

**TOWNSHIP BULLETIN  
AND UNIFORM COMPLIANCE GUIDELINES  
ISSUED BY STATE BOARD OF ACCOUNTS**

Volume 328, Page 1

March 2020

**ITEMS TO REMEMBER**

**MARCH**

- |       |     |   |
|-------|-----|---|
| March | 1:  | Last day to report to the DLGF information and data on your retiree benefits and expenditures. [IC 36-1-8-17.5]   |
| March | 1:  | Deadline for each political subdivision to submit annual report to the DLGF in Debt Management of any outstanding bonds or leases (as of January 1). IC 5-1-18-9  |
| March | 1:  | Last possible day for a unit to hold its first public hearing and present appropriate information before adopting an ordinance or resolution to enter into or form a fire protection territory. [IC 36-8-19-6]  |
| March | 15: | Deadline to upload monthly bank reconcilements, approved board minutes, and funds ledger, summarizing total receipts, disbursements, and balances by fund for January 2020 to Gateway. [State Examiner Directive 2018-1]  |
| March | 17: | Last day to publish the abstract of receipts and expenditures required by IC 36-6-4 13. In addition to the abstract, the publishing must state that a complete and detailed annual report and the accompanying vouchers showing the names of persons paid money by the Township have been filed with the County Auditor, and that the Chairman of the Township Board has a copy of the report that is available for inspection by any taxpayer of the Township. |
| March | 30: | Deadline to adopt an ordinance or resolution creating a fire protection territory to receive a tax levy in 2021. [IC 36-8-19-6]   |
| March | 31: | 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. [IC 5-13-6-1(e)]  |

**APRIL**

- |       |     |  |
|-------|-----|--|
| April | 19: | Legal Holiday – Good Friday. [IC 1-1-9-1]  |
| April | 15: | Deadline to upload monthly bank reconcilements, approved board minutes, and funds ledger, summarizing total receipts, disbursements, and balances by fund for February 2020 to Gateway. [State Examiner Directive 2018-1]            |
| April | 30: | 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. [IC 5-13-6-1(e)] |

Last day to file Employer's Quarterly Federal Tax Return (Form 941) with the Internal Revenue Service for federal and social security taxes.

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**MAY**

- |     |     |  |
|-----|-----|--|
| May | 15: | Deadline to upload monthly bank reconcilements, approved board minutes, and funds ledger, summarizing total receipts, disbursements, and balances by fund for March 2020 to Gateway. [State Examiner Directive 2018-1]               |
| May | 25: | Legal Holiday – Memorial Day. [IC 1-1-9-1]   |
| May | 31: | 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. [IC 5-13-6-1(e)] |

**STATE BOARD OF ACCOUNTS CALLED MEETINGS**

The SBOA has called meetings of all Township Trustees in accordance with IC 5-11-14-1. These Meetings will be held on the following dates and locations.

- Ivy Tech – March 6, 2020  
North Central Health Services Auditorium, room 1333  
3101 S Creasy Ln  
Lafayette, IN 47905
  
- Ivy Tech – March 13, 2020  
Business Conference Center (Rooms 2010, 2020, 2030)  
590 Ivy Tech Drive  
Madison, IN 47250
  
- Ivy Tech – March 19, 2020  
Auditorium  
300 N. 17th Street  
Noblesville, IN 46060
  
- Online Conference – April 1, 2020  
SBOA Website – Registration

These meetings are mandatory and as you can see from the meetings dates above, we are offering an online conference option this year. We have received multiple requests to have our annual meetings at different locations throughout the State. We were unable to accommodate each request so we have decided to offer an online meeting option for those who cannot attend our trainings in person. If you would like to attend the online conference please register on our website at <https://www.in.gov/sboa/5186.htm> . Once we have received registrations from attendees, we will send another email with instructions on how to access the online conference to those who have registered. These instructions will be posted on our website as well.

The meetings will begin at 9:00 am EST with registration beginning at 8:00 am. No preregistration is required, but is available on our website. Many items pertaining to our Township audits will be discussed at the meeting. In addition, there will be time to answer questions about Township concerns such as submitting the Annual Financial Report (AFR), clarifications on audit positions, statutory requirements, suggestions to problems etc...So feel free to come with questions and bring records that you are having trouble with.

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**CAPITAL ASSETS – CEMETERIES**

Township owned cemeteries are considered capital assets and need to be properly recorded on General Form 369 – Capital Assets Ledger. The cemeteries are to be reported on General Form 369 – Capital Assets Ledger at the 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. An article was published in the September 2019 Township Bulletin (Page 3) to assist in determining the estimated historical cost of the capital asset when the actual cost of the capital asset is not known - <https://www.in.gov/sboa/files/TwpBULL%20September%202019.pdf>. General Form 369 – Capital Assets Ledger does not have a separate classification for cemeteries, so the cemetery ground will be recorded on the capital asset ledger under land, any structures on the cemetery grounds under buildings, and roads and drainage systems will be recorded under infrastructure. There will be no effect on the value of the asset as plots are sold. The purchase of a burial plot is a real estate transaction; however, cemetery plot deeds grant burial rights that create an easement for the specific purpose of burial but do not alter the Township's ownership of the cemetery as a whole.

