Union-North Ambulance Service, Inc. The contract between the Township and Union-North Ambulance Service, Inc., shows that Union-North Ambulance Service Inc., will prepare quarterly income statements and file the statements with the Trustee to determine the funds to be paid. No third quarter income statement was available and provided for our examination. The first quarter's income statement is dated May 19, the second quarter's income statement is dated August 11, and the fourth quarter's income statement is dated January 31.

The contract shows the income statements are required during the weeks of April 1, July 1, September 1, and December 10. Quarterly payments were made by the Township to Union-North Ambulance Service Inc., on March 11, April 6, July 13, and October 12.

On December 21, 2010, the Township paid \$6,000 to Union-North Ambulance Service Inc. The ledger entry describes this payment as "voluntary compensation." The contract between the Township and Union-North Ambulance Service Inc., does not address this voluntary compensation. The only supporting document provided for our examination was a paper in the paid invoice file with the description of voluntary compensation and showing the total of \$6,000 with no other itemization.

These payments did not contain adequate supporting documentation, such as receipts, invoices, and other public records. Due to the lack of supporting information, the validity and accountability for money disbursed could not be established.

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)

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)

SUPPORTING DOCUMENTATION

Several payments were observed which did not contain adequate supporting documentation, such as receipts, invoices, and other public records. Examples included a reimbursement to the voluntary fire department that did not have invoices or other documentation for all amounts reimbursed; and a credit card payment that did not have invoices for all amounts. Due to the lack of supporting information, the validity and accountability for some money disbursed could not be established.

UNION TOWNSHIP, ST. JOSEPH COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

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)

UNION TOWNSHIP, ST. JOSEPH COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 1, 2011, with William L. Stroup, Trustee; Frank W. Creighton, Chairman of the Township Board; and Chris Rowe, Board member. The officials concurred with our findings.