

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

CLAY TOWNSHIP

BARTHOLOMEW COUNTY, INDIANA

January 1, 2012 to December 31, 2015



FILED
03/30/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Christa K. Acton	01-01-11 to 05-08-12
	Rebecca Smith	05-09-12 to 12-31-14
	John A. McDonald	01-01-15 to 12-31-18
Chairman of the Township Board	Michael A. Champlin	01-01-12 to 01-01-14
	(Vacant)	01-02-14 to 02-09-14
	John A. McDonald	02-10-14 to 12-31-14
	Frank Anderson	01-01-15 to 12-31-16
	Frank Emerson	01-01-16 to 12-31-16



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the accompanying financial statements of Clay Township (Township), for the period of January 1, 2012 to December 31, 2015. The Township's management is responsible for the financial statements. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial statements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

As discussed in Note 1 to the financial statements, the Township prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana 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.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statements referred to above do not present, 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, 2012 to December 31, 2015.

In our opinion, the financial statements referred to above present, in all material respects, the financial position and results of operations of the Township for the period of January 1, 2012 to December 31, 2015, based on the prescribed 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, Schedule of Leases and Debt, 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.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

November 22, 2016

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FINANCIAL STATEMENTS AND ACCOMPANYING NOTES

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, BARTHOLOMEW COUNTY
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Years Ended December 31, 2012 and 2013

Fund	Cash and Investments 01-01-12	Receipts	Disbursements	Cash and Investments 12-31-12	Receipts	Disbursements	Cash and Investments 12-31-13
Township Fund	\$ (1,628)	\$ 33,076	\$ 12,315	\$ 19,133	\$ 23,072	\$ 23,400	\$ 18,805
Township Assistance Fund	3,385	25,964	4,476	24,873	22,729	9,793	37,809
Fire Fighting Fund	44	31,643	24,019	7,668	28,042	14,817	20,893
Fire Debt Fund	4,815	90,385	89,432	5,768	42,135	57,676	(9,773)
Payroll Deduction Fund	-	-	-	-	-	-	-
Totals	<u>\$ 6,616</u>	<u>\$ 181,068</u>	<u>\$ 130,242</u>	<u>\$ 57,442</u>	<u>\$ 115,978</u>	<u>\$ 105,686</u>	<u>\$ 67,734</u>

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

CLAY TOWNSHIP, BARTHOLOMEW COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended December 31, 2014 and 2015

Fund	Cash and Investments 01-01-14	Receipts	Disbursements	Cash and Investments 12-31-14	Receipts	Disbursements	Cash and Investments 12-31-15
Township Fund	\$ 18,805	\$ 36,574	\$ 48,867	\$ 6,512	\$ 88,784	\$ 52,251	\$ 43,045
Township Assistance Fund	37,809	12,417	10,062	40,164	7,228	12,540	34,852
Fire Fighting Fund	20,893	29,220	36,863	13,250	40,893	40,000	14,143
Rainy Day Fund	-	-	-	-	14,500	-	14,500
Fire Debt Fund	(9,773)	88,700	56,219	22,708	39,950	59,710	2,948
Payroll Withholdings Fund	-	-	-	-	1,887	1,479	408
Totals	<u>\$ 67,734</u>	<u>\$ 166,911</u>	<u>\$ 152,011</u>	<u>\$ 82,634</u>	<u>\$ 193,242</u>	<u>\$ 165,980</u>	<u>\$ 109,896</u>

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

CLAY TOWNSHIP, BARTHOLOMEW 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 Indiana 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. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

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. Amounts received from one or more of the following: property tax, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeeper's 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.

Licenses and permits. Amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction, or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include the following: peddler licenses, animal licenses, auctioneer licenses, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

Intergovernmental receipts. Amounts received from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of intergovernmental receipts include, but are not limited to, the following: federal grants, state grants,

CLAY TOWNSHIP, BARTHOLOMEW COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

cigarette tax distributions received from the state, motor vehicle highway distributions received from the state, local road and street distributions 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.

Charges for services. Amounts received for services including, but not limited to, the following: planning commission charges, building department charges, copies of public records, copy machines charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable TV receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits. Amounts received from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

Other receipts. Amounts received from various sources, including, but 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. Amounts disbursed 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. Amounts disbursed for 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, but are not limited to, the following: office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges. Amounts disbursed for services including, but not limited to, the following: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service - principal and interest. Amounts disbursed for fixed obligations resulting from financial transactions previously entered into by the Township. It includes all expenditures for the reduction of the principal and interest of the Township's general obligation indebtedness.

