

The background features a large, faint watermark of the Seal of the State Board of Accountants, Indiana. The seal is circular, with the words "STATE BOARD OF ACCOUNTANTS" around the perimeter and "INDIANA" at the top. It contains a central figure holding a scale and a sword, surrounded by stars.

# SBOA Updates

**Chase Lenon, CPA CGFM**

**Jonathan Wineinger**

**Government Technical Assistance and Compliance (GTAC)  
Directors**

## Contact Information



- Website – <https://www.in.gov/sboa/4445.htm>
- Phone – (317) 232-2512
- Email – [Schools.Townships@sboa.in.gov](mailto:Schools.Townships@sboa.in.gov)



# Hot Topics

## Hot Topics Surcharge Fees



- We have received reports of vendors adding surcharges to items that have previously went through the bid process.
  - Ex: **Fire Truck Surcharge Fees**
  - Payment of surcharge fees may circumvent public purchasing requirements
- A **best practice** when writing a contract is to include protections in the contract to prevent price increases.
  - We may not take exception to a surcharge fee if the contract allows for this.
  - However, even with a general “Force Majeure” clause, price increases due to supply chain issues may still be unallowable.
- We recommend consulting with the school attorney and documenting any legal opinions received if surcharges are paid.

## Income Tax Distributions for Certified Shares – SBOA Memo



- Local Income Tax (LIT) **Certified Shares** must be receipted into the Township Fund.
  - Only applies to “certified shares”. Not PTRC or other distributions.
- The Township Fund can be used for any Township purpose.
- <https://www.in.gov/sboa/files/Accounting-for-Income-Tax-Distributions-for-Certified-Shares.pdf>

## Township Ledger



- Financial and Appropriation Record (2017 Township Form 1C) – is **currently being revised.**
- When printed, appropriation columns were omitted, and pages did not align properly.
  - We are working with Boyce to update this form.
  - We recommend not purchasing the “2020” version until these edits are made.

# Salary Resolution



- **Budget approval is NOT sufficient!**
  - IC 36-6-6-10(c) states *“The township legislative body shall fix the compensation of all officers and employees of the township. Compensation shall be established using an annual, monthly, or biweekly salary schedule. An elected township officer is not required to report hours worked and may not be compensated based on the number of hours worked.”*
- The Form 17 (Resolution Recommending Salaries of Township Officers and Employees) should be used.
  - Page 15 - <https://www.in.gov/sboa/files/twpappendix-2021.pdf>
- It is very important that the township board makes it clear what that total salary of the trustee will be.
- *“Salaries shall be recorded in the township board minutes”* – Township manual chapter 2, page 5.

