

**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2765**

ANNUAL FINANCIAL REPORT

2004

JOHNSON COUNTY, INDIANA



**FILED**

10/11/2006



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## OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Auditor	Brenda Jones-Matthews	01-01-04 to 06-09-05
	Vacant	06-10-05 to 06-30-05
	Janice Richhart	07-01-05 to 12-31-07
Treasurer	Janice Richhart	01-01-01 to 06-30-05
	Vacant	07-01-05 to 07-28-05
	Rita Sievertson	07-29-05 to 12-31-08
Clerk	Jill Jackson	01-01-04 to 12-31-07
Sheriff	Terry McLaughlin	01-01-03 to 12-31-06
Recorder	Sue Ann Misiniec	01-01-03 to 12-31-06
Chairman of the Board of County Commissioners	James Rhoades	01-01-04 to 12-31-04
	R.J. McConnell	01-01-05 to 12-31-06
President of the County Council	Brent Waltz	01-01-04 to 10-11-04
	Ron West	10-12-04 to 12-31-06



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS  
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF JOHNSON COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Johnson County (County), as of and for the year ended December 31, 2004, as listed in the table of contents, which collectively comprise the County's basic financial statements. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the County prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States. The basis of accounting noted above is a different basis than that used in the prior year.

As discussed in Note I, the financial statements referred to above do not include a number of component units of the County which should have been included to fairly present the financial position of the County.

In our opinion, except that the omission of the component units of the County referred to in the preceding paragraph results in incomplete presentation, the financial statements referred to above present fairly, in all material respects, the cash and investment balances of the governmental activities, each major fund, and the aggregate remaining fund information of the County as of December 31, 2004, and the cash receipts and cash disbursements during the year then ended on the basis of accounting described in Note I.

The Schedules of Funding Progress, as listed in the table of contents, are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The County has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS  
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
(Continued)

In accordance with Government Auditing Standards, we have also issued a report dated June 15, 2006, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. This separate report is an integral part of an audit performed in accordance with Government Auditing Standards issued by the Comptroller General of the United States and, in considering the results of the audit, this report should be read along with the auditor's report on the financial statements.

Our audit was performed for the purpose of forming an opinion on the financial statements of the County taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

STATE BOARD OF ACCOUNTS

June 15, 2006



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF JOHNSON COUNTY, INDIANA

We have audited the financial statements of Johnson County (County), as of and for the year ended December 31, 2004, and have issued our report thereon dated June 15, 2006. The opinion to the financial statements was qualified due to the omission of component units which results in incomplete presentation. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting that we have discussed with the management of the County on August 14, 2006. These immaterial instances of noncompliance were subsequently communicated to management in a separate letter.

This report is intended solely for the information and use of the County's management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

June 15, 2006

STATE BOARD OF ACCOUNTS

JOHNSON COUNTY  
STATEMENT OF CASH AND INVESTMENTS  
December 31, 2004

<u>Assets</u>	<u>Primary Governmental Activities</u>
Cash and investments	\$ 9,279,807
Restricted assets:	
Cash and investments	<u>14,792,918</u>
Total assets	<u>\$ 24,072,725</u>
 <u>Net Assets</u>	
Restricted for:	
Highways and streets	\$ 3,696,832
Debt service	1,704,186
Other purposes	9,391,900
Unrestricted	<u>9,279,807</u>
Total net assets	<u>\$ 24,072,725</u>

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

JOHNSON COUNTY  
STATEMENT OF CASH ACTIVITIES  
For The Year Ended December 31, 2004

Functions/Programs	Disbursements	Program Receipts			Net (Disbursements) Receipts and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 15,535,476	\$ 4,057,764	\$ 2,764,557	\$ -	\$ (8,713,155)
Public safety	13,192,713	4,041,505	6,349,524	209,108	(2,592,576)
Highways and streets	5,141,822	257,196	235,384	224,567	(4,424,675)
Health and welfare	4,069,202	247,327	371,244	-	(3,450,631)
Culture and recreation	1,431,358	378,316	2,417	-	(1,050,625)
Debt service	2,487,229	-	-	-	(2,487,229)
Capital outlay	1,130,134	-	-	-	(1,130,134)
<b>Total primary government</b>	<b>\$ 42,987,934</b>	<b>\$ 8,982,108</b>	<b>\$ 9,723,126</b>	<b>\$ 433,675</b>	<b>(23,849,025)</b>
General receipts:					
Property taxes					14,417,805
Other local taxes					7,313,717
Riverboat revenue sharing					268,385
Grants and contributions not restricted to specific programs					899,381
Other operating receipts					2,023,006
Insurance proceeds					96,426
Unrestricted investment earnings					617,574
<b>Total general receipts</b>					<b>25,636,294</b>
<b>Change in net assets</b>					<b>1,787,269</b>
<b>Net assets - beginning</b>					<b>22,285,456</b>
<b>Net assets - ending</b>					<b>\$ 24,072,725</b>

