

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

CLAY TOWNSHIP

MORGAN COUNTY, INDIANA

January 1, 2010 to December 31, 2011



**FILED**  
01/25/2013



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	William D. Mitchell	01-01-07 to 12-31-14
Chairman of the Township Board	John Phillips	01-01-10 to 12-31-12



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the accompanying financial statements of Clay 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.

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.

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, Schedule of Payables and Receivables, 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

November 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.

CLAY TOWNSHIP, MORGAN 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	\$ 38,967	\$ 106,813	\$ 97,717	\$ 48,063
Township Assistance	3,007	14,501	8,232	9,276
Fire Fighting	(15,426)	100,075	81,552	3,097
Cumulative Fire	21,846	28,284	736	49,394
Rainy Day	8,507	-	-	8,507
Totals	<u>\$ 56,901</u>	<u>\$ 249,673</u>	<u>\$ 188,237</u>	<u>\$ 118,337</u>

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

CLAY TOWNSHIP, MORGAN 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	\$ 48,063	\$ 54,686	\$ 49,312	\$ 53,437
Township Assistance	9,276	8,454	7,506	10,224
Fire Fighting	3,097	61,134	54,694	9,537
Rainy Day	8,507	-	-	8,507
Cumulative Fire	49,394	18,850	1,075	67,169
Totals	<u>\$ 118,337</u>	<u>\$ 143,124</u>	<u>\$ 112,587</u>	<u>\$ 148,874</u>

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

CLAY TOWNSHIP, MORGAN 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, MORGAN 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.

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.

CLAY TOWNSHIP, MORGAN 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

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/](http://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, MORGAN 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>Rainy Day</u>	<u>Totals</u>
Cash and investments - beginning	\$ 38,967	\$ 3,007	\$ (15,426)	\$ 21,846	\$ 8,507	\$ 56,901
Receipts:						
Taxes	105,892	14,478	54,968	28,103	-	203,441
Other receipts	<u>921</u>	<u>23</u>	<u>45,107</u>	<u>181</u>	-	<u>46,232</u>
Total receipts	<u>106,813</u>	<u>14,501</u>	<u>100,075</u>	<u>28,284</u>	-	<u>249,673</u>
Disbursements:						
Personal services	33,600	-	-	-	-	33,600
Supplies	588	-	-	-	-	588
Other services and charges	18,529	-	81,552	-	-	100,081
Capital outlay	-	-	-	736	-	736
Other disbursements	<u>45,000</u>	<u>8,232</u>	-	-	-	<u>53,232</u>
Total disbursements	<u>97,717</u>	<u>8,232</u>	<u>81,552</u>	<u>736</u>	-	<u>188,237</u>
Excess of receipts over disbursements	<u>9,096</u>	<u>6,269</u>	<u>18,523</u>	<u>27,548</u>	-	<u>61,436</u>
Cash and investments - ending	<u>\$ 48,063</u>	<u>\$ 9,276</u>	<u>\$ 3,097</u>	<u>\$ 49,394</u>	<u>\$ 8,507</u>	<u>\$ 118,337</u>

CLAY TOWNSHIP, MORGAN 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	Cumulative Fire	Totals
Cash and investments - beginning	\$ 48,063	\$ 9,276	\$ 3,097	\$ 8,507	\$ 49,394	\$ 118,337
Receipts:						
Taxes	26,517	8,436	35,362	-	18,798	89,113
Intergovernmental	26,644	-	25,661	-	-	52,305
Other receipts	1,525	18	111	-	52	1,706
Total receipts	<u>54,686</u>	<u>8,454</u>	<u>61,134</u>	<u>-</u>	<u>18,850</u>	<u>143,124</u>
Disbursements:						
Personal services	33,600	-	-	-	-	33,600
Supplies	275	4	294	-	-	573
Other services and charges	15,437	7,502	54,400	-	-	77,339
Capital outlay	-	-	-	-	1,075	1,075
Other disbursements	-	-	-	-	-	-
Total disbursements	<u>49,312</u>	<u>7,506</u>	<u>54,694</u>	<u>-</u>	<u>1,075</u>	<u>112,587</u>
Excess of receipts over disbursements	<u>5,374</u>	<u>948</u>	<u>6,440</u>	<u>-</u>	<u>17,775</u>	<u>30,537</u>
Cash and investments - ending	<u>\$ 53,437</u>	<u>\$ 10,224</u>	<u>\$ 9,537</u>	<u>\$ 8,507</u>	<u>\$ 67,169</u>	<u>\$ 148,874</u>

