

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

DUDLEY TOWNSHIP

HENRY COUNTY, INDIANA

January 1, 2010 to December 31, 2010



FILED

11/15/2011

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OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|-----------------------------------|------------------------------|--|
| Trustee | Linda Edwards Abby Snyder | 01-01-10 to 03-31-10 04-01-10 to 12-31-14 |
| Chairman of the Township Board | Sue Claar | 01-01-10 to 12-31-11 |



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF DUDLEY TOWNSHIP, HENRY COUNTY, INDIANA

We have examined the financial statement of Dudley Township (Township), for the period of January 1, 2010 to December 31, 2010. The Township's management is responsible for the financial statement. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial statement and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis noted above is a different basis than that used in the prior year.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the Township for the year ended December 31, 2010, on the basis of accounting described in Note 1.

The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the examination procedures applied to the financial statement and, accordingly, we express no opinion on them.

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

STATE BOARD OF ACCOUNTS

August 25, 2011

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FINANCIAL STATEMENT

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

DUDLEY TOWNSHIP, HENRY COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2010

| | Cash and Investments 01-01-10 | Receipts | Disbursements | Cash and Investments 12-31-10 |
|---------------------|-------------------------------------|------------------|------------------|-------------------------------------|
| Township | \$ 16,654 | \$ 7,548 | \$ 15,257 | \$ 8,945 |
| Township Assistance | 2,936 | 2,224 | 1,117 | 4,043 |
| Fire Fighting | (15,264) | 26,049 | 12,168 | (1,383) |
| Cumulative Fire | 31,011 | - | 7,846 | 23,165 |
| Levy Excess | - | 52 | - | 52 |
| Rainy Day | - | 7,846 | - | 7,846 |
| Totals | <u>\$ 35,337</u> | <u>\$ 43,719</u> | <u>\$ 36,388</u> | <u>\$ 42,668</u> |

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

DUDLEY TOWNSHIP, HENRY COUNTY
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The Township was established under the laws of the State of Indiana. The Township operates under a township trustee/township board form of government and provides some or all of the following services: public safety (fire), health and social services (township assistance), culture and recreation (parks and/or community centers), and general administrative services (weed and dog control).

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

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

C. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

D. Receipts

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts may include, but are not limited to, the following sources:

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, 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, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, and riverboat receipts received from the county.

DUDLEY TOWNSHIP, HENRY COUNTY
NOTES TO FINANCIAL STATEMENT
(Continued)

Charges for services which can include, but are not limited to the following: rental fees.

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 may include, but are not limited to, the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service principal and interest which include fixed obligations resulting from financial transactions previously entered into by the Township. It includes all expenditures for the reduction of the principal and interest of the Township's general obligation indebtedness.

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.

DUDLEY TOWNSHIP, HENRY COUNTY
NOTES TO FINANCIAL STATEMENT
(Continued)

G. Fund Accounting

Separate funds are established, maintained, and reported by the Township. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the Township. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the Township in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the Township submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the Township in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

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.

DUDLEY TOWNSHIP, HENRY COUNTY
NOTES TO FINANCIAL STATEMENT
(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 statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the Township by recording as a disbursement and replacement items purchased.

SUPPLEMENTARY INFORMATION – UNAUDITED

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

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Annual Report of the Township which is referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the examination. This is a common occurrence in any financial statement examination. The financial information presented in this report is examined information, and the accuracy of such information can be determined by reading the opinion given in the Independent Accountant's Report.

The supplementary information presented was prepared and/or approved by management of the Township. It is presented as intended by the Township.