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

JOHNSON COUNTY  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
GOVERNMENTAL FUNDS  
For The Year Ended December 31, 2004

	General	Cumulative Bridge	Cumulative Capital Development	Other Governmental Funds	Totals
Cash and investments - January 1	\$ 3,063,688	\$ 3,848,504	\$ 2,935,683	\$ 11,907,429	\$ 21,755,304
Operating receipts:					
Taxes	14,354,251	1,749,937	1,139,338	4,487,996	21,731,522
Special assessments	-	-	-	216,125	216,125
Intergovernmental	2,378,262	439,750	142,050	8,364,504	11,324,566
Charges for services	2,228,706	-	-	4,207,501	6,436,207
Other	1,236,080	10,764	20,737	1,400,325	2,667,906
Total operating receipts	20,197,299	2,200,451	1,302,125	18,676,451	42,376,326
Interfund loan proceeds	5,200,000	-	-	-	5,200,000
Interfund loan payments received	-	2,700,000	2,000,000	500,000	5,200,000
Transfers in	-	-	-	489,395	489,395
Total receipts	25,397,299	4,900,451	3,302,125	19,665,846	53,265,721
Operating disbursements:					
General government	11,871,099	-	-	1,023,149	12,894,248
Public safety	7,663,370	-	-	5,529,343	13,192,713
Highways and streets	-	1,238,722	-	3,903,100	5,141,822
Health and welfare	1,120,937	-	-	2,948,265	4,069,202
Culture and recreation	806,707	-	-	624,651	1,431,358
Capital outlay	-	-	1,130,134	-	1,130,134
Debt service:					
Principal	-	-	-	1,909,362	1,909,362
Interest and paying agent fees	-	-	-	577,866	577,866
Total operating disbursements	21,462,113	1,238,722	1,130,134	16,515,736	40,346,705
Interfund loan payments	5,200,000	-	-	-	5,200,000
Interfund loans made	-	2,700,000	2,000,000	500,000	5,200,000
Transfers out	15,000	-	-	474,395	489,395
Total disbursements	26,677,113	3,938,722	3,130,134	17,490,131	51,236,100
Excess (deficiency) of total receipts over (under) total disbursements	(1,279,814)	961,729	171,991	2,175,715	2,029,621
Cash and investments - December 31	\$ 1,783,874	\$ 4,810,233	\$ 3,107,674	\$ 14,083,144	23,784,925

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Internal services funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Cash Activities.

287,800

Net assets of governmental activities

\$ 24,072,725

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

JOHNSON COUNTY  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH AND INVESTMENTS  
PROPRIETARY FUNDS  
For The Year Ended December 31, 2004

	Internal Service
Cash and investments - January 1	\$ 530,152
Operating receipts:	
Charges for services	2,329,775
Other	69,011
Total operating receipts	2,398,786
Other receipts	90
Total receipts	2,398,876
Operating disbursements:	
General government	2,568,220
Total operating disbursements	2,568,220
Other disbursements	73,008
Total disbursements	2,641,228
Deficiency of total receipts under total disbursements	(242,352)
Cash and investments - December 31	\$ 287,800

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

JOHNSON COUNTY  
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENTS  
FIDUCIARY FUNDS  
For The Year Ended December 31, 2004

	Pension Trust Funds	Private-Purpose Trust Funds	Agency Funds
	<u>          </u>	<u>          </u>	<u>          </u>
Cash and investments - January 1	\$ 6,927,538	\$ 17,671	\$ 3,164,234
Additions:			
Contributions:			
Employer	<u>286,472</u>	<u>-</u>	<u>-</u>
Investment earnings:			
Net increase in fair value of investments	34,972	-	-
Interest	<u>19,107</u>	<u>-</u>	<u>-</u>
Total investment earnings	<u>54,079</u>	<u>-</u>	<u>-</u>
Agency fund additions	<u>-</u>	<u>-</u>	<u>33,496,688</u>
Total additions	<u>340,551</u>	<u>-</u>	<u>33,496,688</u>
Deductions:			
Benefits	155,653	-	-
Administrative expense	88,714	-	-
Agency fund deductions	<u>-</u>	<u>-</u>	<u>29,330,440</u>
Total deductions	<u>244,367</u>	<u>-</u>	<u>29,330,440</u>
Excess of total additions over total deductions	<u>96,184</u>	<u>-</u>	<u>4,166,248</u>
Cash and investments - December 31	<u>\$ 7,023,722</u>	<u>\$ 17,671</u>	<u>\$ 7,330,482</u>

