

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

FINANCIAL STATEMENT AND FEDERAL
SINGLE AUDIT REPORT
OF

NORTH TOWNSHIP
LAKE COUNTY, INDIANA

January 1, 2014 to December 31, 2014



FILED
02/26/2016

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report	3-5
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statement Performed in Accordance With <i>Government Auditing Standards</i>	6-7
Financial Statement and Accompanying Notes:	
Statement of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis	10
Notes to Financial Statement	11-14
Other Information - Unaudited:	
Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis	16-17
Schedule of Payables and Receivables	18
Schedule of Leases and Debt	19
Schedule of Capital Assets.....	20
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance for the Major Federal Program and on Internal Control Over Compliance.....	22-23
Schedule of Expenditures of Federal Awards and Accompanying Note:	
Schedule of Expenditures of Federal Awards.....	26
Note to Schedule of Expenditures of Federal Awards	27
Schedule of Findings and Questioned Costs	28-32
Auditee Prepared Document:	
Corrective Action Plan	34-35
Other Reports.....	36

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Frank J. Mrvan	01-01-11 to 12-31-18
Chairman of the Township Board	Richard Novak	01-01-14 to 12-31-15



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 AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying financial statement of North Township (Township), which comprises the financial position and results of operations for the year ended December 31, 2014, and the related notes to the financial statement as listed in the Table of Contents.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Township's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As discussed in Note 1 of the financial statement, the Township prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a 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 the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the Township for the year ended December 31, 2014.

Opinion on Regulatory Basis of Accounting

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, 2014, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the Township's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.


Other Information

Our audit was conducted for the purpose of forming an opinion on the Township's financial statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis, Schedule of Payables and Receivables, Schedule of Leases and Debt, 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 auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated December 16, 2015, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.


Paul D. Joyce, CPA
State Examiner

December 16, 2015



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 AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of North Township (Township), which comprises the financial position and results of operations for the year ended December 31, 2014, and the related notes to the financial statement, and have issued our report thereon dated December 16, 2015, wherein we noted the Township followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2014-001 and 2014-002 to be material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(Continued)

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the Township's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2014-001 and 2014-002.

North Township's Response to Findings

The Township's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The Township's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

December 16, 2015

(This page intentionally left blank.)

FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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.

NORTH TOWNSHIP, LAKE COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended December 31, 2014

Fund	Cash and Investments 01-01-14	Receipts	Disbursements	Cash and Investments 12-31-14
TOWNSHIP	\$ 130,053	\$ 700,319	\$ 612,127	\$ 218,245
NON-REVERTING FUND (WP)	3,247	19,581	16,930	5,898
RECREATION FUND (WP)	91,910	1,533,416	1,504,930	120,396
POOR RELIEF	1,062,332	3,640,725	4,130,355	572,702
PAYROLL DEDUCTIONS	6,188	684,224	683,818	6,594
COS OPERATING	68	9,105	6,651	2,522
CUMULATIVE FUND (WP)	33,982	364,578	388,346	10,214
NON-REVERTING FUND TWP	39,090	105,583	89,348	55,325
TRANSPORTATION	-	1,060,813	1,050,265	10,548
CEMETERY OPERATING FUND	206,846	62,022	66,762	202,106
Totals	<u>\$ 1,573,716</u>	<u>\$ 8,180,366</u>	<u>\$ 8,549,532</u>	<u>\$ 1,204,550</u>

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

NORTH 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: health and social services (township assistance), culture and recreation (parks and/or community centers), transportation, 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 Indiana 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. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

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 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, 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, 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: copies of public records, copy machine charges, recycling fees, emergency medical service fees, park rental fees, golf fees and swimming pool receipts.

NORTH 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.

E. 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.

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.

NORTH 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 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.

NORTH 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 a cost-sharing 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
One North Capitol, 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.

