

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

RUSSELL TOWNSHIP

PUTNAM COUNTY, INDIANA

January 1, 2010 to December 31, 2012



**FILED**  
10/07/2013



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Alice Morrell Debbie Bartelt	01-01-07 to 12-31-10 01-01-11 to 12-31-14
Chairman of the Township Board	Kevin Carrington	01-01-10 to 12-31-13



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF RUSSELL TOWNSHIP, PUTNAM COUNTY, INDIANA

We have examined the accompanying financial statements of Russell Township, for the period of January 1, 2010 to December 31, 2012. 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, 2012.

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, 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.

Bruce Hartman  
State Examiner

July 3, 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.

RUSSELL TOWNSHIP, PUTNAM 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	\$ 10,799	\$ 7,084	\$ 14,492	\$ 3,391
Township Assistance	2,940	8,065	10,511	494
Fire Fighting	3,460	8,997	12,000	457
Cumulative Fire	175	5,894	6,000	69
Rainy Day	<u>1,813</u>	<u>1,571</u>	<u>-</u>	<u>3,384</u>
Totals	<u>\$ 19,187</u>	<u>\$ 31,611</u>	<u>\$ 43,003</u>	<u>\$ 7,795</u>

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

RUSSELL TOWNSHIP, PUTNAM 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	\$ 3,391	\$ 8,331	\$ 12,728	\$ (1,006)
Township Assistance	494	4,670	1,705	3,459
Fire Fighting	457	13,856	12,000	2,313
Rainy Day	3,384	-	-	3,384
Cumulative Fire	69	9,209	5,000	4,278
Totals	<u>\$ 7,795</u>	<u>\$ 36,066</u>	<u>\$ 31,433</u>	<u>\$ 12,428</u>

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

RUSSELL TOWNSHIP, PUTNAM COUNTY  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For The Year Ended December 31, 2012

Fund	Cash and Investments 01-01-12	Receipts	Disbursements	Cash and Investments 12-31-12
Township	\$ (1,006)	\$ 10,501	\$ 7,033	\$ 2,462
Township Assistance	3,459	2,382	1,352	4,489
Fire Fighting	2,313	9,468	7,400	4,381
Rainy Day	3,384	-	-	3,384
Cumulative Fire	4,278	6,881	6,000	5,159
Totals	<u>\$ 12,428</u>	<u>\$ 29,232</u>	<u>\$ 21,785</u>	<u>\$ 19,875</u>

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

RUSSELL TOWNSHIP, PUTNAM 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.

RUSSELL TOWNSHIP, PUTNAM 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.

RUSSELL TOWNSHIP, PUTNAM 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.

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## 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/](http://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.

RUSSELL TOWNSHIP, PUTNAM 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	Rainy Day	Totals
Cash and investments - beginning	\$ 10,799	\$ 2,940	\$ 3,460	\$ 175	\$ 1,813	\$ 19,187
Receipts:						
Taxes	6,126	7,815	8,997	5,894	1,571	30,403
Other receipts	958	250	-	-	-	1,208
Total receipts	<u>7,084</u>	<u>8,065</u>	<u>8,997</u>	<u>5,894</u>	<u>1,571</u>	<u>31,611</u>
Disbursements:						
Personal services	9,327	-	12,000	-	-	21,327
Supplies	377	-	-	-	-	377
Other services and charges	4,788	-	-	-	-	4,788
Capital outlay	-	-	-	6,000	-	6,000
Other disbursements	-	10,511	-	-	-	10,511
Total disbursements	<u>14,492</u>	<u>10,511</u>	<u>12,000</u>	<u>6,000</u>	<u>-</u>	<u>43,003</u>
Excess (deficiency) of receipts over disbursements	<u>(7,408)</u>	<u>(2,446)</u>	<u>(3,003)</u>	<u>(106)</u>	<u>1,571</u>	<u>(11,392)</u>
Cash and investments - ending	<u>\$ 3,391</u>	<u>\$ 494</u>	<u>\$ 457</u>	<u>\$ 69</u>	<u>\$ 3,384</u>	<u>\$ 7,795</u>

