

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

EXAMINATION REPORT  
OF  
RAY TOWNSHIP  
MORGAN COUNTY, INDIANA  
January 1, 2004 to December 31, 2006



**FILED**  
10/04/2007



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Timothy Surber Ronald Burnett	01-01-03 to 12-31-06 01-01-07 to 12-31-07
Chairman of the Township Board	Michael Wilson Hubert Grow	01-01-03 to 12-31-06 01-01-07 to 12-31-07



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF RAY TOWNSHIP, MORGAN COUNTY, INDIANA

We have examined the financial information presented herein of Ray Township (Township), for the period of January 1, 2004 to December 31, 2006. The Township's management is responsible for the financial information presented herein. 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 information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the Township for the years ended December 31, 2004, 2005, and 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

June 21, 2007

RAY TOWNSHIP, MORGAN COUNTY  
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES  
As Of And For The Years Ended December 31, 2004, 2005, And 2006

	Cash and Investments 01-01-04	Receipts	Disbursements	Cash and Investments 12-31-04
Governmental Funds:				
Township	\$ 50,406	\$ 28,678	\$ 10,341	\$ 68,743
Dog	467	144	167	444
Township Assistance	16,855	6,457	2,320	20,992
Firefighting	6,921	4,386	-	11,307
Cumulative Fire	8,235	8,129	-	16,364
Fiduciary Fund:				
Payroll Withholdings	942	-	942	-
Totals	<u>\$ 83,826</u>	<u>\$ 47,795</u>	<u>\$ 13,770</u>	<u>\$ 117,851</u>

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
Township	\$ 68,743	\$ 32,830	\$ 19,632	\$ 81,941
Dog	444	128	144	428
Township Assistance	20,992	5,542	6,282	20,252
Firefighting	11,307	14,009	19,000	6,316
Cumulative Fire	16,364	7,697	-	24,061
Totals	<u>\$ 117,851</u>	<u>\$ 60,206</u>	<u>\$ 45,058</u>	<u>\$ 132,999</u>

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
Township	\$ 81,941	\$ 1,253	\$ 11,367	\$ 71,826
Dog	428	211	133	506
Township Assistance	20,252	-	1,842	18,410
Firefighting	6,316	14,893	9,800	11,409
Cumulative Fire	24,061	-	24,051	10
Totals	<u>\$ 132,999</u>	<u>\$ 16,357</u>	<u>\$ 47,194</u>	<u>\$ 102,162</u>

The accompanying notes are an integral part of the financial information.

RAY TOWNSHIP, MORGAN COUNTY  
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The Township was established under the laws of the State of Indiana. The Township provides the following services: public safety, health and social services, and general administrative services.

Note 2. Fund Accounting

The Township uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Township in June and December. 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% 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 become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the Township on or prior to December 31, 2005. The Township did not meet to fix a budget, tax rate or tax levy for the years 2005 and 2006. Consequently, no budget was adopted by the Township, and no general property tax rate was granted for the property tax year 2005, payable in 2006.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were 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 statute (IC 5-13-9) authorizes 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.

RAY TOWNSHIP, MORGAN COUNTY  
EXAMINATION RESULTS AND COMMENTS

PREScribed FORMS

The following prescribed forms were not in use:

- Township Form 16: Township Trustees Receipts
- Township Form 17: Resolution Recommending Salaries of  
Township Officers and Employees
- General Form 369: Capital Asset Ledger
- Township Assistance Form TA-2: General Purchase Order Form

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)

ANNUAL REPORT

Annual reports for 2004 and 2005 were not presented for examination.

Indiana Code 5-11-1-4(a) concerning annual reports, states in part: ". . . these reports shall be prepared, verified, and filed with the state examiner within thirty (30) days after the close of each fiscal year."

DISBURSEMENT DOCUMENTATION

Several payments were observed which did not contain adequate supporting documentation such as receipts and invoices.

Due to the lack of supporting information, the validity and accountability for some monies 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)

CONDITION OF RECORDS

Financial records presented for examination were incomplete and not reflective of the activity of the Township Assistance Fund. The records presented did not provide sufficient information to establish beginning balances, receipts, disbursements, ending balances, or to verify the accuracy or correctness of the transactions.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

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)

RAY TOWNSHIP, MORGAN COUNTY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

PAYROLL DEDUCTIONS

Payments to employees after the first quarter of 2005 were made without payroll deductions for taxes. Additionally, records presented for examination indicated that no W2s or 1099s were issued.