OTHER INFORMATION - UNAUDITED

The Township's Annual Financial Report information 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 Financial 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 audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The other information presented was approved by management of the Township. It is presented as intended by the Township.

NORTH TOWNSHIP, LAKE COUNTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014

	TOWNSHIP	NON-REVERTING FUND (WP)	RECREATION FUND (WP)	POOR RELIEF	PAYROLL DEDUCTIONS	COS OPERATING
Cash and investments - beginning	\$ 130,053	\$ 3,247	\$ 91,910	\$ 1,062,332	\$ 6,188	\$ 68
Receipts:						
Taxes	663,390	-	504,396	2,609,700	-	-
Intergovernmental	32,122	-	24,424	126,366	-	-
Charges for services	-	-	-	-	-	-
Other receipts	4,807	19,581	1,004,596	904,659	684,224	9,105
Total receipts	<u>700,319</u>	<u>19,581</u>	<u>1,533,416</u>	<u>3,640,725</u>	<u>684,224</u>	<u>9,105</u>
Disbursements:						
Personal services	355,007	-	934,653	1,165,940	-	-
Supplies	15,436	-	235,509	49,401	-	1,116
Other services and charges	221,684	16,329	334,768	2,045,014	-	5,535
Capital outlay	20,000	-	-	20,000	-	-
Other disbursements	-	601	-	850,000	683,818	-
Total disbursements	<u>612,127</u>	<u>16,930</u>	<u>1,504,930</u>	<u>4,130,355</u>	<u>683,818</u>	<u>6,651</u>
Excess (deficiency) of receipts over disbursements	<u>88,192</u>	<u>2,651</u>	<u>28,486</u>	<u>(489,630)</u>	<u>406</u>	<u>2,454</u>
Cash and investments - ending	<u>\$ 218,245</u>	<u>\$ 5,898</u>	<u>\$ 120,396</u>	<u>\$ 572,702</u>	<u>\$ 6,594</u>	<u>\$ 2,522</u>

NORTH TOWNSHIP, LAKE COUNTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014
 (Continued)

	CUMULATIVE FUND (WP)	NON-REVERTING FUND TWP	TRANSPORTATION	CEMETERY OPERATING FUND	Totals
Cash and investments - beginning	\$ 33,982	\$ 39,090	\$ -	\$ 206,846	\$ 1,573,716
Receipts:					
Taxes	339,919	-	-	-	4,117,405
Intergovernmental	16,459	-	-	-	199,371
Charges for services	-	-	-	61,672	61,672
Other receipts	8,200	105,583	1,060,813	350	3,801,918
Total receipts	<u>364,578</u>	<u>105,583</u>	<u>1,060,813</u>	<u>62,022</u>	<u>8,180,366</u>
Disbursements:					
Personal services	-	-	375,541	-	2,831,141
Supplies	-	5,554	83,396	10,068	400,480
Other services and charges	153,000	83,794	591,328	41,694	3,493,146
Capital outlay	235,346	-	-	15,000	290,346
Other disbursements	-	-	-	-	1,534,419
Total disbursements	<u>388,346</u>	<u>89,348</u>	<u>1,050,265</u>	<u>66,762</u>	<u>8,549,532</u>
Excess (deficiency) of receipts over disbursements	<u>(23,768)</u>	<u>16,235</u>	<u>10,548</u>	<u>(4,740)</u>	<u>(369,166)</u>
Cash and investments - ending	<u>\$ 10,214</u>	<u>\$ 55,325</u>	<u>\$ 10,548</u>	<u>\$ 202,106</u>	<u>\$ 1,204,550</u>

NORTH TOWNSHIP, LAKE COUNTY
SCHEDULE OF PAYABLES AND RECEIVABLES
December 31, 2014

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 160,936</u>	<u>\$ 194,551</u>

