

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

GREEN TOWNSHIP

MADISON COUNTY, INDIANA

January 1, 2010 to December 31, 2011



FILED
11/14/2012

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Greg Valentine	01-01-07 to 12-31-14
Chairman of the Township Board	Jerry Magnus	01-01-10 to 12-31-12



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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the accompanying financial statements of Green Township (Township), for the years ended December 31, 2010 and 2011. The financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on the financial statements 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, 2011 and 2012, on the basis of accounting described in Note 1.

Our examination was conducted for the purpose of forming an opinion on the Township's financial statements. 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, and 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

October 9, 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.

GREEN TOWNSHIP, MADISON 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	\$ (13,529)	\$ 37,408	\$ 28,841	\$ (4,962)
Township Assistance	(14,044)	57,865	51,022	(7,201)
Fire Fighting	57,074	197,106	100,047	154,133
Cumulative Fire	77,045	30,636	74,914	32,767
Levy Excess	-	262	-	262
Rainy Day	-	150	-	150
Totals	<u>\$ 106,546</u>	<u>\$ 323,427</u>	<u>\$ 254,824</u>	<u>\$ 175,149</u>

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

GREEN TOWNSHIP, MADISON 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	\$ (4,962)	\$ 29,297	\$ 27,937	\$ (3,602)
Township Assistance	(7,201)	22,967	21,319	(5,553)
Fire Fighting	154,133	68,697	119,185	103,645
Rainy Day	150	-	-	150
Levy Excess	262	-	262	-
Cumulative Fire	32,767	20,077	31,898	20,946
Totals	<u>\$ 175,149</u>	<u>\$ 141,038</u>	<u>\$ 200,601</u>	<u>\$ 115,586</u>

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

GREEN TOWNSHIP, MADISON 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 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 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 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: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling

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

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 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 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.

GREEN TOWNSHIP, MADISON 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.

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

Note 6. Restatements and Reclassifications

For the year ended December 31, 2009, certain changes have been made to the financial statements to more appropriately reflect financial activity of the Township. The following schedule presents a summary of restated beginning balances by opinion unit. Prior period adjustments represent:

<u>Fund</u>	<u>Balance as Reported December 31, 2009</u>	<u>Prior Period Adjustments</u>	<u>Balance as Restated January 1, 2010</u>
Fire Fighting	<u>\$ 52,508</u>	<u>\$ 4,566</u>	<u>\$ 57,074</u>

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SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Township's 2010 Annual Report can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

For additional financial information, the Township's 2011 Annual 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 statements contained in this report and the financial information presented in the Annual Reports of the Township which are 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 approved by management of the Township. It is presented as intended by the Township.

GREEN TOWNSHIP, MADISON 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	\$ (13,529)	\$ (14,044)	\$ 57,074	\$ 77,045	\$ -	\$ -	\$ 106,546
Receipts:							
Taxes	36,925	56,155	57,786	30,627	-	-	181,493
Charges for services	-	-	135,289	-	-	-	135,289
Other receipts	483	1,710	4,031	9	262	150	6,645
Total receipts	<u>37,408</u>	<u>57,865</u>	<u>197,106</u>	<u>30,636</u>	<u>262</u>	<u>150</u>	<u>323,427</u>
Disbursements:							
Personal services	14,098	2,157	-	-	-	-	16,255
Supplies	849	-	-	-	-	-	849
Other services and charges	13,894	8,387	100,047	-	-	-	122,328
Capital outlay	-	-	-	74,914	-	-	74,914
Other disbursements	-	40,478	-	-	-	-	40,478
Total disbursements	<u>28,841</u>	<u>51,022</u>	<u>100,047</u>	<u>74,914</u>	<u>-</u>	<u>-</u>	<u>254,824</u>
Excess (deficiency) of receipts over disbursements	<u>8,567</u>	<u>6,843</u>	<u>97,059</u>	<u>(44,278)</u>	<u>262</u>	<u>150</u>	<u>68,603</u>
Cash and investments - ending	<u>\$ (4,962)</u>	<u>\$ (7,201)</u>	<u>\$ 154,133</u>	<u>\$ 32,767</u>	<u>\$ 262</u>	<u>\$ 150</u>	<u>\$ 175,149</u>

