

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

TROY TOWNSHIP

DEKALB COUNTY, INDIANA

January 1, 2010 to December 31, 2011



**FILED**  
02/13/2013



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Cecil Duane Whitman (Deceased) Mark Jennings	01-01-07 to 12-31-10 01-01-11 to 12-31-14
Chairman of the Township Board	Mark Jennings Erick Nickerson	01-01-10 to 12-31-10 01-01-11 to 12-31-12



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF TROY TOWNSHIP, DEKALB COUNTY, INDIANA

We have examined the accompanying financial statements of Troy Township (Township), for the period of January 1, 2010 to December 31, 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. 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, 2011.

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, 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 and Schedule of Capital Assets, 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.

STATE BOARD OF ACCOUNTS

December 5, 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.

TROY TOWNSHIP, DEKALB 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	\$ 2,041	\$ 5,379	\$ 5,633	\$ 1,787
Township Assistance	5,451	1,004	339	6,116
Firefighting	8,744	8,134	2,203	14,675
Cumulative Fire	17,224	2,779	64	19,939
Levy Excess	-	350	-	350
Rainy Day	927	283	-	1,210
Totals	<u>\$ 34,387</u>	<u>\$ 17,929</u>	<u>\$ 8,239</u>	<u>\$ 44,077</u>

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

TROY TOWNSHIP, DEKALB 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	\$ 1,787	\$ 5,353	\$ 5,434	\$ 1,706
Township Assistance	6,116	1,091	603	6,604
Firefighting	14,675	8,397	4,997	18,075
Rainy Day	1,210	-	-	1,210
Levy Excess	350	-	-	350
Cumulative Fire	19,939	2,769	-	22,708
Totals	<u>\$ 44,077</u>	<u>\$ 17,610</u>	<u>\$ 11,034</u>	<u>\$ 50,653</u>

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

TROY TOWNSHIP, DEKALB 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.

TROY TOWNSHIP, DEKALB 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.

TROY TOWNSHIP, DEKALB 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.

## 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.

TROY TOWNSHIP, DEKALB COUNTY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010

	Township	Township Assistance	Firefighting	Cumulative Fire	Levy Excess	Rainy Day	Totals
Cash and investments - beginning	\$ 2,041	\$ 5,451	\$ 8,744	\$ 17,224	\$ -	\$ 927	\$ 34,387
Receipts:							
Taxes	5,025	911	7,561	2,548	-	283	16,328
Intergovernmental	298	93	573	231	-	-	1,195
Other receipts	56	-	-	-	350	-	406
Total receipts	<u>5,379</u>	<u>1,004</u>	<u>8,134</u>	<u>2,779</u>	<u>350</u>	<u>283</u>	<u>17,929</u>
Disbursements:							
Personal services	4,048	-	-	-	-	-	4,048
Supplies	12	-	-	-	-	-	12
Other services and charges	1,502	316	2,048	-	-	-	3,866
Other disbursements	71	23	155	64	-	-	313
Total disbursements	<u>5,633</u>	<u>339</u>	<u>2,203</u>	<u>64</u>	<u>-</u>	<u>-</u>	<u>8,239</u>
Excess (deficiency) of receipts over disbursements	<u>(254)</u>	<u>665</u>	<u>5,931</u>	<u>2,715</u>	<u>350</u>	<u>283</u>	<u>9,690</u>
Cash and investments - ending	<u>\$ 1,787</u>	<u>\$ 6,116</u>	<u>\$ 14,675</u>	<u>\$ 19,939</u>	<u>\$ 350</u>	<u>\$ 1,210</u>	<u>\$ 44,077</u>

TROY TOWNSHIP, DEKALB COUNTY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011

