

TOWNSHIP BULLETIN

AND UNIFORM COMPLIANCE GUIDELINES ISSUED BY STATE BOARD OF ACCOUNTS

Volume 305

June 2014

ITEMS TO REMEMBER

June

- 1 On or before June 1 and December 1 of each year (or more frequently if the county legislative body adopts an ordinance requiring additional certifications) the township shall certify a list of the names and addresses of each person who has money due from the township to the county treasurer. (IC 6-1.1-22-14)

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))

July

- 4 Independence Day - Legal Holiday (IC 1-1-9-1)
- 31 Last day to file Employer's Quarterly Federal Tax Return (Form 941) with the Internal Revenue Service for federal and social security taxes for the second quarter.

Last day to file report with the Indiana Department of Workforce Development for the quarter ending June 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))

August

- 4 On the first Monday of each August the trustee shall post, in a conspicuous place near his office, a verified statement showing the indebtedness of the township in detail and giving the number and total amount of outstanding orders, warrants and accounts. (IC 36-6-4-10)
- 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))

See the Township Bulletin, Volume 306, September 2014 for budget dates or call the Department of Local Government Finance at (317) 232-3777.

The township board should set the salaries of township officials and employees for 2015 in conjunction with the preparation and completion of the township budget. (Township Form 17)

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FREQUENT COMMENTS NOTED IN TOWNSHIP LETTERS

Some of you are aware that the SBOA has been attempting to address the backlog of Township examinations in the recent months. We wanted to list, as a training tool, some of the more common findings noted in these Township letters.

Salary Resolution

Comment – The Township Board has failed to pass a salary resolution that details the approved salaries and wages for the township officials and employees.

Indiana Code 36-6-6-10(b) states, “The township legislative body shall fix the: (1) salaries; (2) wages; (3) rates of hourly pay; and (4) remuneration other than statutory allowances, of all officers and employees of the township.” Township Form 17 was created to document all of the requirements to meet IC 36-6-6-10(b) and a sample of the form can be found in the appendix of the Township Manual.

Certification of Nepotism and Contracting statutes

Comment – Each elected officer did not certify in writing that the officer had not violated Indiana Code 36-1-20.2 (Nepotism) or Indiana Code 36-1-21 (Contracting with a unit).

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

Indiana Code 36-1-21-6 states, “Each elected officer of the unit shall annually certify in writing, subject to the penalties for perjury, that the officer is in compliance with this chapter. An officer shall submit the certification to the executive of the unit not later than December 31 of each year.”

The two certifications must be completed by all Township Board members and the Township Trustee and presented to the Trustee prior to the end of each year. This is still true even if the Township has failed to adopt the two policies required by the statutes.

Required Reports not filed timely

Comment – The Township Trustee did not file the Annual Financial Report or the Certified Report of Names, Addresses, Duties, and Compensation of Public Employees (Form 100R) by the deadline established in statute.

Indiana Code 5-11-1-4(a) states in part: “The state examiner shall require from every ... local governmental unit ... financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7.

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FREQUENT COMMENTS NOTED IN TOWNSHIP LETTERS (continued)

Required Reports not filed timely (continued)

Indiana Code 5-11-13-1(a) states in part: "Every ... township ... shall during the month of January of each year prepare, make, and sign a certified report, correctly and completely showing the names and business addresses of each and all officers, employees ... and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts. The report must also indicate whether the political subdivision offers a health plan, a pension, and other benefits to full-time and part-time employees. However, no more than one (1) report covering the same officers, employees, and agents need be made from the state or any county, city, town, township, or school unit in any one year. The certification must be filed electronically in the manner prescribed under IC 5-14-3.8-7."

Two reports are required to be filed through the Gateway system which can be found at <https://gateway.ifionline.org/>. The Township Trustee can designate a different individual to input the required information, but the Trustee themselves should perform the final review and submit the reports. They are ultimately responsible for the timely submission and the information that is included in the reports. Both statute chapters contain a violations and penalties section that allows for the local prosecutor to file infraction charges and would allow a judge to remove the Trustee from office.

IC 5-11-1-10 states in part: "A public officer who: fails to make, verify, and file with the state examiner any report required by this chapter; ... commits a Class B infraction and forfeits office."