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

JOHNSON COUNTY  
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The County was established under the laws of the State of Indiana. The County operates under a Council-Commissioner form of government and provides the following services: public safety (police), highways and streets, health welfare and social services, culture and recreation, public improvements, planning and zoning, and general administrative services.

These financial statements present the County (primary government).

Management has chosen to omit from these financial statements component units which have significant operational or financial relationships with the County. Accordingly, the financial statements do not include the data of all of the County's component units necessary to fairly present the financial position of the County.

The financial statements of the individual component units may be obtained from their respective offices as follows: Johnson Memorial Hospital, P.O. Box 669, Franklin, Indiana, 46131; Johnson County Solid Waste Management District, 755 East Hamilton Avenue, Franklin, Indiana, 46131; White River Fire Protection District, 850 South Mullinix Road, Greenwood, Indiana, 46143; and Bargersville Fire Protection District, c/o Bargersville Clerk-Treasurer, P.O. Box 420, Bargersville, Indiana, 46106.

B. Government-wide and Fund Financial Statements

Government-wide financial statements, (i.e., the Statement of Cash and Investments and the Statement of Cash Activities) report information on all of the nonfiduciary activities of the County. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. However, there are no business-type activities to report at this time. Likewise, the primary government is reported separately from certain legally separate component units for which the County is financially accountable.

The Statement of Cash Activities demonstrates the degree to which direct disbursements of a given function or segment are offset by program receipts. Direct disbursements are clearly identifiable with a specific function or segment. Program receipts include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program receipts are reported instead as general receipts.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. However, at this time, the County has not established any enterprise funds.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide, governmental fund, proprietary fund and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States. Receipts are recorded when received and disbursements are recorded when paid.

JOHNSON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

The cash basis of accounting differs from accounting principles generally accepted in the United States 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. Investment transactions are not presented on the financial statements.

The County reports the following major governmental funds:

The general fund is the County's primary operating fund and accounts for all financial resources of the County, except those required to be accounted for in another fund.

The cumulative bridge fund is a capital projects fund. It accounts for the financial resources to provide for the cost of construction, maintenance, and repair of bridges, approaches, and grade separations.

The cumulative capital development fund is a capital projects fund. It accounts for the financial resources to provide for the cost of capital projects.

Additionally, the County reports the following fund types:

The internal service fund accounts for self-funded medical expenses provided to other departments on a cost-reimbursement basis.

The pension trust funds account for the activities of the Sheriff's Pension Trust and the Sheriff's Benefit pension funds, which accumulate resources for pension benefit payments.

The private-purpose trust fund reports a trust arrangement under which the income benefit the various school corporations within the County.

Agency funds account for assets held by the County as an agent for other governmental units, and serve as control of accounts for certain cash transactions during the time they are a liability to the County.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to people outside the government (enterprise funds) or other departments or agencies primarily within the government (internal service funds). The County does not have any enterprise funds.

When both restricted and unrestricted resources are available for use, the County's policy is to use restricted resources first, then unrestricted resources as they are needed.

JOHNSON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

D. Assets and Net Assets or Equity

1. Deposits and Investments

State statute (IC 5-13-9) authorizes the County 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.

Governmental, Internal Service and Fiduciary Funds

Investments are stated at cost. Any changes in the fair value of the investments are reported as interest receipts in the year of the sale of the investment.

Debt securities are reported at fair value. Debt securities are defined as securities backed by the full faith and credit of the United States Treasury or fully insured or guaranteed by the United States or any United States government agency.

Open-end mutual funds are reported at fair value.

Money market investments that mature within one year or less at the date of their acquisition are reported at amortized cost. Other money market investments are reported at fair value.

Investment income, including changes in the fair value of investments, is reported as revenue in the operating statement.

2. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the County in June and in December. 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% 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 become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the County on or prior to December 31 of the year collected.