	Township	Township Assistance	Firefighting	Rainy Day	Levy Excess	Cumulative Fire	Totals
Cash and investments - beginning	\$ 1,787	\$ 6,116	\$ 14,675	\$ 1,210	\$ 350	\$ 19,939	\$ 44,077
Receipts:							
Taxes	4,938	1,047	7,713	-	-	2,481	16,179
Intergovernmental	374	44	684	-	-	288	1,390
Other receipts	41	-	-	-	-	-	41
Total receipts	<u>5,353</u>	<u>1,091</u>	<u>8,397</u>	<u>-</u>	<u>-</u>	<u>2,769</u>	<u>17,610</u>
Disbursements:							
Personal services	3,876	-	-	-	-	-	3,876
Other services and charges	1,558	603	4,997	-	-	-	7,158
Total disbursements	<u>5,434</u>	<u>603</u>	<u>4,997</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,034</u>
Excess (deficiency) of receipts over disbursements	<u>(81)</u>	<u>488</u>	<u>3,400</u>	<u>-</u>	<u>-</u>	<u>2,769</u>	<u>6,576</u>
Cash and investments - ending	<u>\$ 1,706</u>	<u>\$ 6,604</u>	<u>\$ 18,075</u>	<u>\$ 1,210</u>	<u>\$ 350</u>	<u>\$ 22,708</u>	<u>\$ 50,653</u>

TROY TOWNSHIP, DEKALB COUNTY  
SCHEDULE OF CAPITAL ASSETS  
December 31, 2011

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

	<u>Ending Balance</u>
Governmental activities:	
Machinery, equipment and vehicles	<u>\$ 15,000</u>
Total capital assets	<u><u>\$ 15,000</u></u>

TROY TOWNSHIP, DEKALB COUNTY  
EXAMINATION RESULTS AND COMMENTS

***BANK ACCOUNT RECONCILIATIONS***

Depository reconciliations of the fund balances to the bank account balances for January 1, 2011 to October 31, 2012, were not presented for examination.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

***OFFICIAL BOND***

The bond coverage for the prior Trustee's term of January 1, 2007 to December 31, 2010, was \$15,000. The minimum coverage amount per Indiana Code was increased to \$30,000 effective July 1, 2009.

An official bond for the current Trustee's term of January 1, 2011 to December 31, 2014, was not obtained. An official bond for \$30,000 should be obtained and filed in the Office of the County Recorder.

Indiana Code 5-4-1-18(c)(2) states in part: "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 . . ."

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 . . ."

***BOARD MINUTES***

No minutes were presented for examination, or no board meetings were held, from January 25, 2011 to August 30, 2012. The board should organize at the beginning of each year to elect officers and consider or approve the annual report. Also, a budget meeting should be held each year and salary amounts should be stated in the minutes.

Indiana Code 36-6-6-7 (a) states: "The legislative body shall meet at the office of the executive on the first Tuesday after the first Monday in January of each year. At this meeting the legislative body shall elect one (1) member as chairman for that year and one (1) member as secretary for that year."

Indiana Code 36-6-6-9 (a) states: "The legislative body shall meet on or before the third Tuesday after the first Monday in January of each year. At this meeting it shall consider and approve, in whole or in part, the annual report of the executive presented under IC 36-6-4-12."

TROY TOWNSHIP, DEKALB COUNTY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

The annual meeting for the adoption of the annual budget, and any special meetings, may be held at a convenient place in the township, notice of which shall be given as provided by law. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 5)

IC 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. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 2)

***INCORRECT SALARY PAYMENTS***

The Trustee issued payroll checks to himself as Trustee and Clerk for 2011 and 2012. The Clerk payroll checks should have been made payable to his spouse. We advised him to discontinue this starting January 1, 2013.

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 and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

***PAYROLL DEDUCTIONS***

Payroll deductions for the employee share of Social Security and Medicare were not withheld from the Trustee, Clerk and Board members' salaries for the years 2011 and 2012. The employee share of taxes for 2011 totaling \$212.44 were paid from the Township Fund and taxes for 2012 have not yet been paid. We advised the Trustee to deduct 2011 and 2012 withholdings from December 2012 paychecks to reimburse the Township.

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)

TROY TOWNSHIP, DEKALB COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on December 5, 2012, with Mark Jennings, Trustee.  
The official concurred with our findings.