NORTH TOWNSHIP, LAKE COUNTY
SCHEDULE OF LEASES AND DEBT
December 31, 2014

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Ally Financial	2013 GMC Dump Truck	\$ 13,111	4/3/2013	4/3/2016
Everbank Financial	Fairway Mower	13,868	7/14/2014	6/12/2017
GE Capital	Copiers	10,080	3/15/2012	3/5/2017
IBEW	Building	11,459	4/15/2012	4/15/2015
Ikon	Copier	202	12/14/2011	2/10/2015
Ikon	Telephones	6,408	12/14/2011	12/14/2016
John Deere Financial	Tractor & Loader	6,790	4/13/2013	4/3/2019
John Deere Financial	Mower	5,168	3/12/2014	3/12/2017
Total of annual lease payments		<u>\$ 67,086</u>		

NORTH TOWNSHIP, LAKE COUNTY
SCHEDULE OF CAPITAL ASSETS
December 31, 2014

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>Ending Balance</u>
Governmental activities:	
Land	\$ 2,459,516
Buildings	1,748,022
Improvements other than buildings	942,737
Machinery, equipment, and vehicles	<u>1,598,342</u>
 Total capital assets	 <u>\$ 6,748,617</u>

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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 AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

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

Report on Compliance for the Major Federal Program

We have audited North Township's (Township) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2014. The Township's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Township's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Township's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Township's compliance.

Opinion on the Major Federal Program

In our opinion, the Township complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2014.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
(Continued)

Report on Internal Control Over Compliance


Management of the Township is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Township's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2014-004 to be material weaknesses.

The Township's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The Township's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

December 16, 2015

(This page intentionally left blank.)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTE

The Schedule of Expenditures of Federal Awards and accompanying note presented were approved by management of the Township. The schedule and note are presented as intended by the Township.

NORTH TOWNSHIP, LAKE COUNTY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2014

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>Department of Transportation</u>				
Federal Transit Cluster				
Federal Transit_Formula Grants	Northwestern Indiana Regional Planning Commission	20.507		
FTA Preventative Maintenance			IN-96-X636	\$ 16,963
FTA Preventative Maintenance			IN-96-X653	7,857
Congestion Mitigation and Air Quality (CMAQ)			IN-95-X035	<u>724,159</u>
Total - Department of Transportation				<u>748,979</u>
Total federal awards expended				<u>\$ 748,979</u>

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

NORTH TOWNSHIP, LAKE COUNTY
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Township and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

NORTH TOWNSHIP, LAKE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	yes

Identification of Major Program:

_____ Name of Federal Program or Cluster _____

Federal Transit Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? no

Section II - Financial Statement Findings

FINDING 2014 - 001 - FINANCIAL TRANSACTIONS AND REPORTING

The Township has deficiencies in their internal control system related to financial transactions and reporting. Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the Township's financial statement and then determining how those identified risks should be managed. The Township has not identified risks to the preparation of a reliable financial statement and, as a result, has failed to design effective controls over the preparation of the financial statement to prevent, or detect and correct, material misstatements.

1. Segregation of Duties: Control activities should be selected and developed at various levels to reduce risks of error and/or fraud of the financial statement. The Township has not separated incompatible activities related to receipts, disbursements, and reporting.

NORTH TOWNSHIP, LAKE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- a. Receipts: At the park, one individual issued receipts, prepared the bank deposit, and took the deposit to the bank. The Township did not have policies or procedures in place to verify park shelter receipts issued to the collections submitted to the township administration for recording in the financial accounting system.

Receipts are not issued at the time of the transaction for several collections points in the Township. In addition, one collection point issued receipts which were not pre-numbered. These collections are then remitted to the Township Administration Office for deposit and receipt issuance. Furthermore, collections were deposited at the bank for some types of activities before a receipt was issued.

