

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

FINANCIAL STATEMENTS REVIEW REPORT

OF

LIBERTY TOWNSHIP

WELLS COUNTY, INDIANA

January 1, 2016 to December 31, 2018



FILED
05/05/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Trenton Markley	08-01-15 to 12-31-22
Chairman of the Township Board	Richard Borrer	01-01-16 to 12-31-20



INDEPENDENT ACCOUNTANT'S REVIEW REPORT

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

We have reviewed the accompanying financial statements of Liberty Township (Township), for the period of January 1, 2016 to December 31, 2018. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Township's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with a regulatory 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 comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. This includes determining that the basis of accounting the Township uses is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatements whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with *Statements on Standards for Accounting and Review Services* promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with the prescribed basis of accounting described in Note 1. We believe that the results of our procedures provide a reasonable basis for our conclusion.

INDEPENDENT ACCOUNTANT'S REVIEW REPORT
(Continued)

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with the prescribed basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with 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 comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our conclusion is not modified with respect to this matter.


Paul D. Joyce, CPA
State Examiner

April 30, 2020

FINANCIAL STATEMENTS AND ACCOMPANYING NOTES

The financial statements and accompanying notes were approved by management of the Township. The financial statements and notes are presented as intended by the Township.

LIBERTY TOWNSHIP, WELLS COUNTY
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Years Ended December 31, 2016 and 2017

Fund	Cash and Investments 01-01-16	Receipts	Disbursements	Cash and Investments 12-31-16	Receipts	Disbursements	Cash and Investments 12-31-17
Township	\$ 25,779	\$ 22,713	\$ 16,263	\$ 32,229	\$ 38,201	\$ 17,325	\$ 53,105
Township Assistance	22,988	1,033	1,561	22,460	978	1,157	22,281
Fire Fighting	97,709	21,788	34,334	85,163	22,511	32,097	75,577
Rainy Day	-	8,402	-	8,402	-	-	8,402
Cumulative Fire	13,244	23,379	3,964	32,659	10,190	1,188	41,661
Debt Service	20,504	94,357	64,644	50,217	50,213	62,901	37,529
Payroll Withholdings	-	704	-	704	750	306	1,147
Construction	12,482	1	4,315	8,168	-	-	8,168
Totals	<u>\$ 192,706</u>	<u>\$ 172,377</u>	<u>\$ 125,081</u>	<u>\$ 240,002</u>	<u>\$ 122,843</u>	<u>\$ 114,974</u>	<u>\$ 247,870</u>

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

LIBERTY TOWNSHIP, WELLS COUNTY
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended December 31, 2018

Fund	Cash and Investments 01-01-18	Receipts	Disbursements	Cash and Investments 12-31-18
Township	\$ 53,105	\$ 39,540	\$ 18,672	\$ 73,973
Township Assistance	22,281	947	506	22,722
Fire Fighting	75,577	22,424	36,618	61,383
Rainy Day	8,402	-	-	8,402
Levy Excess	-	585	-	585
Cumulative Fire	41,661	9,884	1,490	50,055
Debt Service	37,529	59,182	61,501	35,210
Payroll Withholdings	1,147	870	-	2,017
Construction	8,168	-	-	8,168
Totals	<u>\$ 247,870</u>	<u>\$ 133,432</u>	<u>\$ 118,787</u>	<u>\$ 262,515</u>

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

LIBERTY TOWNSHIP, WELLS COUNTY
NOTES TO FINANCIAL STATEMENTS

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 statements present the financial information for the Township.

B. Basis of Accounting

The financial statements are 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 statements. The aggregate receipts include the following sources:

Taxes. Amounts received from one or more of the following: property tax, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeeper's 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.

Intergovernmental receipts. Amounts received from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of intergovernmental receipts include, but are not limited to, the following: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distributions received from the state, local road and street 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.

LIBERTY TOWNSHIP, WELLS COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Other receipts. Amounts received from various sources, including, but 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 include the following uses:

Personal services. Amounts disbursed 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. Amounts disbursed for 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, but are not limited to, the following: office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges. Amounts disbursed for services including, but not limited to, the following: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service - principal and interest. Amounts disbursed for 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.

Other disbursements. Amounts disbursed for various other purposes including, but 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, make transfers 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 amounts 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 amounts 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.