IC 5-11-13-3 states, "A person who violates section 1 of this chapter commits a Class C infraction. If violated by an elected state officer, the officer is liable to impeachment, and if violated by any other person, the person is subject to removal for neglect of duty under the procedures described in IC 34-17"

Township Assistance Standards not adopted

Comment – The Township did not have Township Assistance Standards adopted detailing the requirements for a township resident to be eligible for township assistance.

IC 12-20-5.5-1 states, "(a) The township trustee shall process all applications for township assistance according to uniform written standards and without consideration of the race, creed, nationality, or gender of the applicant or any member of the applicant's household. (b) The township's standards for the issuance of township assistance and the processing of applications must be: (1) governed by the requirements of this article; (2) proposed by the township trustee, adopted by the township board, and filed with the board of county commissioners; (3) reviewed and updated annually to reflect changes in the cost of basic necessities in the township and changes in the law; (4) published in a single written document, including addenda attached to the document; and (5) posted in a place prominently visible to the public in all offices of the township trustee where township assistance applications are taken or processed."

We would also encourage Trustees to review IC 12-20-5.5-2 for all of the specific requirements that must be included in the Township Assistance Standards.

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CHANGES TO GASB PENSION REPORTING TO IMPACT EMPLOYERS IN 2015

Significant pension reporting changes are coming from the Governmental Accounting Standards Board (GASB). These will affect employers participating in retirement plans administered by the Indiana Public Retirement System (INPRS). GASB Statement No. 68, Accounting and Financial Reporting for Pensions, was issued in June, 2012 and is effective for fiscal years beginning after June 15, 2014. This statement is an amendment to GASB Statement No. 27, Accounting for Pensions by State and Local Governmental Employers and GASB Statement No. 50, Pension Disclosures.

The new standards in GASB Statement No. 68 set different methods for pension funding and financial reporting. Historically, there has been a close relationship between how governments fund pensions and how they account and report information. However, the new guidance makes a clear shift from a funding-based approach to an accounting-based approach. This shift was designed to improve pension information and increase the transparency, consistency, and comparability of pension information across governments.

For GAAP basis employers, GASB Statement No. 68 will have a significant impact on financial statements. It requires GAAP basis employers to report their net pension liability (unfunded liability) in the financial statements. Calculation of pension expense will change, and deferred outflows / inflows of resources related to pensions will also need to be reflected in the financials. There will be substantial financial statement note disclosures and additional required supplementary information related to employer's participation in retirement plans administered by INPRS.

GASB Statement No. 68 doesn't apply to non-GAAP basis employers. The Indiana State Board of Accounts (SBoA) will provide direction with what will be required to be included with your annual financial statements.

Employers are encouraged to begin preparations for these changes. You can do so by discussing possible implications of these changes with preparers of your financial statements. Also, because GAAP basis employers' financial statements will be required to show their proportionate share of net pension liability, if applicable you may want to review debt covenants for possible violations resulting from these accounting changes.

INPRS plans to provide individual employers with their required financial reporting information and is currently analyzing the proposed changes. In early 2014, the GASB plans to issue an Implementation Guide for GASB Statement No. 68. The Implementation Guide and or the Statement may be downloaded at no charge or purchased in a hard copy format at the GASB's website www.gasb.org. After the Implementation Guide has been issued, the INPRS and SBoA plan to have additional communications with you regarding the implementation of GASB Statement No. 68.

If you have any questions, please contact Dawn Anderson with the Indiana State Board of Accounts at dranderson@sboa.in.gov or (317) 232-2513.

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GASB STATEMENT NO. 68 – ACCOUNTING AND FINANCIAL REPORTING FOR PENSIONS QUESTIONS AND ANSWERS

Q: Who is impacted by GASB Statement No. 68?

A: GASB Statement No. 68 directly impacts GAAP basis (economic resources measurement focus and accrual basis of accounting) employers. Non-GAAP (regulatory, etc.) basis employers will be indirectly impacted as the Indiana State Board of Accounts (SBoA) will provide direction with what will be required to be included with your financial statements. Additionally, any employer may be subject to the audit of their payroll and census (birthday, sex, etc.) data by the Indiana Public Retirement System's (INPRS) auditor, regardless of their basis of accounting.

Q: When is GASB Statement No. 68 effective?