DUDLEY TOWNSHIP, HENRY COUNTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010

| | Township | Township Assistance | Fire Fighting | Cumulative Fire | Levy Excess | Rainy Day | Totals |
|--|-----------------|------------------------|-------------------|--------------------|----------------|-----------------|------------------|
| Cash and investments - beginning | \$ 16,654 | \$ 2,936 | \$ (15,264) | \$ 31,011 | \$ - | \$ - | \$ 35,337 |
| Receipts: | | | | | | | |
| Taxes | 6,549 | 2,224 | 7,540 | - | - | - | 16,313 |
| Other receipts | 999 | - | 18,509 | - | 52 | 7,846 | 27,406 |
| Total receipts | <u>7,548</u> | <u>2,224</u> | <u>26,049</u> | <u>-</u> | <u>52</u> | <u>7,846</u> | <u>43,719</u> |
| Disbursements: | | | | | | | |
| Personal services | 11,159 | - | - | - | - | - | 11,159 |
| Supplies | 222 | - | - | - | - | - | 222 |
| Other services and charges | 3,664 | 132 | 12,168 | - | - | - | 15,964 |
| Capital outlay | 212 | - | - | - | - | - | 212 |
| Other disbursements | - | 985 | - | 7,846 | - | - | 8,831 |
| Total disbursements | <u>15,257</u> | <u>1,117</u> | <u>12,168</u> | <u>7,846</u> | <u>-</u> | <u>-</u> | <u>36,388</u> |
| Excess (deficiency) of receipts over disbursements | <u>(7,709)</u> | <u>1,107</u> | <u>13,881</u> | <u>(7,846)</u> | <u>52</u> | <u>7,846</u> | <u>7,331</u> |
| Cash and investments - ending | <u>\$ 8,945</u> | <u>\$ 4,043</u> | <u>\$ (1,383)</u> | <u>\$ 23,165</u> | <u>\$ 52</u> | <u>\$ 7,846</u> | <u>\$ 42,668</u> |

DUDLEY TOWNSHIP, HENRY COUNTY
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2010

The Township has entered into the following debt:

| Description of Debt | Ending Principal Balance | Principal and Interest Due Within One Year |
|--------------------------|--------------------------------|---|
| Governmental activities: | | |
| Emergency Fire Loan | \$ <u>18,625</u> | \$ <u>19,575</u> |

DUDLEY TOWNSHIP, HENRY COUNTY
EXAMINATION RESULTS AND COMMENTS

PERSONAL EXPENDITURES

Linda Edwards, Township Trustee, paid \$105 on January 20, 2010, for a membership at Sam's Club. The membership was purchased in her name. The Township made no purchases from Sam's Club for the entire year of 2010. Linda Edwards, former Trustee, resigned from her position as Trustee on March 31, 2010, and did not give the membership card to the incoming Trustee.

We requested that Linda Edwards, former Trustee, refund to the Township the cost of the membership of \$105. (See Summary, page 16)

In addition, Linda Edwards, former Trustee, purchased 100 postage stamps for \$44 on January 16, 2010; however, these stamps were not remitted to the incoming Trustee on March 31, 2010. (See Summary, page 16)

We requested Linda Edwards, former Trustee, refund the cost of the postage stamps purchased or to remit to the Township the postage remaining at March 31, 2010.

On August 23, 2011, Linda Edwards, former Trustee, reimbursed the Township for the membership to Sam's Club in the amount of \$105 and remitted 100 postage stamps to the current Trustee.

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

ADVANCE PAYMENTS

Dates of transactions indicate that numerous payments of salary and rent were made to the Trustee prior to the receipt of goods or services.

Compensation and any other payments for goods and services should not be paid in advance of receipt of the goods or services unless specifically authorized by statute. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

OVERDRAWN FUND BALANCES

The fund balance of the Fire Fighting Fund was overdrawn at December 31, 2010, by \$1,383.

The fund balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

DUDLEY TOWNSHIP, HENRY COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 25, 2011, with Abby Snyder, Trustee. The official concurred with our findings.

The contents of this report were discussed on August 25, 2011, with Linda Edwards, former Trustee.

DUDLEY TOWNSHIP, HENRY COUNTY
SUMMARY

| | Charges | Credits | Balance Due |
|--|---------|---------|-------------|
| Linda Edwards, former Trustee: | | | |
| Personal Expenditures, page 14 | | | |
| Sam's Club Membership, page 14 | \$ 105 | | \$ |
| Repaid by Linda Edwards, August 25, 2011 | | 105 | - |
| Postage Stamps, page 14 | 44 | | |
| Remitted to Township by Linda Edwards | | | |
| Roll of Postage Stamps, August 23, 2011 | | 44 | - |
| Totals | \$ 149 | \$ 149 | \$ - |