- b. Payroll Disbursements: The information from the Township's electronic time record cannot be downloaded into the payroll software. The time information has to be manually entered into the payroll software. The data entered is reviewed by the individual entering the information.
 - c. Poor Relief Disbursements: The purchase orders for poor relief are processed for payment and the check issued by the same individual, who also reconciles the bank account.
- 2. Error Correction Audit Trails: When an issued check or receipt has an error, such as being recorded to the wrong fund or account, appropriate staff will record correcting entries in the web-based electronic ledger. When an error is corrected in the software, it does not provide a visible audit trail. The web-based ledger only presents the final entry, which is the correction. The software company stated that it can provide an audit trail upon request. However, it could not be determined from observing the ledger that an audit trail would be needed as the ledger does not visibly document that any corrections had been made.
 - 3. Monitoring of Controls: An evaluation of the Township's system of internal control has not been conducted. The failure to monitor the internal control system places the Township at risk that controls may not be either designed properly or operating effectively to provide reasonable assurance that controls will prevent, or detect and correct, material misstatements in a timely manner. Additionally, the Township has no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting require the Township to monitor and assess the quality of the system of internal control.

The failure to establish adequate controls enabled material misstatements or irregularities to remain undetected. Control activities should be in place to reduce the risks of errors in financial reporting.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

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)

NORTH TOWNSHIP, LAKE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

The computerized accounting system must maintain electronic audit trails sufficient to trace all transactions from original source of entry into the system, through all system processing, and to the results produced by the system. The audit trails must also maintain sufficient information to trace all transactions from the final results produced by the system, through all system processing, and to the original source of entry into the system. Audit trails must also identify the user that processed the transaction or updated the information. These audit trails must be protected from modification and deletion. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 14)

Accounting information must not be modified by computer utility programs which are not contained in the accounting application system. The accounting application system must be supported by computerized and manual procedures to assure the following error correction controls are implemented:

- The type of error condition is recorded.
- The original transaction creating the error is retained within the system.
- A reversing transaction to eliminate the effect of the error is entered and retained within the system.
- The correct transaction is entered into the system and recorded.
- Management approval for error correction is documented.

(Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 14)

FINDING 2014 - 002 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Township did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The Township should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA remained undetected.

During the audit of the SEFA, we noted the following errors:

1. State grants totaling \$25,164 and a local distribution of \$497 were erroneously reported on the SEFA as federal funds.
2. Amounts were reported in excess of the amounts reimbursed by Northwestern Indiana Regional Planning Commission (NIRPC), the pass-through entity, resulting in a \$60,926 overstatement.

Audit adjustments were proposed, approved, and made to the SEFA presented in this report.

NORTH TOWNSHIP, LAKE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

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)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section .310."

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available . . . "

Section III - Federal Award Findings and Questioned Costs

FINDING 2014-003 - FEDERAL TRANSIT_FORMULA GRANTS

Federal Agency: Department of Transportation
Federal Program: Federal Transit_Formula Grants
CFDA Number: 20.507
Federal Award Numbers: IN-96-X636; IN-96-X653; IN-95-X035
Pass-Through Entity: Northwestern Indiana Regional Planning Commission

Management of the Township has not established an effective internal control system, which would include segregation of duties, related to the Grant Agreement and the Activities Allowed and Unallowed, Allowable Costs/Cost Principles, Cash Management, Procurement, Suspension and Debarment, and Reporting compliance requirements.

NORTH TOWNSHIP, LAKE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Activities Allowed and Unallowed, Allowable Costs/Cost Principles, Cash Management, and Reporting

One individual was solely responsible for reviewing and processing claims to the Township Administrative Offices for payment and preparing and submitting claims for reimbursement to the grantor agency. A separate individual at the Township Office was solely responsible for compiling the salary and benefits amounts to be reported within the reimbursement claim. There was no segregation of duties such as an oversight, review, or approval process.

Procurement, Suspension and Debarment

The Township did not have policies and procedures to determine when compliance with procurement procedures was necessary.

The failure to establish an effective internal control system places the Township at risk of noncompliance with the Grant Agreement and the Compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the Grant Agreement or a Compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

" . . . The auditee shall: (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance with the Grant Agreement or the Compliance requirements could result in the loss of federal funds to the Township.