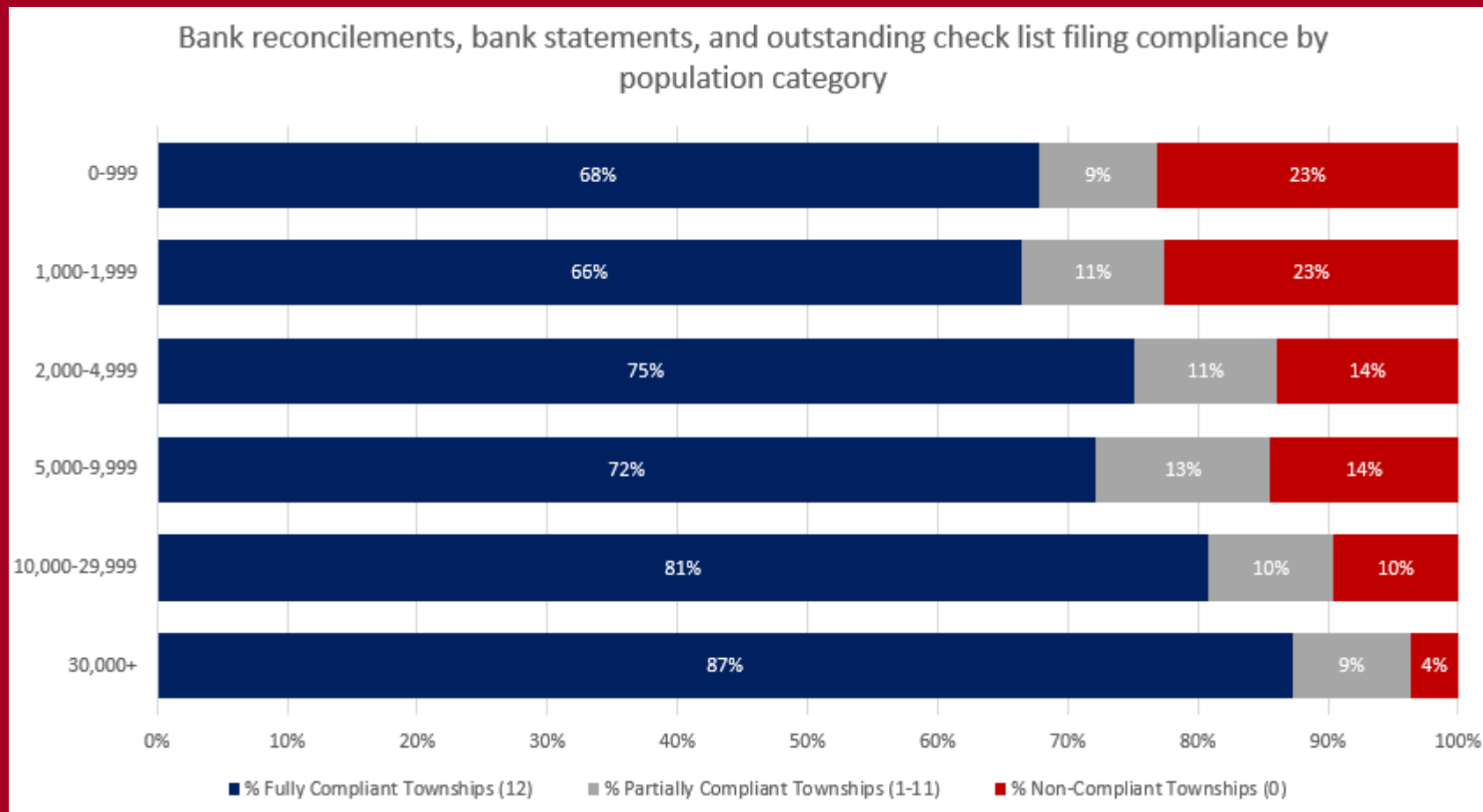
## Encumbrances



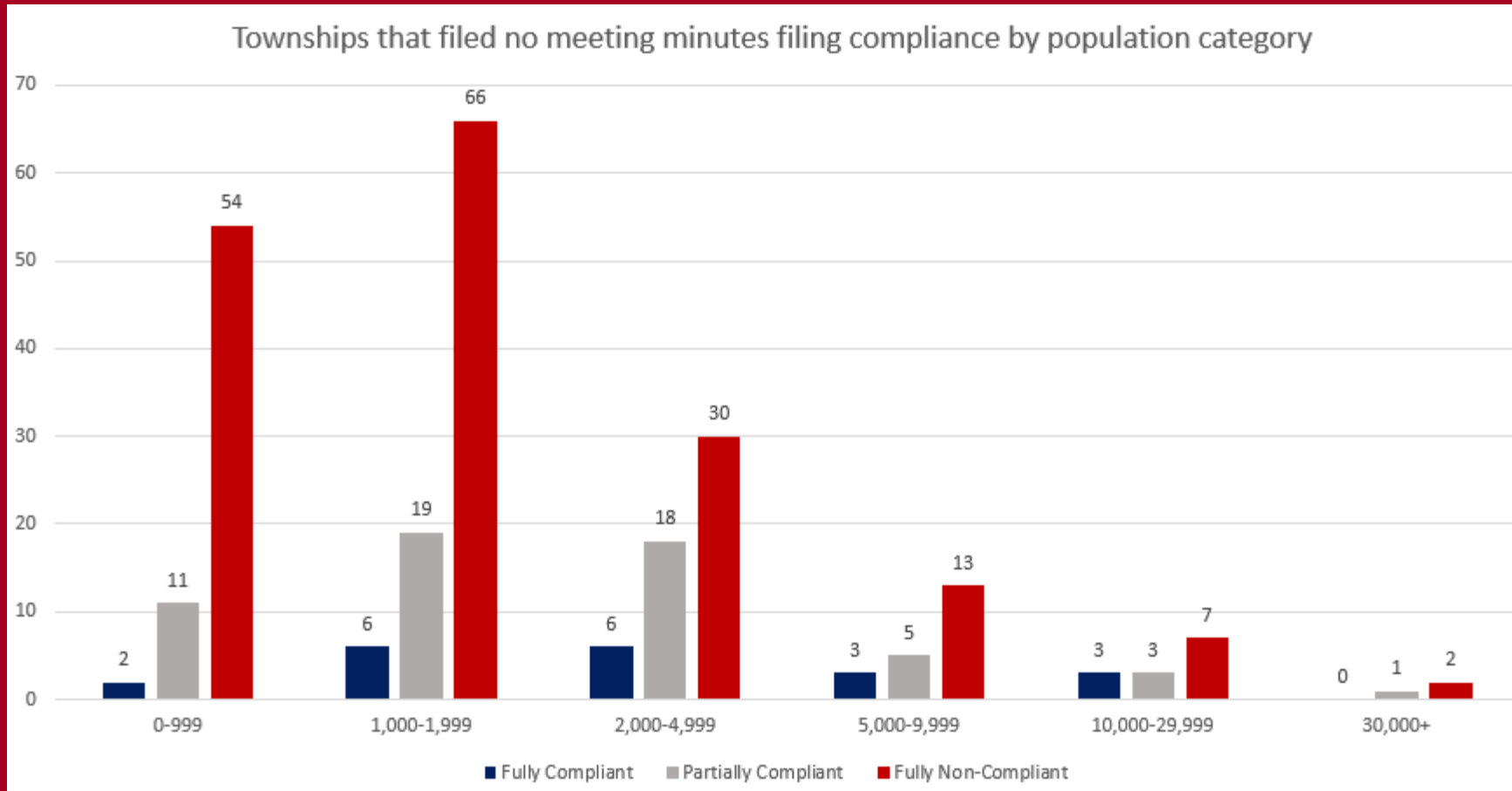
- Purchase order or contract not paid in full at the end of the year?
  - You can carry forward appropriations!
- Amount of the encumbrance must be for the **exact amount** of the purchase order or written contract and **carried to the same appropriation classification**.
- We suggest the trustee make a listing of these encumbered items and make it part of the township board minutes.