Capital outlay. Amounts disbursed for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

CLAY TOWNSHIP, BARTHOLOMEW COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Other disbursements. Amounts disbursed for various other purposes including, but 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, make transfers 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 amounts 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 amounts accounted for in a specific fund may only be available for use for certain, legally-restricted purposes. Additionally, some funds are used to account for assets held by the Township in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and, therefore, the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the Township submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing 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.

CLAY TOWNSHIP, BARTHOLOMEW COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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, the following: 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.

Note 6. *Cash Balance Deficit*

The financial statements contain the Fire Debt fund with a deficit in cash as of December 31, 2013. This is a result of failing to adequately monitor disbursements relative to receipts.

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OTHER INFORMATION - UNEXAMINED

The Township's Annual Financial 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 Township's Annual Financial Report 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 other information presented was approved by management of the Township. It is presented as intended by the Township.

CLAY TOWNSHIP, BARTHOLOMEW COUNTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2012

	Township Fund	Township Assistance Fund	Fire Fighting Fund	Fire Debt Fund	Payroll Deduction Fund	Totals
Cash and investments - beginning	\$ (1,628)	\$ 3,385	\$ 44	\$ 4,815	\$ -	\$ 6,616
Receipts:						
Taxes	4,482	25,858	19,616	83,508	-	133,464
Intergovernmental receipts	28,594	106	12,027	6,877	-	47,604
Other receipts	-	-	-	-	-	-
Total receipts	<u>33,076</u>	<u>25,964</u>	<u>31,643</u>	<u>90,385</u>	<u>-</u>	<u>181,068</u>
Disbursements:						
Personal services	2,700	-	-	-	-	2,700
Supplies	643	-	-	-	-	643
Other services and charges	2,519	4,476	-	-	-	6,995
Debt service - principal and interest	-	-	-	89,432	-	89,432
Capital outlay	-	-	24,019	-	-	24,019
Other disbursements	6,453	-	-	-	-	6,453
Total disbursements	<u>12,315</u>	<u>4,476</u>	<u>24,019</u>	<u>89,432</u>	<u>-</u>	<u>130,242</u>
Excess (deficiency) of receipts over disbursements	<u>20,761</u>	<u>21,488</u>	<u>7,624</u>	<u>953</u>	<u>-</u>	<u>50,826</u>
Cash and investments - ending	<u>\$ 19,133</u>	<u>\$ 24,873</u>	<u>\$ 7,668</u>	<u>\$ 5,768</u>	<u>\$ -</u>	<u>\$ 57,442</u>

CLAY TOWNSHIP, BARTHOLOMEW COUNTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013

	Township Fund	Township Assistance Fund	Fire Fighting Fund	Fire Debt Fund	Payroll Deduction Fund	Totals
Cash and investments - beginning	\$ 19,133	\$ 24,873	\$ 7,668	\$ 5,768	\$ -	\$ 57,442
Receipts:						
Intergovernmental receipts	23,072	22,729	28,042	42,135	-	115,978
Other receipts	-	-	-	-	-	-
Total receipts	<u>23,072</u>	<u>22,729</u>	<u>28,042</u>	<u>42,135</u>	<u>-</u>	<u>115,978</u>
Disbursements:						
Personal services	6,233	-	-	-	-	6,233
Supplies	1,463	-	-	-	-	1,463
Other services and charges	4,703	9,793	14,817	-	-	29,313
Debt service - principal and interest	-	-	-	57,676	-	57,676
Other disbursements	11,001	-	-	-	-	11,001
Total disbursements	<u>23,400</u>	<u>9,793</u>	<u>14,817</u>	<u>57,676</u>	<u>-</u>	<u>105,686</u>
Excess (deficiency) of receipts over disbursements	<u>(328)</u>	<u>12,936</u>	<u>13,225</u>	<u>(15,541)</u>	<u>-</u>	<u>10,292</u>
Cash and investments - ending	<u>\$ 18,805</u>	<u>\$ 37,809</u>	<u>\$ 20,893</u>	<u>\$ (9,773)</u>	<u>\$ -</u>	<u>\$ 67,734</u>

CLAY TOWNSHIP, BARTHOLOMEW COUNTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014

