

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

CLAY TOWNSHIP

HENDRICKS COUNTY, INDIANA

January 1, 2010 to December 31, 2011



FILED
10/04/2012

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Clinton Stoutenour	01-01-07 to 12-31-14
Chairman of the Township Board	Dave Estes Dawn Cline	01-01-10 to 12-31-10 01-01-11 to 12-31-12



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF CLAY TOWNSHIP, HENDRICKS COUNTY, INDIANA

We have examined the financial statements of Clay 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, 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

August 27, 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.

CLAY TOWNSHIP, HENDRICKS 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	\$ 4,866	\$ 13,434	\$ 11,811	\$ 6,489
Township Assistance	13,371	3,580	3,760	13,191
Fire Fighting	59,750	82,023	99,630	42,143
Levy Excess	-	150	150	-
Rainy Day	9,756	150	-	9,906
Totals	<u>\$ 87,743</u>	<u>\$ 99,337</u>	<u>\$ 115,351</u>	<u>\$ 71,729</u>

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

CLAY TOWNSHIP, HENDRICKS 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	\$ 6,489	\$ 12,543	\$ 12,456	\$ 6,576
Township Assistance	13,191	3,730	2,551	14,370
Fire Fighting	42,143	77,962	106,880	13,225
Rainy Day	9,906	-	-	9,906
Totals	<u>\$ 71,729</u>	<u>\$ 94,235</u>	<u>\$ 121,887</u>	<u>\$ 44,077</u>

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

CLAY TOWNSHIP, HENDRICKS 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.

CLAY TOWNSHIP, HENDRICKS 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

CLAY TOWNSHIP, HENDRICKS 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. These risks may also be mitigated by the Township by recording as a disbursement any replacement items purchased.

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.

CLAY TOWNSHIP, HENDRICKS 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	Levy Excess	Rainy Day	Totals
Cash and investments - beginning	\$ 4,866	\$ 13,371	\$ 59,750	\$ -	\$ 9,756	\$ 87,743
Receipts:						
Taxes	13,091	3,580	82,023	150	-	98,844
Other receipts	343	-	-	-	150	493
Total receipts	<u>13,434</u>	<u>3,580</u>	<u>82,023</u>	<u>150</u>	<u>150</u>	<u>99,337</u>
Disbursements:						
Personal services	11,351	-	88,630	-	-	99,981
Supplies	207	-	-	-	-	207
Other services and charges	253	-	11,000	-	-	11,253
Other disbursements	-	3,760	-	150	-	3,910
Total disbursements	<u>11,811</u>	<u>3,760</u>	<u>99,630</u>	<u>150</u>	<u>-</u>	<u>115,351</u>
Excess (deficiency) of receipts over disbursements	<u>1,623</u>	<u>(180)</u>	<u>(17,607)</u>	<u>-</u>	<u>150</u>	<u>(16,014)</u>
Cash and investments - ending	<u>\$ 6,489</u>	<u>\$ 13,191</u>	<u>\$ 42,143</u>	<u>\$ -</u>	<u>\$ 9,906</u>	<u>\$ 71,729</u>

CLAY TOWNSHIP, HENDRICKS 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	Totals
Cash and investments - beginning	\$ 6,489	\$ 13,191	\$ 42,143	\$ 9,906	\$ 71,729
Receipts:					
Taxes	7,461	3,316	50,470	-	61,247
Intergovernmental	4,900	414	27,492	-	32,806
Other receipts	182	-	-	-	182
Total receipts	<u>12,543</u>	<u>3,730</u>	<u>77,962</u>	<u>-</u>	<u>94,235</u>
Disbursements:					
Personal services	7,847	-	106,880	-	114,727
Other services and charges	2,789	2,551	-	-	5,340
Other disbursements	1,820	-	-	-	1,820
Total disbursements	<u>12,456</u>	<u>2,551</u>	<u>106,880</u>	<u>-</u>	<u>121,887</u>
Excess (deficiency) of receipts over disbursements	<u>87</u>	<u>1,179</u>	<u>(28,918)</u>	<u>-</u>	<u>(27,652)</u>
Cash and investments - ending	<u>\$ 6,576</u>	<u>\$ 14,370</u>	<u>\$ 13,225</u>	<u>\$ 9,906</u>	<u>\$ 44,077</u>