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)

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)

UNAPPROVED BUDGET

The Township Board did not meet to fix a budget, tax rate or tax levy for the years 2005 and 2006. As a result, an operating budget was not requested from and approval was not granted by the Indiana Department of Local Government Finance for the years 2005 and 2006. Consequently, during the years 2005 and 2006, the Township was required to operate under the limits of the approved 2004 budget. Furthermore, since no budget was adopted by the Township, no general property tax rate was granted for the property tax year 2005, payable in 2006.

Indiana Code 6-1.1-17-5 states in part: "(a) The officers of political subdivisions shall meet each year to fix the budget, tax rate, and tax levy of their respective subdivisions for the ensuing budget year . . . (f) If a fiscal body does not fix the budget, tax rate, and tax levy of the political subdivisions for the ensuing budget year as required under this section, the most recent annual appropriations and annual tax levy are continued for the ensuing budget year."

COMPENSATION AND BENEFITS

Former Trustee, Timothy Surber, received \$1,353.21 in compensation and \$475.00 for office rental during the years 2005 and 2006 in excess of the amount budgeted for 2004, the last legally approved budget, for Trustee compensation and rent, respectively. Additionally, former assistant Trustee, Lisa P. Surber, received \$238.52 in compensation during the years 2005 and 2006 in excess of the amount budgeted for the position. Timothy Surber was requested to reimburse the amount of \$1,828.21 for compensation and office rent in excess of the amount budgeted; Lisa P. Surber was requested to reimburse \$238.52 for compensation in excess of the amount budgeted. Timothy Surber and Lisa P. Surber have made reimbursement in full. (See Summary, page 10)

RAY TOWNSHIP, MORGAN COUNTY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

Township Board members, Hubert Grown, Michael Wilson and Dwight Schneck were underpaid a net of \$300.00. The Township Board members received no compensation in 2005 and were paid in excess of the 2004 budgeted amount during 2006. The current Trustee was requested to compensate the Township Board members for the amount underpaid.

	Last Approved Budget 2004	2005 Cash Disbursements	Underpayment (Overpayment)	2006 Cash Disbursements	Underpayment (Overpayment)	Total Underpayment (Overpayment)
Salary of Trustee	\$ 3,450.00	\$ 4,253.21	\$ (803.21)	\$ 4,000.00	\$ (550.00)	\$ (1,353.21)
Salary of Assistant Trustee	1,350.00	1,338.52	11.48	1,600.00	(250.00)	(238.52)
Office rental	1,400.00	1,475.00	(75.00)	1,800.00	(400.00)	(475.00)
Board member, Michael Wilson	500.00	-	500.00	700.00	(200.00)	300.00
Board member, Hubert Grown	500.00	-	500.00	700.00	(200.00)	300.00
Board member, Dwight Schneck	500.00	-	500.00	700.00	(200.00)	300.00

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, and resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 17)

ADDITIONAL EXAMINATION COST

Additional costs were incurred during the current examination due to payroll related issues. The additional time spent to review payroll in more detail totaled 9.5 additional hours. Additional costs totaled \$624.25 (9.5 hours times \$65.71, which is our full cost rate for 2007).

OFFICIAL BOND

A public official bond was obtained for Timothy Surber, former Trustee, for the term beginning December 31, 2004 to December 31, 2008, and until successor is duly qualified.

The surety for this bond was the Western Surety Company and the amount of coverage was \$15,000.

RAY TOWNSHIP, MORGAN COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on June 28, 2007, with Timothy Surber, former Trustee.

The contents of this report were discussed on July 2, 2007, with Ronald Burnett, current Trustee. The official concurred with our findings.

RAY TOWNSHIP, MORGAN COUNTY  
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Timothy Surber, Trustee:			
Compensation and Benefits, pages 7 and 8	\$ 1,828.21	\$	\$
Lisa P. Surber, Assistant Trustee:			
Compensation and Benefits, pages 7 and 8	<u>238.52</u>	<u>2,066.73</u>	<u>-</u>
Totals	<u>\$ 2,066.73</u>	<u>\$ 2,066.73</u>	<u>\$ -</u>