We recommended that the Township's management establish controls, including segregation of duties, to ensure compliance related to the Grant Agreement and all Compliance requirements listed above.

AUDITEE PREPARED DOCUMENT

The subsequent document was provided by management of the Township. The document is presented as intended by the Township.

FRANK J. MRVAN

NORTH TOWNSHIP TRUSTEE



LAKE COUNTY
INDIANA

(MAIN OFFICE)
5947 Hohman Ave.
Hammond, IN
46320

(219) 932-2530
Fax (219) 937-4412

2105 Broadway
East Chicago, IN
46312

(219) 398-2435
Fax (219) 397-2190

NORTH TOWNSHIP TRUSTEE STATE BOARD OF ACCOUNTS CORRECTIVE ACTION PLAN – DECEMBER 02, 2015

Finding 2014 – 001

We are in the process of reviewing job descriptions to further segregate duties.

1a. IT Consultant is currently getting quotes for point of sale software and computer/register. We are working in conjunction with the State Board of Accounts to properly be within the guidelines as they suggest and provide to us to set up a procedure to segregate duties and monitor internal controls.

1b. Director of Operations or the Director of Finance/Human Resources are reviewing payroll reports and time cards/sheets until the software is compatible. Payroll Clerk is signing off of the weekly sheets after reviewing them with the time cards/reports.

1c. Purchase orders are processed by casemanagers, claims are entered into the system and checks generated by Accounting Clerk after review, therefore will have different individuals checking.

2. A meeting has been set up with the software company to comply with the state requirements and shall have management approve changes in errors. It will be a prerequisite to continue to use the current vendor that is approved by the State Board of Accounts, however if the vendor is unable to make the necessary changes as needed to the software, we will seek alternative State Board of Accounts approved software vendors.

3. Pre-numbered receipts books have been issued to each point of collection. All employees have been instructed to write receipts at the time of the transaction and then reports and receipts will be checked by the accounting department. Night deposits will also be set up with the bank.

4. An evaluation of the Township's system of internal controls has been conducted and internal procedures and controls are in place and will have written procedures approved by the board.

Finding 2014 – 002

1 & 2. Knowledge of the grants disbursements and deposits will be examined. The accounting clerk shall process and the Director of Finance/Human Resources will double check to make sure all entries are correct and state grants will not be included on the SEFA. A

n individual will be placed with the Director of Transportation to oversee the process of his reports and finances for the Dial-A-Ride department.

OMB Circular A-133.

We shall comply with the schedule of expenditures and shall list the amounts expended per year.

Finding 2014 – 003

An individual will be placed in the Dial-A-Ride department to review all information with the Director of Transportation which will provide Accounting with copies of all grants, and accounting will monitor invoices and will contact the Director of Transportation if anything is questionable. Each claim will be reviewed by Accounting Clerk, Payroll Clerk will sign off on salary and benefits amounts.

We will be working with NIRPC regarding the compliance and procurement procedures and have internal controls in place immediately.

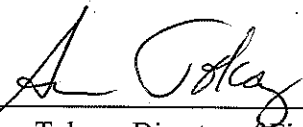
Contact person(s) responsible for preparing Corrective Action Plan:

Susan Tokarz, Director of Finance/Human Resources
219-932-2530, ext. 340


Lori Polgar, Director of Operations
219-932-2530, ext. 324

Anticipated Completion Date:

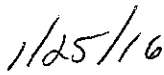
Internal Controls are already starting and in place
Other items, such as software shall be by February 28, 2016
Written procedures will be done by June 30, 2016



Susan Tokarz, Director of Finance/H.R.



Print Name



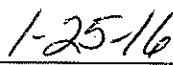
Date



Lori Polgar, Director of Operations



Print Name



Date

OTHER REPORTS

In addition to this report, other reports may have been issued for the Township. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.