# Monthly Uploads (Gateway) Compliance Bank Reconciliation



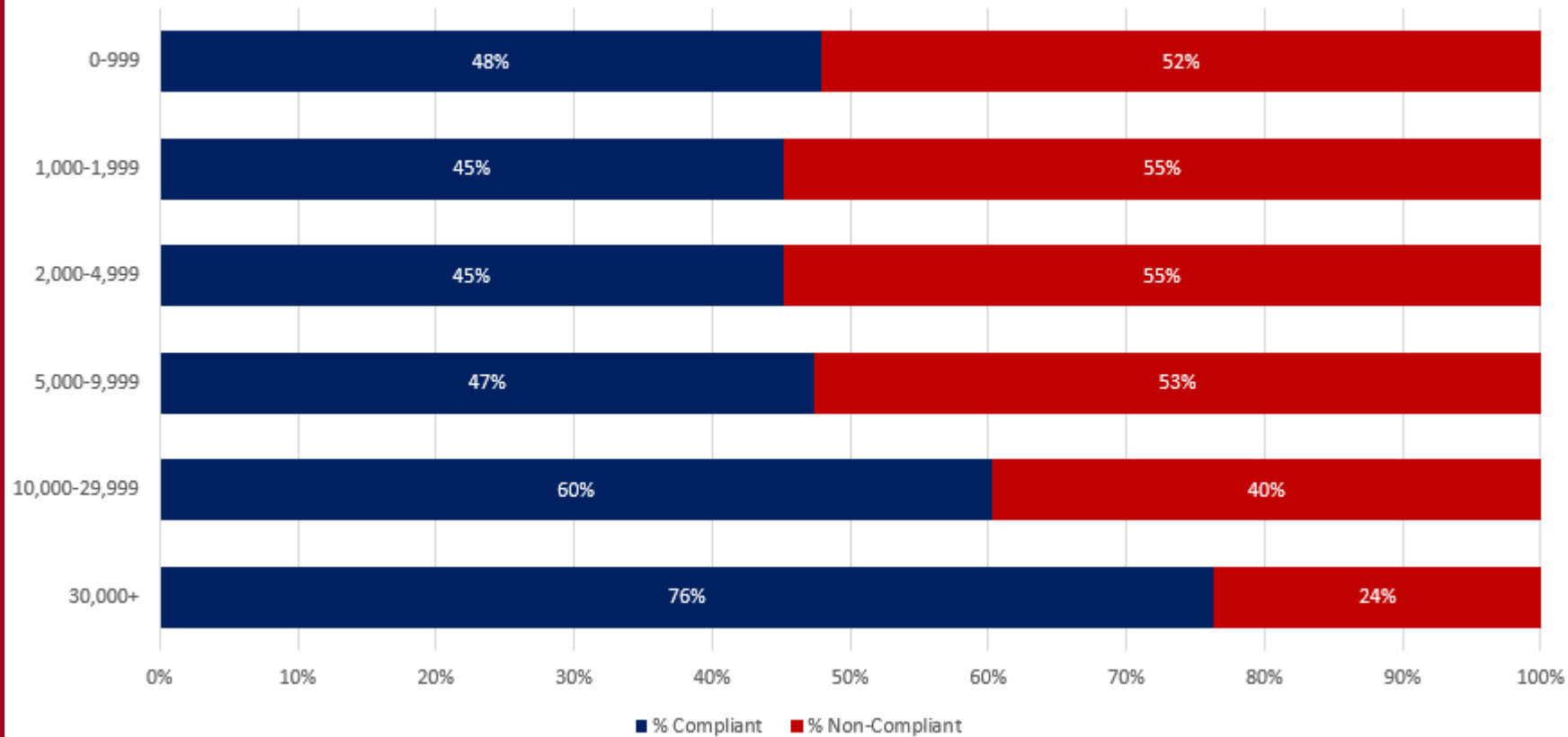
# Monthly Uploads (Gateway) Compliance Board Minutes



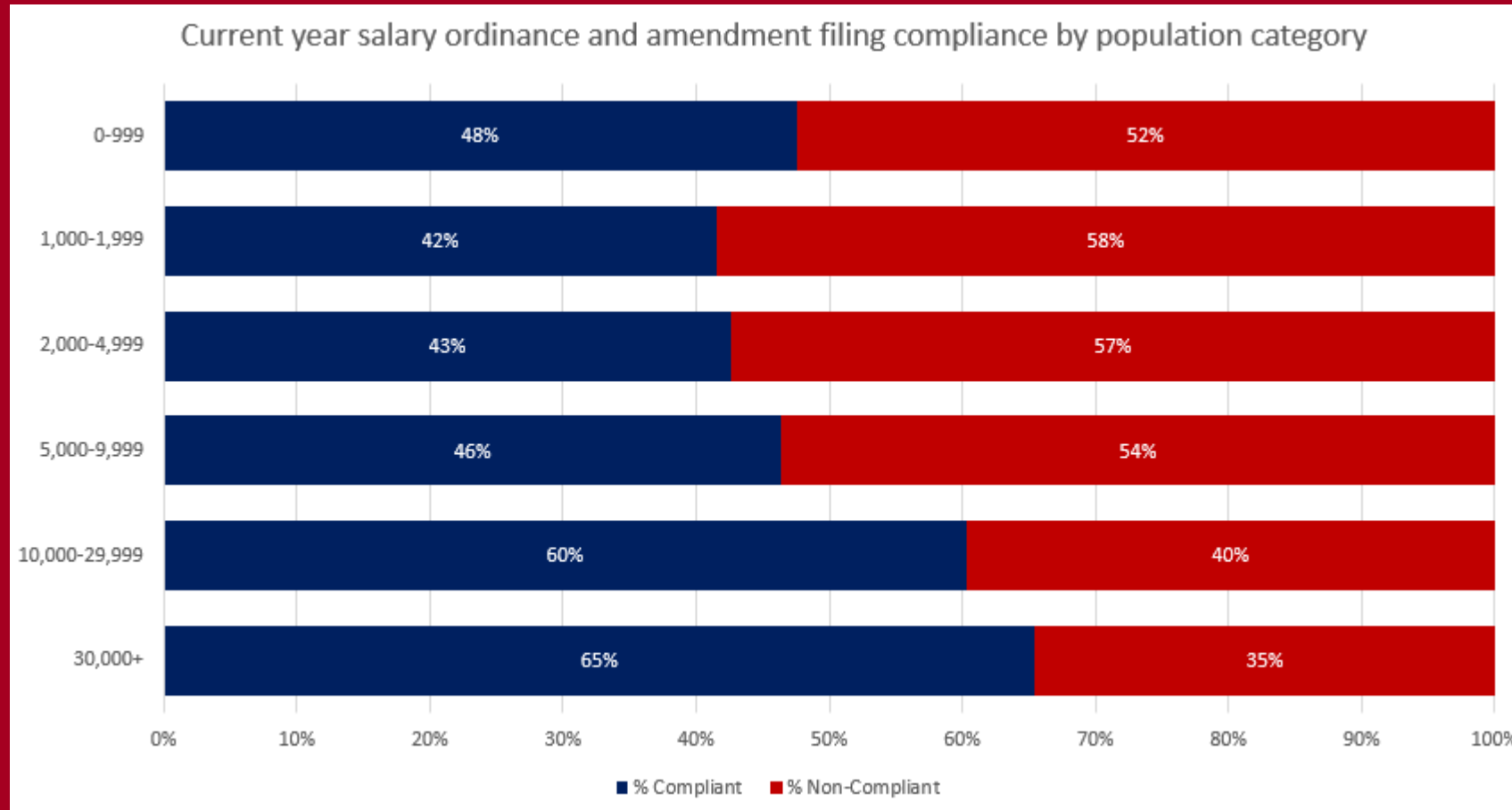
# Monthly Uploads (Gateway) Compliance Funds Ledger