GREEN TOWNSHIP, MADISON 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	\$ (4,962)	\$ (7,201)	\$ 154,133	\$ 150	\$ 262	\$ 32,767	\$ 175,149
Receipts:							
Taxes	25,650	16,910	40,050	-	-	18,152	100,762
Intergovernmental	2,487	4,916	28,120	-	-	1,925	37,448
Other receipts	1,160	1,141	527	-	-	-	2,828
Total receipts	<u>29,297</u>	<u>22,967</u>	<u>68,697</u>	<u>-</u>	<u>-</u>	<u>20,077</u>	<u>141,038</u>
Disbursements:							
Personal services	13,589	2,123	-	-	-	-	15,712
Supplies	289	-	-	-	-	-	289
Other services and charges	14,059	19,196	119,185	-	-	-	152,440
Capital outlay	-	-	-	-	-	31,898	31,898
Other disbursements	-	-	-	-	262	-	262
Total disbursements	<u>27,937</u>	<u>21,319</u>	<u>119,185</u>	<u>-</u>	<u>262</u>	<u>31,898</u>	<u>200,601</u>
Excess (deficiency) of receipts over disbursements	<u>1,360</u>	<u>1,648</u>	<u>(50,488)</u>	<u>-</u>	<u>(262)</u>	<u>(11,821)</u>	<u>(59,563)</u>
Cash and investments - ending	<u>\$ (3,602)</u>	<u>\$ (5,553)</u>	<u>\$ 103,645</u>	<u>\$ 150</u>	<u>\$ -</u>	<u>\$ 20,946</u>	<u>\$ 115,586</u>

GREEN TOWNSHIP, MADISON COUNTY
EXAMINATION RESULTS AND COMMENTS

TRANSACTION RECORDING

In 2010, the Township closed a fire escrow account held at Madison County Courthouse in the amount of \$135,289.04, of which only \$43,387.61 was recorded into the Township's ledger. The Township's records did not include a receipt for entire distribution from Madison County, which required an adjustment of \$91,901.43. Along with the distribution from the fire escrow, the Township cashed in a Certificate of Deposit (CD) for \$69,449.08. The Township did not receipt the proceeds from the sale of this investment, but only receipted \$3,361.35 in interest. The Township used the excess distribution from the fire escrow not receipted into the ledgers, along with the remaining proceeds from the CD to purchase a new CD in the amount of \$158,000. Lastly, based on the documentation provided, the total of the accounts that were cashed in at the bank was \$204,738.12; however, the amount that was deposited into the bank, either in the checking account or the new CD, was \$204,748.96 resulting in \$10.84 more being deposited than documented. The reason for this immaterial variance was not identified.

Additionally, the beginning fund balances reported on the 2010 were not materially accurate. In the annual report, the beginning balance of the CD was in the Township Fund, however, it should have been in the Fire Fighting Fund, resulting in a required adjustment, reducing the balance of the Township Fund and increasing the balance of the Fire Fighting Fund by \$61,521.57, with a net effect of zero to the overall beginning balance. The records also did not include the prior year accumulated interest of the cashed in CD, which required an adjustment of \$4,566.16 to the beginning balance of the Fire Fighting Fund.

The table below identifies the activities for these transactions:

	<u>Cashed in CDs</u>	<u>Deposited in Bank</u>	<u>Receipted in Ledger</u>	<u>Not Recorded on Ledger (req. adj.)</u>
Fire Escrow	\$ 135,289.04	\$ 43,387.61	\$ 43,387.61	\$ 91,901.43
First Merchants (prin)	61,521.57	ALREADY INCLUDED IN LEDGER AND BANK BALANCE		
First Merchants (int)	<u>7,927.51</u>	<u>3,361.35</u>	<u>3,361.35</u>	<u>4,566.16</u>
Totals	<u>\$ 204,738.12</u>	<u>46,748.96</u>	<u>\$ 46,748.96</u>	<u>\$ 96,467.59</u>
 New CD		<u>158,000.00</u>		
 Total		<u>\$ 204,748.96</u>		

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

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

PENALTIES AND INTEREST

The Township did not file their 941 Forms, Employer's Quarterly Federal Tax Return, to the Internal Revenue Service until February 14, 2012, for the last quarter of 2006 through the last quarter of 2011. Penalties and interest totaling \$964.50 were paid to the Internal Revenue Service during 2012 for prior periods. Trustee personally paid \$621.64 for penalties and interest accrued.

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 governmental 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 governmental unit.

DEPOSIT OF PUBLIC FUNDS

It was identified that the Trustee was not making deposits on or before the first and fifteenth day of each month. Fifteen instances were identified in which money was held for over 30 days before being deposited into the bank, two of which were held for over 100 days.

Indiana Code 5-13-6-1(c) states in part: ". . . The public funds collected by township trustees shall be deposited in the designated depository on or before the first and fifteenth day of each month. . . ."

OVERDRAWN FUND BALANCES

The Township fund and Township Assistance fund were overdrawn in 2010 and 2011.

The 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)

GREEN TOWNSHIP, MADISON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 9, 2012, with Greg Valentine, Trustee. The official concurred with our findings.