Each township is required to adopt a capital asset policy that details the threshold at which an item is considered a capital asset. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records.

A training on properly maintaining capital assets has been added to the SBOA YouTube Channel. To access the SBOA YouTube Channel, there is a link under the Presentations and Training Materials sections of the SBOA website. You may also click on this link to view other training videos - <https://www.youtube.com/channel/UC62Ozm0wY81GZHipK2UjrLA> .

**LEASE PURCHASE AGREEMENTS**

The State Board of Accounts is of the audit position regarding purchasing a computer or any other equipment from public funds, the township has the right to enter into a rental with option to purchase agreement if the rental charge is fair and reasonable. However, before such an agreement is entered into, there must be a sufficient appropriation balance available for payment of the current year's rental charge. The agreement should not obligate the township for payment of rental beyond the current year's appropriation. Provision may be made in the agreement for renewal for succeeding years by rental payments subject to appropriations being available. If the original gross cost of the equipment (without consideration of any trade-in) exceeds one hundred fifty thousand dollars (\$150,000) the purchasing agency must comply with IC 5-22-7 of the "Public Purchases Law", (certain exceptions exist). IC 5-22-7 includes advertising for the bids and by awarding with reasonable promptness by written notice a contract to the lowest responsible and responsive bidder. Only by awarding a contract pursuant to IC 5-22 would the township have authority to purchase the equipment at a later date. A lease-purchase agreement will often contain an option to purchase at the end of the lease term for nominal consideration or no additional consideration.

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**LEASE PURCHASE AGREEMENTS (Continued)**

The State Board of Accounts is of the audit position specifications should be in accordance with all of the provisions of IC 5-22-5-1 et seq. IC 5-22-5-3 states "A specification must do the following: (1) Promote overall economy for the purposes intended. (2) Encourage competition in satisfying the governmental body's needs."

The specifications for the equipment must be recognized standard specifications to allow competitive bidding and should provide for the bidder to quote the total purchase cost, the rental charge to be made, and the percentage of the amount of the rental charge that will be credited toward the purchase cost should the township exercise the option to purchase. Any interest or carrying charges must be made a part of the original bid price without specific reference made thereto. Compliance with the above requirements will allow the purchasing agency to exercise the option to purchase at any time a sufficient appropriation for equipment is available.

If a proposal is made to trade in used equipment on the new equipment to be purchased under a rental with option to purchase agreement, the trade-in value of the old equipment must be applied on the rental charge to the extent of the amount allowed on the used equipment by the successful bidder. The allowance should not be deducted from the price of the new equipment and the net price used as the basis for determining lease payments. If the trade-in allowance exceeds the current year's rental charge, the township should dispose of the used equipment in the manner required by IC 5-22-22-1 et seq. or by other statutorily authorized procedures.

**PENALTIES AND INTEREST- WAYS TO AVOID**

We encounter situations of townships which have paid penalties and interest for either late or nonpayment of amounts owed. Reasons given for not making timely payments vary but often include references to lack of funds because of a multiple of reasons such as late tax distributions. We often have to take audit exception because our audit position is taxpayer dollars should not be used to pay penalties and interest because officials and employees have the duty to pay claims and remit taxes timely. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit. Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee.

Our audit position is with the understanding various mechanisms are available to avoid having to pay penalty and interest payments from taxpayer funds. IC 36-1-8-4 concerning loans between funds provides in part "(a) The fiscal body of a political subdivision may, by ordinance or resolution, permit the transfer of a prescribed amount, for a prescribed period, to a fund in need of money for cash flow purposes from another fund of the political subdivision if all these conditions are met: (1) It must be necessary to borrow money to enhance the fund that is in need of money for cash flow purposes. (2) There must be sufficient money on deposit to the credit of the other fund that can be temporarily transferred. (3) Except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs. (4) The amount transferred must be returned to the other fund at the end of the prescribed period. (5) Only revenues derived from the levying and collection of property taxes or special taxes or from operation of the political subdivision may be included in the amount transferred."

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**PENALTIES AND INTEREST- WAYS TO AVOID (Continued)**

IC 36-6-6-15 concerning tax anticipation warrants states "(a) If the legislative body finds that an emergency requires the borrowing of money to meet the township's current expenses, it may take out temporary loans in an amount not more than eighty percent (80%) of the total anticipated revenue for the remainder of the year in which the loans are taken out. (b) The legislative body must authorize the temporary loans by a resolution: (1) stating the nature of the consideration for the loans; (2) stating the time the loans are payable; (3) stating the place the loans are payable; (4) stating a rate of interest; (5) stating the anticipated revenues on which the loans are based and out of which they are payable; and (6) appropriating a sufficient amount of the anticipated revenues on which the loans are based and out of which they are payable for the payment of the loans. (c) The loans must be evidenced by time warrants of the township stating: (1) the nature of the consideration; (2) the time payable; (3) the place payable; and (4) the anticipated revenues on which they are based and out of which they are payable."