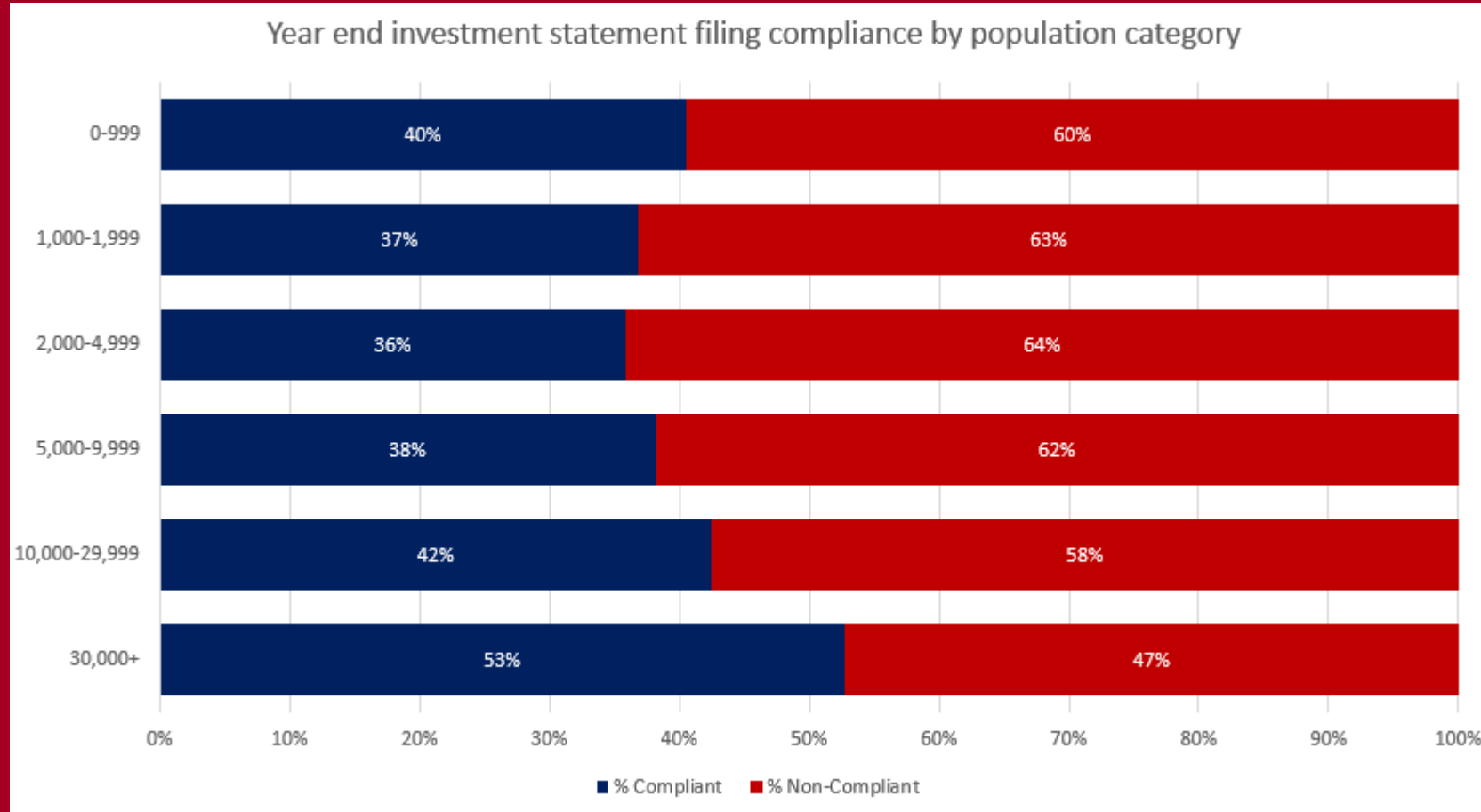
Annual funds ledger filing compliance by population category



