

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

MARION TOWNSHIP

PIKE COUNTY, INDIANA

January 1, 2010 to December 31, 2011



FILED
04/12/2013

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Amy M. Lee Becky Steinhart	01-01-07 to 12-31-10 01-01-11 to 12-31-14
Chairman of the Township Board	Greg Gray	01-01-10 to 12-31-13



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF MARION TOWNSHIP, PIKE COUNTY, INDIANA

We have examined the accompanying financial statements of Marion Township (Township), for the period of January 1, 2010 to December 31, 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 effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. The basis noted above is a different basis than that used in the prior period.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position and results of operations of the Township for the period of January 1, 2010 to December 31, 2011.

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 period of January 1, 2010 to December 31, 2011, 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.

STATE BOARD OF ACCOUNTS

February 14, 2013

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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.

MARION TOWNSHIP, PIKE 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	\$ 4,246	\$ 11,334	\$ 14,260	\$ 1,320
Township Assistance	<u>3,959</u>	<u>7,379</u>	<u>5,438</u>	<u>5,900</u>
Totals	<u>\$ 8,205</u>	<u>\$ 18,713</u>	<u>\$ 19,698</u>	<u>\$ 7,220</u>

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

MARION TOWNSHIP, PIKE 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	\$ 1,320	\$ 12,141	\$ 12,367	\$ 1,094
Township Assistance	<u>5,900</u>	<u>2,132</u>	<u>949</u>	<u>7,083</u>
Totals	<u>\$ 7,220</u>	<u>\$ 14,273</u>	<u>\$ 13,316</u>	<u>\$ 8,177</u>

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

MARION TOWNSHIP, PIKE 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.

MARION TOWNSHIP, PIKE COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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.

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

MARION TOWNSHIP, PIKE COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Township's Annual Reports for years prior to 2011 can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

For additional financial information, the Township's Annual Report information for years 2011 and later 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.

MARION TOWNSHIP, PIKE 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>Totals</u>
Cash and investments - beginning	\$ 4,246	\$ 3,959	\$ 8,205
Receipts:			
Taxes	8,825	4,153	12,978
Other receipts	<u>2,509</u>	<u>3,226</u>	<u>5,735</u>
Total receipts	<u>11,334</u>	<u>7,379</u>	<u>18,713</u>
Disbursements:			
Personal services	5,867	-	5,867
Supplies	700	-	700
Other services and charges	5,193	200	5,393
Other disbursements	<u>2,500</u>	<u>5,238</u>	<u>7,738</u>
Total disbursements	<u>14,260</u>	<u>5,438</u>	<u>19,698</u>
Excess (deficiency) of receipts over disbursements	<u>(2,926)</u>	<u>1,941</u>	<u>(985)</u>
Cash and investments - ending	<u>\$ 1,320</u>	<u>\$ 5,900</u>	<u>\$ 7,220</u>

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

	<u>Township</u>	<u>Township Assistance</u>	<u>Totals</u>
Cash and investments - beginning	\$ 1,320	\$ 5,900	\$ 7,220
Receipts:			
Taxes	11,213	1,823	13,036
Intergovernmental	791	147	938
Other receipts	<u>137</u>	<u>162</u>	<u>299</u>
Total receipts	<u>12,141</u>	<u>2,132</u>	<u>14,273</u>
Disbursements:			
Personal services	5,872	-	5,872
Supplies	207	-	207
Other services and charges	6,288	949	7,237
Other disbursements	<u>-</u>	<u>-</u>	<u>-</u>
Total disbursements	<u>12,367</u>	<u>949</u>	<u>13,316</u>
Excess (deficiency) of receipts over disbursements	<u>(226)</u>	<u>1,183</u>	<u>957</u>
Cash and investments - ending	<u>\$ 1,094</u>	<u>\$ 7,083</u>	<u>\$ 8,177</u>

MARION TOWNSHIP, PIKE COUNTY
EXAMINATION RESULTS AND COMMENTS

CONDITION OF RECORDS

The following deficiencies relating to the recordkeeping were noted:

1. The Financial and Appropriation Record contained a considerable number of posting errors, classification errors, and receipts not posted to the proper funds.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

2. The Financial and Appropriation Record was maintained in pencil.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

3. Payments were observed which did not contain adequate supporting documentation such as receipts and invoices. Payments made under contract for mowing services were not supported by a contract, and no supporting documentation was presented to reflect the dates when services were rendered. Due to lack of supporting information, the validity and accountability for some monies disbursed could not be established.