3. Compensated Absences

a. Sick Leave – employees earn sick leave at the rate of six days per year. Unused sick leave may be accumulated to a maximum of thirty days. Accumulated sick leave is paid to employees through cash payments upon termination or retirement.

b. Vacation Leave – employees earn vacation leave at rates from five days to twenty days per year based upon the number of years of service. Vacation leave does not accumulate from year to year.

4. Reclassified Prior Year Data

Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation.

JOHNSON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States. All annual appropriations lapse at calendar year end.

On or before August 31, the fiscal officer of the County submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the County receives approval of the Indiana Department of Local Government Finance.

The County's management cannot transfer budgeted appropriations without approval of the governing board. The Department of Local Government Finance must approve any revisions to the total appropriations for any budgeted fund or any department of the general fund. The legal level of budgetary control is by function for all budgeted funds.

B. Cash and Investment Balance Deficits

Cash and Investment balance deficits for governmental and fiduciary funds arise primarily from disbursements exceeding receipts due to the underestimate of current requirements or from state and federal grants for which the County had not yet received reimbursements. These deficits are to be repaid from future receipts. The cash and investment balance deficits at December 31, 2004, are:

Fund	Amount
WIC	\$ 10,867
Regional Gang Grant 2003/2004	28,856
STOP Grant 02/03	11,011

III. Detailed Notes on All Funds

A. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were 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.

The County's investments are categorized below to give an indication of the level of risk assumed by the County at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the County or its agent in the County's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the County's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the County's name.

JOHNSON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

	Category			Reported Amount	Fair Value
	1	2	3		
U.S. Government Agency Securities	\$ -	\$ -	\$ 900,000	\$ 900,000	\$ 896,067
Corporate Equity Securities	-	-	102,559	102,559	100,158
Totals	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,002,559</u>	1,002,559	996,225
Investments not subject to categorization:					
Collective Funds				6,078,669	7,004,432
Open-End Mutual Funds				<u>446,346</u>	<u>500,798</u>
Total investments				<u>\$ 7,527,574</u>	<u>\$ 8,501,455</u>

B. Capital Assets

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.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), are as follows:

	Capitalization Threshold
Buildings and improvements	\$ 100,000
Machinery, equipment and vehicles	5,000
Infrastructure	200,000
Computer software	50,000

Capital asset activity for the year ended December 31, 2004, follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 5,450,763	\$ 118,759	\$ 8,489	\$ 5,561,033
Infrastructure	123,254,965	4,107,150	385,705	126,976,410
Buildings	33,662,834	-	-	33,662,834
Vehicles	6,142,342	980,242	401,048	6,721,536
Machinery and equipment	<u>908,441</u>	<u>529,471</u>	-	<u>1,437,912</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 169,419,345</u>	<u>\$ 5,735,622</u>	<u>\$ 795,242</u>	<u>\$ 174,359,725</u>

JOHNSON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

C. Leases

Capital Leases

The County has entered into various capital leases for building renovations and equipment. Future minimum lease payments and present values of the net minimum lease payments under these capital leases as of December 31, 2004, for the years ended December 31, are as follows:

2005		\$ 2,987,593
2006		2,964,508
2007		1,920,508
2008		1,920,508
2009		1,878,855
2010-2014		<u>5,412,950</u>
Total minimum lease payments		17,084,922
Less amount representing interest		<u>2,796,503</u>
Present value of net minimum lease payments		<u>\$ 14,288,419</u>

The assets acquired through capital leases still in effect are as follows:

	<u>Governmental Activities</u>
Buildings	\$ 18,800,000
Machinery and equipment	<u>455,511</u>
Total	<u>\$ 19,255,511</u>

D. Long-Term Liabilities

1. General Obligation Bonds

The County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities.

General obligation bonds are direct obligations and pledge the full faith and credit of the County. General obligation bonds currently outstanding at year end are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
2000 - Communications Project	4% to 4.5%	<u>\$ 3,760,000</u>

JOHNSON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Annual debt service requirements to maturity for general obligation bonds, for the years ended December 31, are as follows:

Year Ended December 31	Governmental Activities	
	Principal	Interest
2005	\$ 760,000	\$ 145,558
2006	800,000	114,758
2007	845,000	82,150
2008	890,000	46,993
2009	465,000	9,649
Totals	<u>\$ 3,760,000</u>	<u>\$ 399,106</u>

2. Changes in Long-Term Debt

Long-term debt activity for the year ended December 31, 2004, was as follows:

