

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

FINANCIAL STATEMENTS REVIEW REPORT

OF

LIBERTY TOWNSHIP

ST. JOSEPH COUNTY, INDIANA

January 1, 2016 to December 31, 2018



**FILED**  
07/13/2020



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Sue Dittmar	01-01-16 to 12-31-20
Chairman of the Township Board	Paul Annis Tom McCormick	01-01-16 to 12-31-16 01-01-17 to 12-31-20



## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

TO: THE OFFICIALS OF LIBERTY TOWNSHIP, ST. JOSEPH 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

May 27, 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, ST. JOSEPH 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 Fund	\$ 302,709	\$ 123,520	\$ 194,533	\$ 231,696	\$ 131,051	\$ 60,408	\$ 302,339
Township Assistance Fund	76,043	-	805	75,238	-	1,128	74,110
Fire Fighting Fund	295,128	661,703	516,850	439,981	228,577	234,903	433,655
Rainy Day Fund	8,143	13,154	-	21,297	-	-	21,297
Cumulative Fire (Bldg/Rem/Equip) Fund	191,817	65,883	162,568	95,132	69,882	81,225	83,789
Building Debt Fund	-	-	-	-	153,459	115,339	38,120
Payroll Deduction Fund	3,856	11,115	10,266	4,705	11,339	10,924	5,120
Payroll Deduction (Unaccounted)	(3,524)	-	-	(3,524)	3,524	-	-
Totals	<u>\$ 874,172</u>	<u>\$ 875,375</u>	<u>\$ 885,022</u>	<u>\$ 864,525</u>	<u>\$ 597,832</u>	<u>\$ 503,927</u>	<u>\$ 958,430</u>

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

LIBERTY TOWNSHIP, ST. JOSEPH 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 Fund	\$ 302,339	\$ 135,478	\$ 58,929	\$ 378,888
Township Assistance Fund	74,110	-	1,091	73,019
Fire Fighting Fund	433,655	260,320	127,261	566,714
Rainy Day Fund	21,297	-	-	21,297
Cumulative Fire (Bldg/Rem/Equip) Fund	83,789	77,555	36,403	124,941
Building Debt Fund	38,120	93,951	110,200	21,871
Payroll Deduction Fund	5,120	10,705	10,876	4,949
Totals	<u>\$ 958,430</u>	<u>\$ 578,009</u>	<u>\$ 344,760</u>	<u>\$ 1,191,679</u>

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

LIBERTY TOWNSHIP, ST. JOSEPH 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, ST. JOSEPH COUNTY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

*Charges for services.* Amounts received for services including, but not limited to, the following: planning commission charges, building department charges, copies of public records, copy machines 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.

*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.

*Capital outlay.* Amounts disbursed for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

*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.

LIBERTY TOWNSHIP, ST. JOSEPH COUNTY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

**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.

**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.

LIBERTY TOWNSHIP, ST. JOSEPH COUNTY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

**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.

**Note 6. Cash Balance Deficits**

The financial statements contain some funds with deficits in cash. This is a result of disbursements exceeding receipts. Cash balance deficit was corrected in 2017.

LIBERTY TOWNSHIP, ST. JOSEPH COUNTY  
REVIEW RESULTS AND COMMENTS

***FAILURE TO REPORT MISAPPROPRIATION OF FUNDS***

*Condition and Context*

A police report was filed on August 21, 2018, due to a stolen check at the Township. The check was written to a vendor in the amount of \$558 and dropped into a United States Postal Service mailbox. The check was stolen at some point in transit and forged to an unknown name for \$3,200. The Trustee filed a police report and closed the Township's compromised bank account. On October 2, 2018, the Township was reimbursed the \$3,200 by the financial institution. The Township did not immediately report the stolen fraudulent check to the Indiana State Board of Accounts as required by IC 5-11-1-27(I).

*Criteria*

Indiana Code 5-11-1-27(I) states:

"A public officer who has actual knowledge of or reasonable cause to believe that there has been a misappropriation of public funds or assets of the public office, including:

- (1) information obtained as a result of a police report;
- (2) an internal audit finding; or
- (3) another source indicating that a misappropriation has occurred;

shall immediately send written notice of the misappropriation to the state board of accounts and the prosecuting attorney serving in the area governed by the political subdivision."

***TOWNSHIP BOARD MINUTES MISSING***

*Condition and Context*

Some Township Board minutes were provided for 2017 meetings; however, minutes for meetings held between February 21, 2017 and October 26, 2017, were missing. The 2017 minutes for Township Board meetings after October 26, 2017, were also missing. The missing minutes were not retained as a record of the Township.

*Criteria*

Indiana Code 36-6-6-8 states:

"The legislative body shall keep a permanent record of its proceedings in a book furnished by the executive. The secretary of the legislative body shall, under the direction of the legislative body, record the minutes of the proceedings of each meeting in full and shall provide copies of the minutes to each member of the legislative body before the next meeting is convened. After the minutes are approved by the legislative body, the secretary of the legislative body shall place the minutes in the permanent record book. The chair of the legislative body shall retain the record in the chair's custody."

LIBERTY TOWNSHIP, ST. JOSEPH COUNTY  
EXIT CONFERENCE

The contents of this report were discussed via telephone on May 27, 2020, with Sue Dittmar, Trustee, and Tom McCormick, Chairman of the Township Board.