RUSSELL TOWNSHIP, PUTNAM 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	\$ 3,391	\$ 494	\$ 457	\$ 3,384	\$ 69	\$ 7,795
Receipts:						
Taxes	579	3,946	6,402	-	6,199	17,126
Intergovernmental	7,686	724	7,454	-	3,010	18,874
Other receipts	66	-	-	-	-	66
Total receipts	<u>8,331</u>	<u>4,670</u>	<u>13,856</u>	<u>-</u>	<u>9,209</u>	<u>36,066</u>
Disbursements:						
Personal services	9,553	-	-	-	-	9,553
Supplies	167	-	-	-	-	167
Other services and charges	598	1,705	12,000	-	5,000	19,303
Other disbursements	2,410	-	-	-	-	2,410
Total disbursements	<u>12,728</u>	<u>1,705</u>	<u>12,000</u>	<u>-</u>	<u>5,000</u>	<u>31,433</u>
Excess (deficiency) of receipts over disbursements	<u>(4,397)</u>	<u>2,965</u>	<u>1,856</u>	<u>-</u>	<u>4,209</u>	<u>4,633</u>
Cash and investments - ending	<u>\$ (1,006)</u>	<u>\$ 3,459</u>	<u>\$ 2,313</u>	<u>\$ 3,384</u>	<u>\$ 4,278</u>	<u>\$ 12,428</u>

RUSSELL TOWNSHIP, PUTNAM COUNTY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012

	<u>Township</u>	<u>Township Assistance</u>	<u>Fire Fighting</u>	<u>Rainy Day</u>	<u>Cumulative Fire</u>	<u>Totals</u>
Cash and investments - beginning	\$ (1,006)	\$ 3,459	\$ 2,313	\$ 3,384	\$ 4,278	\$ 12,428
Receipts:						
Taxes	10,501	2,382	9,468	-	6,881	29,232
Total receipts	<u>10,501</u>	<u>2,382</u>	<u>9,468</u>	<u>-</u>	<u>6,881</u>	<u>29,232</u>
Disbursements:						
Personal services	7,033	-	-	-	-	7,033
Other services and charges	-	1,352	7,400	-	-	8,752
Other disbursements	-	-	-	-	6,000	6,000
Total disbursements	<u>7,033</u>	<u>1,352</u>	<u>7,400</u>	<u>-</u>	<u>6,000</u>	<u>21,785</u>
Excess of receipts over disbursements	<u>3,468</u>	<u>1,030</u>	<u>2,068</u>	<u>-</u>	<u>881</u>	<u>7,447</u>
Cash and investments - ending	<u>\$ 2,462</u>	<u>\$ 4,489</u>	<u>\$ 4,381</u>	<u>\$ 3,384</u>	<u>\$ 5,159</u>	<u>\$ 19,875</u>

RUSSELL TOWNSHIP, PUTNAM COUNTY  
EXAMINATION RESULTS AND COMMENTS

**BOARD MINUTES MISSING**

The minutes of the meetings of the governing body were not presented for examination.

During the examination period, Indiana Code 5-14-1.5-4(b) stated in part:

"(b) As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes take, by individual members if there is a roll call.
- (5) Any additional information required under IC 5-1.5-2-2.5 or IC 20-12-63-7."

**ANNUAL REPORT**

The Annual Report for 2011 was not filed electronically until April 16, 2012. The Annual Report for 2012 was not filed electronically until June 18, 2013.

The Annual Reports for 2011 and 2012 contained a number of errors and did not properly reflect the financial activity of the Township. Adjustments were proposed, accepted by the Trustee, and made to the financial statements presented in this report. These adjustments resulted in a presentation of the financial statements that are materially correct.

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

**OFFICIAL BOND**

The Trustee did not obtain an individual surety bond, for 2010, 2011, and 2012.

Indiana Code 5-4-1-18 states in part:

"(a) Except as provided in subsection (b), the following city, town, county, or township officers and employees shall file an individual surety bond:

- (1) City judges, controllers, clerks, and clerk-treasurers.
- (2) Town judges and clerk-treasurers.

