

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

MADISON TOWNSHIP

CARROLL COUNTY, INDIANA

January 1, 2010 to December 31, 2011



FILED

06/22/2012

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OFFICIALS

Office

Official

Term

Trustee

Dwaine Ward

01-01-07 to 12-31-14

Chairman of the
Township Board

Dee Humbarger

01-01-10 to 12-31-12



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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 ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF MADISON TOWNSHIP, CARROLL COUNTY, INDIANA

We have examined the financial statements of Madison Township (Township), for the period of January 1, 2010 to December 31, 2011. The Township's management is responsible for the financial statements. 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 statements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Township for the years ended December 31, 2010 and 2011, on the basis of accounting described in Note 1.

The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statements. They have not been subjected to the examination procedures applied to the financial statements 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, others within the entity 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

May 1, 2012

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FINANCIAL STATEMENTS

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.

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

Fund	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
Township	\$ 38,781	\$ 2,721	\$ 11,203	\$ 30,299
Township Assistance	10,617	2,821	600	12,838
Fire Fighting	65,021	9,357	15,785	58,593
Cumulative Fire	<u>106,530</u>	<u>6,352</u>	<u>-</u>	<u>112,882</u>
Totals	<u>\$ 220,949</u>	<u>\$ 21,251</u>	<u>\$ 27,588</u>	<u>\$ 214,612</u>

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

MADISON TOWNSHIP, CARROLL COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2011

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
Township	\$ 30,299	\$ 12,433	\$ 36,415	\$ 6,317
Township Assistance	12,838	3,248	1,085	15,001
Fire Fighting	58,593	25,361	-	83,954
Rainy Day	-	2,521	-	2,521
Levy Excess	-	185	-	185
Cumulative Fire	<u>112,882</u>	<u>3,466</u>	<u>116,318</u>	<u>30</u>
Totals	<u>\$ 214,612</u>	<u>\$ 47,214</u>	<u>\$ 153,818</u>	<u>\$ 108,008</u>

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

MADISON TOWNSHIP, CARROLL 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 (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 statements are 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 statements. The aggregate receipts may 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, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the Township.

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

MADISON TOWNSHIP, CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statements. The aggregate disbursements may include 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.

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

SUPPLEMENTARY INFORMATION – UNAUDITED

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

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

	<u>Township</u>	<u>Township Assistance</u>	<u>Fire Fighting</u>	<u>Cumulative Fire</u>	<u>Totals</u>
Cash and investments - beginning	\$ 38,781	\$ 10,617	\$ 65,021	\$ 106,530	\$ 220,949
Receipts:					
Taxes	2,609	2,821	9,357	6,352	21,139
Other receipts	<u>112</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>112</u>
Total receipts	<u>2,721</u>	<u>2,821</u>	<u>9,357</u>	<u>6,352</u>	<u>21,251</u>
Disbursements:					
Personal services	5,777	-	-	-	5,777
Supplies	189	-	-	-	189
Other services and charges	5,237	-	15,785	-	21,022
Other disbursements	<u>-</u>	<u>600</u>	<u>-</u>	<u>-</u>	<u>600</u>
Total disbursements	<u>11,203</u>	<u>600</u>	<u>15,785</u>	<u>-</u>	<u>27,588</u>
Excess (deficiency) of receipts over disbursements	<u>(8,482)</u>	<u>2,221</u>	<u>(6,428)</u>	<u>6,352</u>	<u>(6,337)</u>
Cash and investments - ending	<u>\$ 30,299</u>	<u>\$ 12,838</u>	<u>\$ 58,593</u>	<u>\$ 112,882</u>	<u>\$ 214,612</u>

MADISON TOWNSHIP, CARROLL COUNTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011

	Township	Township Assistance	Fire Fighting	Rainy Day	Levy Excess	Cumulative Fire	Totals
Cash and investments - beginning	\$ 30,299	\$ 12,838	\$ 58,593	\$ -	\$ -	\$ 112,882	\$ 214,612
Receipts:							
Taxes	983	1,035	25,127	2,521	-	3,436	33,102
Intergovernmental	2,000	2,213	234	-	-	30	4,477
Other receipts	9,450	-	-	-	185	-	9,635
Total receipts	<u>12,433</u>	<u>3,248</u>	<u>25,361</u>	<u>2,521</u>	<u>185</u>	<u>3,466</u>	<u>47,214</u>
Disbursements:							
Personal services	16,979	-	-	-	-	-	16,979
Supplies	1,186	-	-	-	-	-	1,186
Other services and charges	18,250	1,085	-	-	-	-	19,335
Other disbursements	-	-	-	-	-	116,318	116,318
Total disbursements	<u>36,415</u>	<u>1,085</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>116,318</u>	<u>153,818</u>
Excess (deficiency) of receipts over disbursements	<u>(23,982)</u>	<u>2,163</u>	<u>25,361</u>	<u>2,521</u>	<u>185</u>	<u>(112,852)</u>	<u>(106,604)</u>
Cash and investments - ending	<u>\$ 6,317</u>	<u>\$ 15,001</u>	<u>\$ 83,954</u>	<u>\$ 2,521</u>	<u>\$ 185</u>	<u>\$ 30</u>	<u>\$ 108,008</u>

MADISON TOWNSHIP, CARROLL COUNTY
EXAMINATION RESULTS AND COMMENTS

OFFICIAL BOND

The following official bond was not filed in the Office of the County Recorder:

Dwaine Ward, Trustee

Indiana Code 5-4-1-5.1(b) states in part: "Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder . . ."

SUPPORTING DOCUMENTATION

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

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

CONTRACTS

The Township paid a fire protection fee of \$ 12,027 to the Delphi Fire Territory in 2010. The Township also paid \$3,000 to Citizens Cemetery in 2010 and 2011 for mowing. These payments were made without a contract.

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

The Township did not comply with directives of the Internal Revenue Service related to the issuance of W-2 or 1099 forms for 2010 or 2011.

The Trustee was paid a salary of \$3,300 in 2010 and \$3,271 in 2011 and Clerk, Geri Ward, was paid a salary of \$502 each year. No W-2 forms were issued for these salary payments.

MADISON TOWNSHIP, CARROLL COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

The Trustee was paid \$1,100 rent in 2010 and 2011. Form 1099 was not filed for 2010 or 2011 in order to report these payments to the Internal Revenue Service.

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

PRESCRIBED FORMS

The Township did not complete a Resolution Establishing Salaries of Township Officers and Employees (Form 17) or pass a salary resolution. Furthermore, there was no mention of the setting of annual salaries in the Board minutes. Consequently the salaries of the Trustee, Clerk, and Board members could not be verified.

IC 36-6-6-10 requires the township board to set the salaries; wages; rates of hourly pay; and remuneration other than statutory allowances of all township officials and employees, except assessing officials, and employees, for the year 1985 and each year thereafter. However, please remember the township board should RECORD THE SALARIES SO FIXED IN THE TOWNSHIP BOARD MINUTES. A type of format for recording these salaries should be the existing format of Township Form No. 17. We recommend the board set the salaries of township officials and employees, in conjunction with the preparation and completion of the township budget. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 2)

APPROPRIATIONS

The following expenditures exceeded budgeted appropriations in 2010 and 2011:

Fund	Year	Excess Amount Expended
Fire Fighting	2010	\$ 285
Fire Fighting	2011	176
Cumulative Fire	2011	115,322

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

MADISON TOWNSHIP, CARROLL COUNTY
EXIT CONFERENCE

The contents of this report were discussed on May 1, 2012, with Dwaine Ward, Trustee. The official concurred with our findings.