CLAY TOWNSHIP, MORGAN COUNTY  
SCHEDULE OF PAYABLES AND RECEIVABLES  
December 31, 2011

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 2,571</u>	<u>\$ -</u>

CLAY TOWNSHIP, MORGAN COUNTY  
EXAMINATION RESULTS AND COMMENTS

***PENALTIES AND INTEREST***

Penalties and interest totaling \$248.79 were paid to the Internal Revenue Service on September 14, 2010, for the period ending March 31, 2010.

Penalties and interest totaling \$13.23 were paid to Indiana Department of Revenue on September 14, 2010, for the period ending June 30, 2010.

On November 1, 2012, William D. Mitchell, Trustee, reimbursed the Township \$262.02 for penalties and interest paid.

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)

***REPAYMENTS AND TRANSFERS***

The Township transferred \$45,000 from the Township Fund to the Fire Fighting Fund on October 1, 2010. We saw no documentation to prove the Board authorized the temporary transfer. As of the date of this report, the amount has not been paid back.

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)

***CONDITION OF RECORDS***

The beginning balance reported on the Annual Report for 2010 for the Township Fund and Township Assistance Fund did not agree to the ending balance reported on the Annual Report for 2009, nor does it agree to amounts recorded in the ledger.

In the Township ledger the December 31, 2010 balance noted for each fund did not equal the December 31, 2010 balance noted for Total all Funds. Additionally, the amounts reported on the Annual Report did not agree to amounts noted in the ledger for the year 2010.

Financial records presented for examination were incomplete for the year 2011. The records presented for examination did not provide December 31, 2011 ending balances for the Total all Funds or the December 31, 2011 balance for the Township Fund, therefore, we could not trace the Annual Report balances to balances per ledger for Total All Funds and the Township Fund. However, we were able to materially trace the total amount of receipts, disbursements, and fund balances footed from the township ledger to the annual report. The Total All Funds reported on the Annual Report for December 31, 2011, did not reconcile to the bank. The difference was \$1,421 long.

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

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)

***PAYROLL DEDUCTIONS***

Payroll withholdings were not always paid to proper authorities or for the proper amounts. In 2010, calculated withholdings totaled \$7,737.28 and the Township made payments in the amount of \$8,239.09 to the Internal Revenue Service, thus overpaying by \$501.81. In 2011, calculated withholdings totaled \$7,737.28 and the Township made payments in the amount of \$2,516.25, thus underpaying by \$5,221.03.

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)

***CERTIFIED REPORT NOT FILED***

The Township did not timely file a certified report of compensation of officers and employees (Form 100-R or its equivalent) with the State Board of Accounts for the years 2010 and 2011.

Indiana Code 5-11-13-1 states in part:

"Every state, county, city, town, township, or school official . . . shall during the month of January of each year prepare, make, and sign a written or printed certified report, correctly and completely showing the names and addresses of each and all officers, employees, and agents . . . and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts."

***APPROPRIATIONS***

The records presented for examination indicated the following expenditures in excess of budgeted appropriations:

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

Fund	Years	Excess Amount Expended
Fire Fighting	2011	\$ 31,277
Township	2010	97,717
Township Assistance	2010	8,232
Fire Fighting	2010	36,552
Cumulative Fire	2010	736

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."

**CONTRACTS**

Records presented for examination indicated payments were made for fire protection services to Brooklyn Fire for \$50,000 in 2010 and 2011 without a contract.

Records presented for examination indicate payments were made for cemetery care for \$3,600 in 2010 and for \$3,750 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)

CLAY TOWNSHIP, MORGAN COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on November 1, 2012, with William D. Mitchell, Trustee. The official concurred with our findings.