RUSSELL TOWNSHIP, PUTNAM COUNTY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

- (3) Auditors, treasurers, recorders, surveyors, sheriffs, coroners, assessors, and clerks.
- (4) Township trustees.
- (5) Those employees directed to file an individual bond by the fiscal body of a city, town, or county.
- (6) Township assessors (if any).

(b) The fiscal body of a city, town, county, or township may by ordinance authorize the purchase of a blanket bond or a crime insurance policy endorsed to include faithful performance to cover the faithful performance of all employees, commission members, and persons acting on behalf of the local government unit, including those officers described in subsection (a).

(c) Except as provided in subsections (h) and (i), the fiscal bodies of the respective units shall fix the amount of the bond of city controllers, city clerk-treasurers, town clerk-treasurers, Barrett Law fund custodians, county treasurers, county sheriffs, circuit court clerks, township trustees, and conservancy district financial clerks as follows:

- (1) The amount must equal thirty thousand dollars (\$30,000) for each one million dollars (\$1,000,000) of receipts of the officer's office during the last complete fiscal year before the purchase of the bond, subject to subdivision (2).
- (2) The amount may not be less than thirty thousand dollars (\$30,000) nor more than three hundred thousand dollars (\$300,000) unless the fiscal body approves a greater amount for the officer or employee. County auditors shall file bonds in amounts of not less than thirty thousand dollars (\$30,000), as fixed by the fiscal body of the county. The amount of the bond of any other person required to file an individual bond shall be fixed by the fiscal body of the unit at not less than fifteen thousand dollars (\$15,000). . . .

(d) Except as provided in subsection (j), a controller of a solid waste management district established under IC 13-21 or IC 13-9.5 (before its repeal) shall file an individual surety bond in an amount:

- (1) fixed by the board of directors of the solid waste management district; and
- (2) that is at least thirty thousand dollars (\$30,000).

(e) Except as provided under subsection (d), a person who is required to file an individual surety bond by the board of directors of a solid waste management district established under IC 13-21 or IC 13-9.5 (before its repeal) shall file a bond in an amount fixed by the board of directors."

**CONTRACTS**

Payments were made totaling \$12,000, \$12,000, and \$13,400 in 2010, 2011, and 2012, respectively, to the Russellville and Community Volunteer Fire Department for fire protection coverage. A contract was not written or presented for examination for these services.

RUSSELL TOWNSHIP, PUTNAM COUNTY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

Payments totaling \$400 were made to Robin Sheets for cemetery care in 2010 and 2011. A contract was not written or presented for examination for these services.

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 Township Trustees, Chapter 13)

**CONDITION OF RECORDS**

Financial records presented for examination were incomplete and not reflective of the activity of the Township, Township Assistance, Fire Fighting, and Cumulative Fire Funds. Some of the deficiencies include:

1. Posting errors.
2. Checks and receipts not recorded in the proper amounts.
3. Transactions recorded as "negative" receipts and disbursements.

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 Township Trustees, Chapter 13)

**APPROPRIATIONS**

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

Fund	Year	Excess Amount Expended
Township Assistance	2010	\$ 5,682
Township	2011	3,458
Fire Fighting	2011	2,445
Cumulative Fire	2012	6,000

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."

**COMPENSATION AND BENEFITS**

Compensation and benefits were paid to the Trustee, Township Clerk, and Township Board without a salary resolution or a Township Form 17, Resolution Establishing Salaries of Township Officers and Employees. These officers and employee were paid \$10,350, 10,350, and \$5,300 in compensation and benefits in 2010, 2011, and 2012 respectively.

RUSSELL TOWNSHIP, PUTNAM COUNTY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, 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 13)

**NEPOTISM**

The Trustee did not file an annual certification of compliance with the nepotism law with the Township Executive.

Indiana Code 36-1-20.2-16 states: "Each elected officer of the unit shall annually certify in writing, subject to the penalties for perjury, that the officer has not violated this chapter. An officer shall submit the certification to the executive of the unit not later than December 31 of each year."

RUSSELL TOWNSHIP, PUTNAM COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on July 3, 2013, with Trustee, Debbie Bartelt. The official concurred with our findings.