IC 5-13-6-3 concerning tax advances states in part "(b) Every county treasurer who, by virtue of the treasurer's office, is the collector of any taxes for any political subdivision wholly or partly within the county shall, not later than thirty (30) days after receipt of a written request for funds filed with the treasurer by a proper officer of any political subdivision within the county, advance to that political subdivision a portion of the taxes collected before the semiannual distribution. The amount advanced may not exceed the lesser of: (1) ninety-five percent (95%) of the total amount collected at the time of the advance; or (2) ninety-five percent (95%) of the amount to be distributed at the semiannual distribution. (c) Upon notice from the county treasurer of the amount to be advanced, the county auditor shall draw a warrant upon the county treasurer for the amount. The amount of the advance must be available immediately for the use of the political subdivision."

IC 36-6-6-14 concerning borrowing states "(a) At any special meeting, if two (2) or more members give their consent, the legislative body may determine whether there is a need for fire and emergency services or other emergency requiring the expenditure of money not included in the township's budget estimates and levy. (b) Subject to section 14.5 of this chapter, if the legislative body finds that a need for fire and emergency services or other emergency exists, it may issue a special order, entered and signed on the record, authorizing the executive to borrow a specified amount of money sufficient to meet the emergency. (c) Notwithstanding IC 36-8-13-4(a), the legislative body may authorize the executive to borrow a specified sum from a township fund other than the township firefighting fund if the legislative body finds that the emergency requiring the expenditure of money is related to paying the operating expenses of a township fire department or a volunteer fire department. At its next annual session, the legislative body shall cover the debt created by making a levy to the credit of the fund for which the amount was borrowed under this subsection. (d) In determining whether a fire and emergency services need exists requiring the expenditure of money not included in the township's budget estimates and levy, the legislative body and any reviewing authority considering the approval of the additional borrowing shall consider the following factors: (1) The current and projected certified and noncertified public safety payroll needs of the township. (2) The current and projected need for fire and emergency services within the jurisdiction served by the township. (3) Any applicable national standards or recommendations for the provision of fire protection and emergency services. (4) Current and projected growth in the number of residents and other citizens served by the township, emergency service runs, certified and noncertified personnel, and other appropriate measures of public safety needs in the jurisdiction served by the township. (5) Salary comparisons for certified and noncertified public safety personnel in the township and other surrounding or comparable jurisdictions. (6) Prior annual expenditures for fire and emergency services, including all amounts budgeted under this chapter. (7) Current and projected growth in the assessed value of property requiring protection in the jurisdiction served by the township. (8) Other factors directly related to the provision of public safety within the jurisdiction served by the township. (e) In the event the township received additional funds under this chapter in the immediately preceding budget year for an approved expenditure, any reviewing authority shall take into consideration the use of the funds in the immediately preceding budget year and the continued need for funding the services and operations to be funded with the proceeds of the loan."

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**PENALTIES AND INTEREST- WAYS TO AVOID (Continued)**

Additionally, governmental units can contact various creditors to discuss renegotiation of terms to delay payment and change rates, etc., to minimize and help avoid getting into situations that require payments of penalty and interest. Consequently, the State Board of Accounts is of the audit position taxpayer dollars should not be used to pay for penalty and interest which could have been avoided with due diligence.

**TRUSTEE COMPENSATION**

We continue to receive inquiries concerning trustees receiving compensation from funds other than the township fund.

IC 36-6-6-10(b) defines compensation as the total of all money paid to an elected township office for performing duties as a township officer, regardless of the source of funds from which the money is paid. The term includes all employee benefits paid to an elected township office, including life insurance, health insurance, disability insurance, retirement benefits, and pension benefits. For purposes of determining an increase or decrease in compensation of an elected township officer, the term does not include any of the following: (1) payment of an insurance premium. (2) Payments in recognition of (A) longevity; (B) professional certifications; or educational advancements that are separately identified on a salary ordinance or resolution. (3) Payment of a stipend or per diem allowed by statute. IC 36-6-6-10(c) states in part: "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. IC 36-6-6-10(e) states: " Except as provided in subsection (i), the township legislative body may not alter the salaries of elected or appointed officers during the fiscal year for which they are fixed, but it may add or eliminate any other position and change the salary of any other employee, if the necessary funds and appropriations are available."

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.

The trustee's salary may be paid from multiple township funds. The breakdown should mirror the estimated time spent for each duty and must be clearly stated in the salary resolution. The trustee cannot receive any compensation in excess of what is noted on the salary resolution for the trustee. It is very important that the township board makes it clear what that total salary of the trustee will be and for what duties he/she will perform on the salary resolution.

The State Board of Accounts is of the audit position that the compensation provided by a township board in accordance with IC 36-6-6-10 on the salary resolution is all inclusive for all duties performed. We will request reimbursement for any payments received above the compensation established for the trustee, board members or other employees.

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