# Monthly Uploads (Gateway) Compliance Salary Ordinance



# Monthly Uploads (Gateway) Compliance Investment Statement



# Gateway Receipt Code Revisions



- 2023 Annual Financial Report (AFR) will not accept the following receipt codes:
  - R102 – County Adjusted Gross Income Tax (CAGIT) Certified Shares
  - R103 – County Economic Development Income Tax (CEDIT)
  - R104 – County Option Income Tax (COIT)
  - R123 – County Adjusted Gross Income Tax (CAGIT) Property Tax Replacement Credit
  - R124 – Local Option Income Tax (LOIT) for Public Safety
  - R125 – County Adjusted Gross Income Tax (CAGIT) Additional Distributions
  - R126 – County Option Income Tax (COIT) Additional Distributions
  - R127 – County Economic Development Income Tax (CEDIT) Additional Distributions



# Capital Assets

## Properly Maintaining Capital Assets



### What is a capital asset?

- Capital Asset Per GASB 34:

*“The term capital asset includes land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure and all other tangible assets that are used in operations that have initial useful lives beyond a single reporting period.”*



## Properly Maintaining Capital Assets



### Infrastructure

- Long-lived capital assets
- Normally stationary in nature
- Can be preserved for a significant number of years than most capital assets
- Examples – roads, bridges, tunnels, drainage systems

## Properly Maintaining Capital Assets



- Construction in Progress

- Where work has not been completed in the current reporting fiscal year

## Properly Maintaining Capital Assets



- **MUST** have a capital asset policy
- ***Policy is required to detail the capitalization threshold***
- Capitalization Threshold is a management decision

## Properly Maintaining Capital Assets



- Other items to consider

- Who is responsible for maintaining capital asset ledger
- Other procedures and internal controls being implemented to ensure person responsible for maintaining capital asset ledger is receiving all information needed to properly maintain capital asset ledger
- Useful life of the assets (minimum by category, be consistent)
- How to account for depreciation in the year that it was purchased

## Properly Maintaining Capital Assets



- General Form 369

- Form may be electronically duplicated or may utilize another format **as long as the information (and function) that is required on the prescribed form is maintained**

**CAPITAL ASSETS LEDGER**

**FUND** \_\_\_\_\_

**DEPARTMENT OR BUILDING** \_\_\_\_\_

| Date of Purchase | Description of Asset | Serial Number | Location of Asset | Original Cost of Asset | Estimated Life of Asset | Date of Disposal of Capital Asset | Amount Received on Disposal or Trade in | Types of Capital Assets |                |           |                                   |                                |                          | Total Capital Assets |                 |
|------------------|----------------------|---------------|-------------------|------------------------|-------------------------|-----------------------------------|---|-------------------------|----------------|-----------|-----------------------------------|--------------------------------|--------------------------|----------------------|-----------------|
|                  |                      |               |                   |                        |                         |                                   |   | Land                    | Infrastructure | Buildings | Improvements Other Than Buildings | Machinery Equipment & Vehicles | Construction in Progress |                      | Books and Other |
| 1                |                      |               |                   |                        |                         |                                   |   |                         |                |           |                                   |                                |                          |                      |                 |
| 2                |                      |               |                   |                        |                         |                                   |   |                         |                |           |                                   |                                |                          |                      |                 |
| 3                |                      |               |                   |                        |                         |                                   |   |                         |                |           |                                   |                                |                          |                      |                 |
| 4                |                      |               |                   |                        |                         |                                   |   |                         |                |           |                                   |                                |                          |                      |                 |
| 5                |                      |               |                   |                        |                         |                                   |   |                         |                |           |                                   |                                |                          |                      |                 |
| 6                |                      |               |                   |                        |                         |                                   |   |                         |                |           |                                   |                                |                          |                      |                 |
| 7                |                      |               |                   |                        |                         |                                   |   |                         |                |           |                                   |                                |                          |                      |                 |
| 8                |                      |               |                   |                        |                         |                                   |   |                         |                |           |                                   |                                |                          |                      |                 |
| 9                |                      |               |                   |                        |                         |                                   |   |                         |                |           |                                   |                                |                          |                      |                 |
| 10               |                      |               |                   |                        |                         |                                   |   |                         |                |           |                                   |                                |                          |                      |                 |
| 11               |                      |               |                   |                        |                         |                                   |   |                         |                |           |                                   |                                |                          |                      |                 |
| 12               |                      |               |                   |                        |                         |                                   |   |                         |                |           |                                   |                                |                          |                      |                 |
| 13               |                      |               |                   |                        |                         |                                   |   |                         |                |           |                                   |                                |                          |                      |                 |
| 14               |                      |               |                   |                        |                         |                                   |   |                         |                |           |                                   |                                |                          |                      |                 |
| 15               |                      |               |                   |                        |                         |                                   |   |                         |                |           |                                   |                                |                          |                      |                 |
| 16               |                      |               |                   |                        |                         |                                   |   |                         |                |           |                                   |                                |                          |                      |                 |
| 17               |                      |               |                   |                        |                         |                                   |   |                         |                |           |                                   |                                |                          |                      |                 |
| 18               |                      |               |                   |                        |                         |                                   |   |                         |                |           |                                   |                                |                          |                      |                 |
| 19               |                      |               |                   |                        |                         |                                   |   |                         |                |           |                                   |                                |                          |                      |                 |
| 20               |                      |               |                   |                        |                         |                                   |   |                         |                |           |                                   |                                |                          |                      |                 |
| 21               |                      |               |                   |                        |                         |                                   |   |                         |                |           |                                   |                                |                          |                      |                 |
| 22               |                      |               |                   |                        |                         |                                   |   |                         |                |           |                                   |                                |                          |                      |                 |
| 23               |                      |               |                   |                        |                         |                                   |   |                         |                |           |                                   |                                |                          |                      |                 |