	Township Fund	Township Assistance Fund	Fire Fighting Fund	Rainy Day Fund	Fire Debt Fund	Payroll Withholdings Fund	Totals
Cash and investments - beginning	\$ 18,805	\$ 37,809	\$ 20,893	\$ -	\$ (9,773)	\$ -	\$ 67,734
Receipts:							
Taxes	9,390	11,075	21,699	-	79,855	-	122,019
Intergovernmental receipts	26,122	1,342	7,521	-	8,845	-	43,830
Fines and forfeits	1,062	-	-	-	-	-	1,062
Other receipts	-	-	-	-	-	-	-
Total receipts	<u>36,574</u>	<u>12,417</u>	<u>29,220</u>	<u>-</u>	<u>88,700</u>	<u>-</u>	<u>166,911</u>
Disbursements:							
Personal services	6,405	-	-	-	-	-	6,405
Supplies	3,869	-	-	-	-	-	3,869
Other services and charges	9,195	10,062	36,863	-	-	-	56,120
Debt service - principal and interest	-	-	-	-	56,219	-	56,219
Other disbursements	29,398	-	-	-	-	-	29,398
Total disbursements	<u>48,867</u>	<u>10,062</u>	<u>36,863</u>	<u>-</u>	<u>56,219</u>	<u>-</u>	<u>152,011</u>
Excess (deficiency) of receipts over disbursements	<u>(12,293)</u>	<u>2,355</u>	<u>(7,643)</u>	<u>-</u>	<u>32,481</u>	<u>-</u>	<u>14,900</u>
Cash and investments - ending	<u>\$ 6,512</u>	<u>\$ 40,164</u>	<u>\$ 13,250</u>	<u>\$ -</u>	<u>\$ 22,708</u>	<u>\$ -</u>	<u>\$ 82,634</u>

CLAY TOWNSHIP, BARTHOLOMEW COUNTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2015

	Township Fund	Township Assistance Fund	Fire Fighting Fund	Rainy Day Fund	Fire Debt Fund	Payroll Withholdings Fund	Totals
Cash and investments - beginning	\$ 6,512	\$ 40,164	\$ 13,250	\$ -	\$ 22,708	\$ -	\$ 82,634
Receipts:							
Taxes	12,653	5,961	21,920	-	35,969	-	76,503
Intergovernmental receipts	27,588	1,267	18,973	-	3,981	-	51,809
Other receipts	48,543	-	-	14,500	-	1,887	64,930
Total receipts	<u>88,784</u>	<u>7,228</u>	<u>40,893</u>	<u>14,500</u>	<u>39,950</u>	<u>1,887</u>	<u>193,242</u>
Disbursements:							
Personal services	8,447	-	-	-	-	-	8,447
Supplies	4,713	-	-	-	-	-	4,713
Other services and charges	24,541	12,540	40,000	-	-	-	77,081
Debt service - principal and interest	-	-	-	-	59,710	-	59,710
Other disbursements	14,550	-	-	-	-	1,479	16,029
Total disbursements	<u>52,251</u>	<u>12,540</u>	<u>40,000</u>	<u>-</u>	<u>59,710</u>	<u>1,479</u>	<u>165,980</u>
Excess (deficiency) of receipts over disbursements	<u>36,533</u>	<u>(5,312)</u>	<u>893</u>	<u>14,500</u>	<u>(19,760)</u>	<u>408</u>	<u>27,262</u>
Cash and investments - ending	<u>\$ 43,045</u>	<u>\$ 34,852</u>	<u>\$ 14,143</u>	<u>\$ 14,500</u>	<u>\$ 2,948</u>	<u>\$ 408</u>	<u>\$ 109,896</u>

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CLAY TOWNSHIP, BARTHOLOMEW COUNTY
SCHEDULE OF PAYABLES AND RECEIVABLES
December 31, 2015

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 7,529</u>	<u>\$ -</u>

CLAY TOWNSHIP, BARTHOLOMEW COUNTY
 SCHEDULE OF LEASES AND DEBT
 December 31, 2015

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities: General obligation bonds	Fire Department building/Trustee Office	\$ 475,000	\$ 62,926
Totals		<u>\$ 475,000</u>	<u>\$ 62,926</u>

CLAY TOWNSHIP, BARTHOLOMEW COUNTY
SCHEDULE OF CAPITAL ASSETS
December 31, 2015

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:	
Buildings	\$ 710,000
Machinery, equipment, and vehicles	<u>13,000</u>
Total governmental activities	<u>723,000</u>
Total capital assets	<u><u>\$ 723,000</u></u>

OTHER REPORTS

In addition to this report, other reports may have been issued for the Township. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.