CLAY TOWNSHIP, HENDRICKS COUNTY
EXAMINATION RESULTS AND COMMENTS

PAYROLL DEDUCTIONS

Payments to the trustee were made without correct payroll deductions for taxes. Based on documentation presented for examination, \$35 per pay was withheld from each pay check for a total of \$420 withheld during each 2010 and 2011. However, the Trustee's W-2s indicated that \$550.80 was withheld during 2010 and \$406.80 was withheld in 2011. The amounts reported on the W-2s are the accurate amounts that were remitted for Social Security and Medicare withholdings; however, the Trustee's portion of these taxes was not appropriately deducted from his pay. A similar comment was noted in prior Report B36496.

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)

OFFICIAL BOND

The 2011 official bond for Township Trustee, Clinton Stoutenour, was not on file in the Office of the County Recorder.

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 . . ."

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 during 2010 and 2011.

Indiana Code 6-1.1-22-14(a) states in part:

"On or before June 1 and December 1 of each year . . . the disbursing officer of each political subdivision and 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."

PRESCRIBED FORMS

The Township did not use prescribed Township Form 17, to approve salaries as required. Salary line items were listed in the approved budget.

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)

CLAY TOWNSHIP, HENDRICKS COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

Indiana Code 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.

Salaries established for any one position should not have multiple classifications i.e., a clerk position should not be annual and hourly and weekly, etc.

Indiana Code 36-6-6-10 (c) provides subject to subsection (d) the township legislative body may reduce the salary of an elected or appointed official. However, the official is entitled to a salary not less than the salary fixed for the first year of the term of office that immediately preceded the current term of office.

Township Form No. 17 (Revised 2008) has been prescribed to fulfill the requirements of the statute. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 2)

OPTICAL IMAGES OF CHECKS

As stated in prior examination Report B36496, the financial institution did not return the actual cancelled checks with the monthly bank statements, but instead returned an optical image of only the front side of the checks.

Indiana Code 5-15-6-3(a) concerning optical imaging of checks states in part:

"... 'original records' includes the optical image of a check or deposit document when:

- (1) the check or deposit document is recorded, copied, or reproduced by an optical imaging process . . . ; and
- (2) the drawer of the check receives an optical image of the check after the check is processed for payment . . ."

Furthermore, Indiana Code 26-2-8-111 states in part:

"(a) If a law requires that certain records be retained, that requirement is met by retaining an electronic record of the information in the record that:

- (1) accurately reflects the information set forth in the record after it was first generated in its final form as an electronic record or otherwise; and
- (2) remains accessible for later reference."

"(e) If a law requires retention of a check, that requirement is satisfied by retention of an electronic record of the information on the front and back of the check in accordance with subsection (a)."

CLAY TOWNSHIP, HENDRICKS COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

***CERTIFIED REPORT OF NAMES, ADDRESSES, DUTIES
AND COMPENSATION OF PUBLIC EMPLOYEES***

The Township did not submit their 2011 and 2012 Form 100Rs timely. The Form 100R is due during the month of January. The Township submitted their 2011 Form 100R on May 11, 2011, and their 2012 Form 100R on May 22, 2012.

Each year during the month of January each township trustee must complete a Certified Report of Names, Addresses, Duties and Compensation of Public Employees Form 100R and send the same properly certified to the State Examiner of the State Board of Accounts. List all officers and employees and business address of the township as of the month of January. Form 100R may be procured from your printer or supply firm. Space is provided for the name of the officer or employee, the address of each, the duties of each, and the compensation. List the compensation per month, week, day or hour. You will need to use more than one form if there are more than 65 officers and employees. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 2)

CLAY TOWNSHIP, HENDRICKS COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 27, 2012, with Clinton Stoutenour, Trustee.