SAMPLE

## Don't Know Historical Cost?



1. Develop an inventory of all capital assets owned
2. Obtain an estimate of the replacement costs
3. Determine the year of acquisition
4. Multiply the estimated replacement cost by the factor for the year of acquisition from the Table of Cost Indexes (December 2021 Bulletin) <https://www.in.gov/sboa/files/TwpBULL-December-2021.pdf>

## Annual Financial Report (AFR)



- Capital Asset Schedule
  - Non-depreciable Assets
    - Land – assumed to have unlimited useful life
    - Construction in Progress – Asset hasn't been placed in service
  - Depreciable Assets
    - Buildings
    - Improvements other than Buildings
    - Machinery, Equipment, & Vehicles



## Governmental Activities - Non-Depreciable Assets

| Government or Enterprise     | Beginning Balance as of January 1, 2021 | Additions | Reductions | Ending Balance as of December 31, 2021 |
|------------------------------|---|-----------|------------|--|
| Land                         | \$0.00                                  | \$0.00    | \$0.00     | \$0.00                                 |
| Construction in Progress     | \$0.00                                  | \$0.00    | \$0.00     | \$0.00                                 |
| Other Non-Depreciable Assets | \$0.00                                  | \$0.00    | \$0.00     | \$0.00                                 |

## Governmental Activities - Depreciable Assets

| Government or Enterprise           | Beginning Balance as of January 1, 2021 | Additions | Reductions | Ending Balance as of December 31, 2021 |
|------------------------------------|---|-----------|------------|--|
| Infrastructure                     | \$0.00                                  | \$0.00    | \$0.00     | \$0.00                                 |
| Buildings                          | \$0.00                                  | \$0.00    | \$0.00     | \$0.00                                 |
| Improvements Other Than Buildings  | \$0.00                                  | \$0.00    | \$0.00     | \$0.00                                 |
| Machinery, Equipment, and Vehicles | \$0.00                                  | \$0.00    | \$0.00     | \$0.00                                 |
| Books and Other                    | \$0.00                                  | \$0.00    | \$0.00     | \$0.00                                 |

## Depreciation



- An accounting method of allocating the cost of a tangible or physical asset (Buildings, Equipment, Infrastructure, other) over the life of the asset
- Represents how much of an asset's value has been used up

## Depreciation Calculation



$$\frac{\text{Asset value(Historical Cost)}}{\text{Estimated Useful Life}} = \text{Yearly Amount of Depreciation}$$

**\*\*\*Accumulated Depreciation is the total depreciation to date**

## Maintain Documentation



- Must maintain a documented basis for:
  - Asset Valuation
  - Estimated Useful Lives

## Example



- Fire truck purchased in 2016 for \$100,000
- Estimated Useful Life - 10 years
- Unit's policy is to take full year of depreciation in year of purchase

## Example - Depreciation Calculation



$$\frac{\$100,000}{10 \text{ years}} = \$1,000 \text{ Yearly Amount of Depreciation}$$

**\*\*\*Accumulated Depreciation is the total depreciation to date**

## Governmental Activities - Accumulated Depreciation

| Government or Enterprise           | Beginning Balance as of January 1, 2021 | Additions | Reductions | Ending Balance as of December 31, 2021 |
|------------------------------------|---|-----------|------------|--|
| Infrastructure                     | \$0.00                                  | \$11.00   | \$1.00     | \$10.00                                |
| Buildings                          | \$0.00                                  | \$22.00   | \$2.00     | \$20.00                                |
| Improvements Other Than Buildings  | \$0.00                                  | \$33.00   | \$3.00     | \$30.00                                |
| Machinery, Equipment, and Vehicles | \$10,000.00                             | \$44.00   | \$4.00     | \$10,040.00                            |
| Books and Other                    | \$13.00                                 | \$55.00   | \$5.00     | \$63.00                                |

## SBOA Training Videos



- SBOA YouTube Channel
  - <https://www.youtube.com/channel/UC62Ozm0wY81GZHipK2UrjLA>
- Properly Maintaining Capital Assets
  - <https://www.youtube.com/watch?v=oPIbqV1J9jo>
- Reporting Capital Assets and Accumulated Depreciation
  - [https://www.youtube.com/watch?v=PPXQpo\\_L7\\_8](https://www.youtube.com/watch?v=PPXQpo_L7_8)





# How To Prepare for An Audit

# Types of SBOA Engagements



- Single Audit
  - Required for Townships that exceed the threshold of federal grant expenditures
- Examination
  - Required for Townships that have outstanding debt
- Compliance
  - Required for Townships that do not have outstanding debt, but are assessed at a High level of risk
- Centralized Compliance
  - Required for Townships that do not have outstanding debt, but are assessed at a Moderate or Low level of risk
- Special Investigation
  - Required for Townships in which the SBOA had determined a need to review specific areas for a specific time period

## The Entrance Conference



- Examiners should explain objective of engagement.
  - Testing for non-compliance, obtaining assurance if applicable...
- Explanation of Management's responsibilities
- Informing management of fees, records to be requested, estimated timeline of engagement...
- **Please ask any questions** if you are not clear on anything the examiner provides or requires!