A: GASB Statement No. 68 becomes effective for fiscal years beginning after June 15, 2014 and is an amendment to GASB Statement No. 27. For most employers in the state of Indiana, the requirements of GASB Statement No. 68 will be effective for fiscal year ends ending June 30, 2015 or December 31, 2015.

Q: Will GASB Statement No. 68 cause contribution rates to increase?

A: No. GASB Statement No. 68 does not impact the funding policies of pension plans.

Q: What are the primary requirements of GASB Statement No. 68?

A: GASB Statement No. 68 significantly changes the accounting and financial reporting regarding pension plans for GAAP basis employers. Some of the primary changes impacting GAAP basis employers are:

- Employers are required to record their proportionate share of the net pension liability or asset in their financial statements.
- Changes the calculation of the pension expense to be reported by employers and requires the recording of deferred inflows and outflows of resources in their financial statements.
- Replaces many of the current note disclosures and required supplementary information to be provided in employer financial statements.

Q: How are employers to obtain the required information to be reported?

A: The Indiana Public Retirement System (INPRS) plans to prepare stand alone employer schedules of allocations and amounts, which should provide the required information by plan. The Indiana State Board of Accounts and INPRS plan to provide training and spreadsheets to assist employers. Details on how the stand alone employer schedules of allocations and amounts will be communicated are in process.

Q: Will the testing of payroll and census data required by the recent AICPA Whitepaper have any impact on employers (see Whitepaper at: www.aicpa.org/interestareas/governmentauditquality/resources/gasbmatters/downloadabledocuments/aicpaslgep_cs_census_data_whitepaper.pdf)?

A: Potentially yes. The auditor of INPRS will select a sample of employers from each defined benefit plan to test the payroll and census data provided by employers to INPRS. Employers could be contacted to assist with the audits of their census data as early as May of this year.

Q: Where can employers obtain information about GASB Statement No. 68 and its implementation?

A: GASB has an implementation toolkit at:
www.gasb.org/jsp/GASB/Page/GASBSectionPage&cid=1176163527940

Q: Who do I contact with any questions?

A: If you have any questions, please contact Dawn Anderson with the Indiana State Board of Accounts at dranderson@sboa.in.gov or (317) 232-2513.

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NEW LAWS AFFECTING TOWNSHIPS

The following is a digest of some of the laws passed by the 2014 Regular Session of the General Assembly affecting townships. Please note the effective dates. Some of the laws do not pertain directly to townships, but are included in the Digest for ready reference to the covered subject matter.

The digest is not intended as an expression of legal interpretations, nor is the digest intended to be all inclusive. References in the digest will be to the Indiana Code in the following form (Amends IC 12-20-9-6) (Amends Indiana Code, Title 12, Article 20, Chapter 9, Section 6). If you have any questions regarding legal interpretation, please consult your township attorney.

Public Law 4 – Senate Enrolled Act 58 – Effective July 1, 2014 Local appropriation for Memorial Day expenses

Amends IC 10-17-13-5; IC 10-18-8-1; and IC 21-41-10-10 - Removes an outdated list of veterans' organizations from the statute authorizing counties, townships, cities, and towns to appropriate money to veterans' organizations to defray the expenses of Memorial Day. Makes conforming changes.

Public Law 19 – Senate Enrolled Act 60 – Effective July 1, 2014 Representation of judges in mandate of funds litigation

Adds Noncode Provision – Urges the legislative council to assign the topic of the representation of judges and payment of attorney fees in judicial mandate actions to an interim study committee.

Public Law 80 – Senate Enrolled Act 32 – Effective Upon passage Public official bonding

Adds Noncode Provision – Urges the legislative council to assign to an appropriate study committee the topic of the bonding of elected public officials.

Public Law 84 – Senate Enrolled Act 106 – Effective Upon passage Local government transparency

Amends IC 5-14-3.8-3; Adds IC 5-14-3.8-8; and IC 6-1.1-20.3-15 - Requires the department of local government finance (DLGF) to develop indicators of fiscal health for school corporations and other political subdivisions. Requires the DLGF to present information for evaluating the fiscal health of political subdivisions on the Indiana transparency Internet web site through conveniently and easily accessed dashboards. Prohibits the department of local government finance and other state agencies from using the fiscal health indicators to assign a school corporation or political subdivision a summative grade. Allows political subdivisions to request technical assistance from the distressed unit appeals board (DUAB) beginning in 2015.