LIBERTY TOWNSHIP, WELLS COUNTY
NOTES TO FINANCIAL STATEMENTS
(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 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 December 31 of the year preceding the budget year or January 15 of the budget year if the Township is issuing debt after December 1 or intends on filing a shortfall appeal. These rates were based upon the assessed valuations adjusted for various tax credits from the preceding year's lien date of January 1. 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, the following: 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.

LIBERTY TOWNSHIP, WELLS COUNTY
REVIEW RESULTS AND COMMENTS

ADOPTION OF INTERNAL CONTROL STANDARDS

Condition and Context

The Township had not adopted the acceptable minimum level of internal control standards as defined by the Indiana State Board of Accounts. An internal control policy was not presented for review.

Criteria

Indiana Code 5-11-1-27(g) states in part:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that:

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and . . ."

CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

The Township's certification on the adoption of internal control standards was made incorrectly on the Indiana Gateway for Government Units financial reporting system. The Trustee certified that the acceptable minimum level of internal control standards had been adopted; however, the internal control standards had not been adopted.

Criteria

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

PENALTIES, INTEREST, AND OTHER CHARGES

Condition and Context

Penalties, interest, and other charges, totaling \$127, were paid to various vendors during the review period due to late payments.

Criteria

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 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 unit. Any penalties, interest, or other charges paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

LIBERTY TOWNSHIP, WELLS COUNTY
REVIEW RESULTS AND COMMENTS
(Continued)

SALES AND EXCISE TAX

Condition and Context

There were several vendors that charged sales tax on Township invoices. The Township paid the sales tax instead of contacting the vendor and providing the necessary documentation for removal of the tax.

The Liberty Center Volunteer Fire Department purchased items from vendors that included sales tax, and then provided the receipts and documentation to the Trustee for reimbursement. The Trustee reimbursed the Liberty Center Volunteer Fire Department for the full amount.

The Township paid federal excise taxes to various vendors during the review period.

Criteria

Government funds are exempt from the payment of sales taxes on qualifying purchases. Units should reference Internal Revenue Service and/or Indiana Department of Revenue guidance to determine what are or are not qualifying purchases. DOR information bulletin #34 addresses this: <http://www.in.gov/dor/reference/files/sib34.pdf>.

Units should contact the Indiana Department of Revenue to obtain the exemption certificate. After obtaining the exemption certificate, it must be presented at the time a purchase is made. If sales tax is paid erroneously, a refund application may be obtained from the Sales Tax Division of the DOR.

Sales taxes that are paid on qualifying purchases by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

Units are exempt from and must not pay any federal excise tax. Claims and invoices must be carefully audited to see that no federal excise taxes are included and paid. Disbursing officers must require that invoices show separately the gross price, the amount of excise tax, and the final price to the unit. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

CONTRACTS

The same comment also appeared in prior Report B46700.

Condition and Context

There was no contract between the Township and the Liberty Center Volunteer Fire Department. The Township reimbursed operating expenses for the Liberty Center Volunteer Fire Department and maintained supporting documentation for each expenditure; however, there was no written contract to support these reimbursements.

Criteria

Payments made or received for contractual services must be supported by a written contract. Each unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

LIBERTY TOWNSHIP, WELLS COUNTY
REVIEW RESULTS AND COMMENTS
(Continued)

ANNUAL FINANCIAL REPORT

The same comment also appeared in prior Report B46700.

Condition and Context

The Township began using a financial software program in 2016 for their ledger, and that was the first year that a Payroll Withholding fund was established. The Payroll Withholding fund was entered into the Indiana Gateway for Government Units financial reporting system, but various errors were made during the review period, and what was entered did not properly reflect the true financial activity of the Payroll Withholding fund.

Adjustments were proposed, accepted by the Township, and made to the financial statements.

During all three years of the review period, payroll taxes were improperly paid from the Payroll Withholding fund. Payroll taxes were partially paid from the fund during 2017, with the remaining years entirely paid from the Township fund. As of December 31, 2018, there is a balance in the Payroll Withholding fund of \$2,017.

Criteria

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

LIBERTY TOWNSHIP, WELLS COUNTY
EXIT CONFERENCE

The contents of this report were discussed on April 30, 2020, with Trenton Markley, Trustee, and Krista Markley, Clerk.