## TOWNSHIP RECORD REQUEST AND RECEIPT

Name of Governmental Unit: \_\_\_\_\_

We are conducting an examination of your office for the period \_\_ through \_\_. For the period being examined, please bring the following records to \_\_, Indiana, on \_\_ at \_\_, or call us at \_\_ to make other arrangements. (or For the period being examined, we will pick up the following records on \_\_ at \_\_. If this date and time is not convenient, please call us at \_\_ to make other arrangements.) A review of certain records may be made to the current date. The State Board of Accounts' field examiner and the official or their designee will sign this form for all records received and provided. The records will be returned by \_\_\_\_. If the records are needed beyond this date, you will be notified. If any records are needed while in the custody of SBOA, please contact the field examiner at the email or phone number provided below. Once the examination is complete, you will be required to sign for all records

## Date Records Received

## Date Records Returned

| Records Requested  | Received | Returned | Comments |
|--|----------|----------|----------|
| Township Board Minutes and Board Resolutions - include to current date.  |          |          |          |
| Resolutions Recommending Salaries - Form 17  |          |          |          |
| Financial and Appropriation Records (Township Ledger).   |          |          |          |
| Bank reconciliements, outstanding checklists, bank statements, cancelled checks, etc.  |          |          |          |
| Register of Investments (Form 350), certificate of deposits, and any other investment records and documents for the period - include to date. Include Annual Investment Reports filed with Board of Finance.   |          |          |          |
| All debt documents, including notes, bonds, and loan agreements - include to current date. You should also include amortization schedules.   |          |          |          |
| All supporting documentation for expenses paid, i.e., itemized bills, invoices, mileage claims and contracts.  |          |          |          |
| Proofs of publications of all legal advertising paid.  |          |          |          |
| Duplicate receipts.  |          |          |          |
| Payroll records, including: Employees Service and/or Earnings Records; W-2s; W-3s; 941s; WH-3s; W-4s; 1099s; payroll withholdings remittance forms, communication with IRS or Indiana Department of Revenue.   |          |          |          |
| Specifications, bids, contracts, etc. in connection with construction or remodeling of buildings, and purchases of equipment and supplies.   |          |          |          |
| Documentation from the Department of Local Government Finance (DLGF) approving additional appropriations for each year.  |          |          |          |
| All contracts, e.g. Fire Protection, Cemetery, Ambulance, Mowing, etc.   |          |          |          |
| Township Assistance records, including applications submitted and the written Township Assistance Standards required by IC 12-20-5-5-1.  |          |          |          |
| Documentation regarding Federal, State, or Local Grants received   |          |          |          |
| Documentation from County Auditor regarding tax distributions, including Copies of year-end certifications that elected officials did not violate nepotism and contracting laws as required by IC 36-1-20.2-16 (nepotism) and 36-1-21-6 (contracting). |          |          |          |
| Official Bond Information - include to current date  |          |          |          |
|  |          |          |          |
|  |          |          |          |
|  |          |          |          |
|  |          |          |          |
| ** NOTE TO OFFICIAL: PLEASE DO NOT INCLUDE YOUR CURRENT CHECK BOOK WITH THE RECORDS PROVIDED   |          |          |          |

I hereby acknowledge the receipt of the above records as indicated by an X.

I hereby acknowledge that the above records were provided as indicated by an X to SBOA.

Field Examiner - Printed

Official Name - Printed

Field Examiner Signature

Official Signature

Email Address

Email Address

Phone Number

Phone Number

I hereby acknowledge that the above records were returned as indicated by an X.

Official Signature

## Compliance procedures to expect



- Comparisons of AFR to Township ledger
- Expenditures in excess of appropriations
- Monthly bank reconcilements
- Salaries paid in accordance with contracts/resolution
- Payroll remittance to IDOR + IRS
- Proper disbursements with supporting documentation
- Officials properly bonded
- Prior comments resolved

## What we will ask for



- Board Minutes (include to current date)
- Resolutions
- Contracts
- Financial Records (ledger)
- Reconcilements
- Register of Investments
- Debt Documents
- Receipts
- Payroll records

## SBOA Checklist



• Before an audit starts be sure to have the following things in order:

1. Monthly bank accounts reconciled.
2. Make sure all schedules are complete (capital asset listing, investments, inventory etc...).
3. Supporting documentation for expenses are in an orderly fashion.
4. Proofs of publication for legal advertising orderly.
5. Check that employee pay was correct.
  - Withholding filings (W-2/941/WH3), form 17, and entries in the ledger to paychecks and contracts.
6. Verify policies are updated.
7. Come with a list of questions!

## Tips and Tricks



- During the year track restricted grants, gifts, donations etc...
- Keep internal control documentation and supporting documentation together.
- Respond quickly to inquiries – smaller audit bill.
- Establish an ‘auditor’ file:
  - Could include: regulatory agency correspondence, contracts, lawsuits, reconciliations...



Ask us questions!



- HB 1031 – repeat comments have consequences.
  - Make sure to get an idea on how to fix problems before the examiner leaves.
    - If not, contact us at [schools.townships@sboa.in.gov](mailto:schools.townships@sboa.in.gov)
- Implement fixes immediately!
  - 4 year audit cycles – a comment could only pertain to one year, overshadows compliant years.

## What not to do



- Panic!
- Try to hide things – we are here to help!
  - The auditor should be viewed as a resource, not an adversary.
- Be afraid to ask questions.
- Try not to look at an audit as something to complicate your life!
  - An audit is an irreplaceable tool to ensure your finances are in order.

## The Exit Conference



- **Draft** report provided and discussed.
- Official given chance to respond to comments (Form 4) – 10 days.
- Official's term, email and physical addresses verified.
- Again, please ask any questions if you are not clear on anything the examiner talks about!