Public Law 91 – Senate Enrolled Act 225 – Effective July 1, 2014 Various state and local financial matters

Amends IC 5-10-8-2.2; IC 5-10-8-2.6; and IC 5-10-8-6.6; – Eliminates local unit participation in the state employee health plan.

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NEW LAWS AFFECTING TOWNSHIPS (continued)

**Public Law 95 – Senate Enrolled Act 260 – Effective July 1, 2014
Assistance for military facilities**

Adds IC 36-1-4-20; Amends IC 36-7-14-12.2; IC 36-7-15.1-7; IC 36-7-30-9; and IC 36-7-30.5-15 – Authorizes units of local government to expend money: (1) in direct support of an active military base located within the unit or an entity located in the territory or facilities of a military base or former military base (or territory or facilities of the United States Department of Defense) that are scheduled for closing or are completely or partially inactive or closed; and (2) in support of any other entity that provides services or direct support to such an active military base or such an entity. Provides that redevelopment commissions, military base reuse authorities, and military base development authorities may, subject to prior approval by the unit's fiscal body, expend money and provide financial assistance (including grants and loans) to such active military bases and to such entities. Provides that the fiscal body of the unit that established such a commission or authority must separately approve each grant, loan, or other expenditure for financial assistance provided by the commission or authority under these provisions. Provides that the terms of any loan made under these provisions by a commission or authority may be changed only if the change is approved by the fiscal body of the unit that established the commission or authority. Excludes certain counties.

**Public Law 102 – Senate Enrolled Act 332 – Effective July 1, 2014
State and local investments**

Amends IC 5-13-9-2 – Provides that investments in municipal securities must have a stated final maturity of five years or less.

**Public Law 120 – House Enrolled Act 1062 – Effective Upon passage
Local government finance**

Amends 5-1-5-2.5; Adds IC 6-1.1-17-22 – Provides that for all political subdivisions, the maximum amount allowed for an operating balance for a debt service fund is 50% of the budget estimate for annual debt service payments from the fund for debt originally incurred before July 1, 2014, including refinanced debt, and 15% on debt originally incurred after June 30, 2014.

**Public Law 166 – Senate Enrolled Act 367 – Some effective upon passage and some July 1, 2014
Property tax matters**

Amends IC 5-13-6-3; IC 6-1.1-18.5-13.7; IC 6-1.1-20.6-4; and IC 36-6-4-13 – Specifies that the county auditor (rather than the county treasurer, under current law) makes certain requested advances to political subdivisions within the county. Provides that for purposes of the circuit breaker credit, residential property: (1) includes a single family dwelling that is under construction and the land, not exceeding one acre, on which the dwelling will be located; and (2) excludes real property that consists of a commercial hotel, motel, inn, tourist camp, or tourist cabin. Specifies that delinquent penalties, fees, and interest are included in the amounts due for determining whether a parcel is included on the delinquency list for purposes of the tax sale law. Makes the 2012 maximum property tax levy adjustment for Fairfield Township in Tippecanoe County permanent. Requires township trustees to publish the annual abstract of receipts and expenditures within four weeks after the third Tuesday following the first Monday in February.

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NEW LAWS AFFECTING TOWNSHIPS (continued)

**Public Law 183 – House Enrolled Act 1266 – Effective July 1, 2014
Local government finance issues**

Amends IC 6-1.1-17-13; IC 6-1.1-17-16; and IC 36-8-19-8 – Requires a political subdivision to submit to the DLGF information concerning the adoption of budgets and tax levies using the DLGF's computer gateway. Provides that publication requirements in current law continue in 2014 for 2015 budgets (along with the new requirements added in the bill concerning submission of budget and levy information to the DLGF's computer gateway). Requires the DLGF to make this information available to taxpayers through its computer gateway and provide a telephone number through which taxpayers may request copies of a political subdivision's information. Specifies that for taxes due and payable in 2015 and 2016, each county shall publish a notice stating the Internet address at which the budget information is available and the telephone number through which taxpayers may request copies of a political subdivision's budget information. Allows counties to seek reimbursement from the political subdivisions in the county for the cost of the notice. Provides that if a political subdivision timely submits the budget information to the DLGF's computer gateway but subsequently discovers the information contains a typographical error, the political subdivision may request permission from the DLGF to submit amended information.