Supporting documentation such as receipts, cancelled checks, tickets, invoices, bills, contracts, and other public records must be available for examination 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)

4. Records presented for examination indicated payments were made to vendors for rescue and fire protection and mowing in 2011 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)

A similar comment appeared in prior reports.

BOARD MINUTES

Not all minutes of meetings of the governing body were available for examination.

The Trustee in office during 2010 did not pass on the minutes to the new Trustee. Multiple attempts were made to get records from the prior Trustee to no avail.

MARION TOWNSHIP, PIKE COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

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 chairman of the legislative body shall retain the record in his custody."

Indiana Code 5-15-6-3(f) states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

LIST OF EMPLOYEES NOT FILED WITH COUNTY TREASURER

Officials or employees of the Township had money due from the Township, but a list of such employees was not certified to the County Treasurer for 2010 and 2011.

A similar comment appeared in the prior report.

Indiana Code 6-1.1-22-14(a) states in part: "On or before June 1 and December 1 of each year . . . the township executive . . . shall certify the name and address of each person who has money due the person from the political subdivision to the treasurer of each county in which the political subdivision is located."

OFFICIAL BOND

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

Becky Steinhart, Trustee for 2011

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 . . ."

DEPOSIT OF PUBLIC FUNDS

We noted instances where the Trustee made deposits only once a month.

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."

PENALTIES AND INTEREST

Penalties and interest totaling \$25 were paid to the Internal Revenue Service on July 29, 2011, for the first quarter payroll withholding of 2011.

The current Trustee began her term on January 1, 2011, and was unaware of the filing requirements for withholding deduction remittances.

MARION TOWNSHIP, PIKE COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

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.

Any penalties, interest or other charges 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)

PRESCRIBED FORMS

The following prescribed forms were not in use or were not maintained in the manner prescribed:

Township Form IC - Financial and Appropriation Record was not maintained in the manner prescribed. The official record was maintained in pencil, and contained posting and numerous mathematical errors. Some disbursement transactions were not posted to the proper fund. The detail transactions were not in agreement with the control. The approved appropriations were not posted to the Financial and Appropriation Record.

Township Form 15 - Annual Financial Reports were incomplete, did not reflect the financial transactions of all the funds, contained mathematical errors, and was filed late

General Form 99B - Employee Earnings Records were not presented for examination.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

A similar comment appeared in the prior report.

DISBURSEMENTS

As reported in prior Report B36959, disbursements were not always posted to the proper funds. For example, per the ledger description, 32 percent of the worker's compensation insurance premium was paid from the Township Fund and 68 percent was paid from the Township Assistance Fund. No salary or wages were paid from the Township Assistance Fund for the three year examination period of 2007, 2008, 2009, and no assistance recipients performed any services for the Township. Two thousand one hundred dollars (\$2,100) in worker's compensation insurance premiums were erroneously paid from the Township Assistance Fund.

MARION TOWNSHIP, PIKE COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

The error had not been corrected as of February 7, 2013.

Payments or transfers which are not authorized by statute, ordinance, resolution or court order must be reimbursed or transferred to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

PAYROLL DEDUCTIONS

Payroll withholdings were incorrectly calculated for the year 2011. The unit withheld 6.2 percent on employees' pay for the social security withholding and the actual rate was 4.2 percent, which resulted in an underpayment to employees.

However, the W2's were properly prepared with the full amount of salary and the proper withholding amounts.

The unit calculated the payroll deduction withholding for the Township Board members in 2011 and 2012 but the withholding amounts were not submitted to the appropriate authorities.

The unit should contact the Internal Revenue Service for advice in correcting the payroll issues.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

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)

MARION TOWNSHIP, PIKE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on February 14, 2013, with Becky Steinhart, Trustee. The official concurred with our findings.