# New Legislation

## SEA 134 - Appropriation of Donated Money (100-R Update)



- Senate Bill 134 added IC 36-1-30 requiring local units of government to **report to the SBOA employees whose salaries are funded from donated money.**
- The 100-R in Gateway will add a Yes/No checkbox asking the question *“Was the employee’s compensation funded partially or fully by donated funds?”*

## SEA 304 - Township Trustees and Budgets



- Sections 1-7 Adds/Amends various sections – see bulletin for more information.
- Provides that the township board, county executive, and county fiscal body may **adopt resolutions to collectively petition a court to remove a township trustee from office for committing certain violations**. Requires the township board to meet and adopt the budget even if the township board intends for the most recent annual appropriations and annual tax levy of the township to be continued for the ensuing budget year. Corrects a reference to a provision imposing criminal liability for an officer's failure to file an adopted budget with the department of local government finance. Makes technical corrections.

## HEA 1062 - Regulation of Cemeteries



- Sections 1-16 Adds/Amends various sections – see bulletin for more information.
- Defines "certificate of burial rights" for purposes of the cemetery law. Replaces references to other instruments issued upon the purchase of burial rights with the term. Provides that before entering into a sales contract with a consumer, an owner of a cemetery must provide a written statement including a price range of all commodities and services available for purchase. Specifies that the schedule of fees and the fees charged in connection with the installation or use of commodities in a cemetery must be consistent with the statement provided to a consumer. Prohibits the preinstallation of a vault. Increases the maximum civil penalty for a violation of the cemetery association law from \$1,000 to \$5,000. Permits a city or town, county, and township to appoint a cemetery caretaker to control and manage cemeteries in the entity's care. Establishes requirements for a city or town to appoint a cemetery caretaker through a proposed ordinance. Requires a city or town to review the status of the control and management of a cemetery for which it is responsible at least once every 10 years.

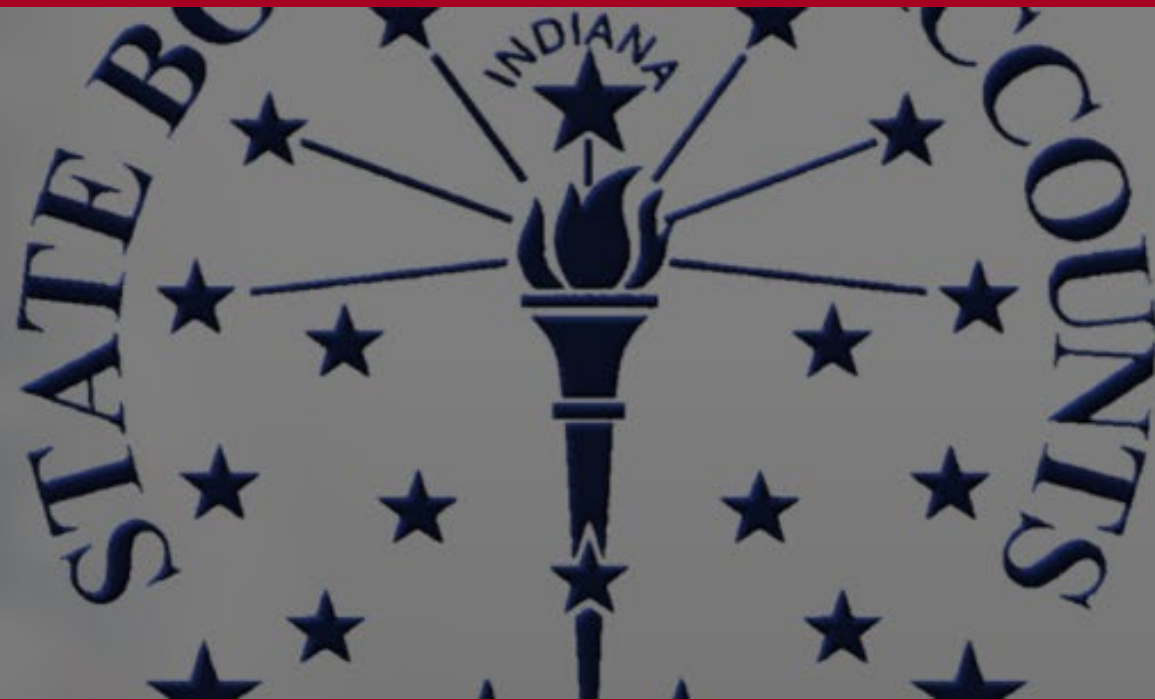
# Additional Laws Affecting Townships



- P.L. 1            HB 1001            Administrative authority; COVID-19 immunizations
- P.L. 116        HB 1130            Open Meetings
- P.L. 169        HB 1285            Redistricting local election districts
  
- P.L. 1            SB 37                Population Parameters



**Resource Library**



## SBOA Resource Library



The State Board of Accounts (SBOA) is pleased to present an online resource library for our clients and the citizens of Indiana. The following information can be now searched in the resource library.

- SBOA Uniform Compliance Guidelines (including previously issued bulletin articles)
- State Examiner Directives
- Best Practice Documents
- Indiana Code Section Summaries
- Frequently Asked Questions
- Other Miscellaneous Materials

Resource Library - Tutorial Video



<https://www.youtube.com/watch?v=bf82lq6pQZk>

## Resource Library - Exercise



<https://www.in.gov/sboa/library/>

## SBOA Email List



Subscribe for  
e-mail updates >

<https://www.in.gov/sboa/about-us/sboa-communications-sign-up/>



# Questions?