<u>Primary Government</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable:					
General obligation	\$ 4,125,000	\$ -	\$ 365,000	\$ 3,760,000	\$ 760,000
Capital leases	15,934,758	316,536	1,962,875	14,288,419	2,330,801
Total governmental activities long-term liabilities	<u>\$ 20,059,758</u>	<u>\$ 316,536</u>	<u>\$ 2,327,875</u>	<u>\$ 18,048,419</u>	<u>\$ 3,090,801</u>

IV. Other Information

A. Risk Management

The County is 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 (excluding postemployment benefits); and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

Medical benefits to employees, retirees, and dependents (excluding postemployment benefits)

The County has chosen to establish a risk financing fund for risks associated with medical benefits to employees, retirees, and dependents (excluding postemployment benefits). The risk financing fund is accounted for in the Self-Insurance Fund, an internal service fund, where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess

JOHNSON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

of \$75,000 per family per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. Amounts are paid into the fund by the General Fund and are available to pay claims, claim reserves, and administrative costs of the program. Interfund premiums are reported as quasi-external interfund transactions.

Job Related Illnesses or Injuries

During 2002, the County joined together with other governmental entities to form the Indiana Public Employers Plan, Inc., a public entity risk pool currently operating as a common risk management and insurance program for governmental entities. This risk pool was formed in 1989. The purpose of the risk pool is to provide a medium for the funding and administration of job related illnesses or injuries. The County pays an annual premium to the risk pool for its employees. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$1,000,000 per insured event. The risk pool obtains independent coverage for insured events in excess of the \$5,000,000 limit.

B. Holding Corporations

The County has entered into a capital lease with Johnson County Building Corporation and Johnson County Jail Building Corporation (the lessors). The lessors were organized as not-for-profit corporations pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the government. Lease payments during the year totaled \$2,038,400.

C. Postemployment Benefits

In addition to the pension benefits described in Note IV.E., the County provides postemployment health benefits, as authorized by Indiana Code 5-10-8, to all employees who retire from the County on or after attaining age 55 with at least ten years of service.

Currently, three retirees and one spouse of a retiree meet these eligibility requirements. The retirees and spouses are responsible for the same amount as the COBRA premiums. After age 62, the retirees and spouses will have a \$10 monthly credit for each year of service, but no more than 80% of the COBRA premium amount. The County is self-insured for health benefits, and therefore, the amount provided for the postemployment benefit varies. There is also an individual Medicare supplement insurance program available for those who are eligible for Medicare. The \$10 monthly credit for each year of service, but not more than 50% of the policy premium will be paid by the County. Disbursements for postemployment benefits cannot be reasonably estimated.

D. Administration of Welfare Programs

The County is required to provide certain funding for administrative costs of welfare programs, the Hospital Care for Indigent, Medical Assistance to Wards and Children with Special Health Care Needs through local property tax levies. The County remits those taxes to the State, which pays the cost.

JOHNSON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

E. Pension Plans

Agent Multiple-Employer and Single Employer Defined Benefit Pension Plans

1. Public Employees' Retirement Fund

Plan Description

The County contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the County authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The report may be obtained by contacting:

Public Employees' Retirement Fund  
Harrison Building, Room 800  
143 West Market Street  
Indianapolis, IN 46204  
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The County's annual pension cost and related information, as provided by the actuary, is presented in this note.

2. County Police Retirement Plan

Plan Description

The primary government contributes to the County Police Retirement Plan, which is a single-employer defined benefit pension plan. With the approval of the primary government's fiscal body, the plan is administered by the sheriff's department and an appointed trustee as authorized by state statute (IC 36-8-10-12) for full-time police officers. The plan provides retirement, death, and disability benefits to plan members and beneficiaries. The trustee issues a publicly available financial report that includes financial statements and required supplementary information of the plan. The report may be obtained by contacting:

Public Employees' Retirement Fund  
Harrison Building, Room 800  
143 West Market Street  
Indianapolis, IN 46204  
Ph. (317) 233-4162

JOHNSON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for the County Police Retirement Plan are established by state statute. The primary government's annual pension cost and related information, as provided by the actuary, is presented in this note.

3. County Police Benefit Plan

Plan Description

The primary government contributes to the County Police Benefit Plan which is a single-employer defined benefit pension plan. With the approval of the primary government's fiscal body, the plan is administered by the sheriff's department and an appointed trustee as authorized by state statute (IC 36-8-10-12) for full-time police officers. The plan provides dependent pensions, life insurance, and disability benefits to plan members and beneficiaries. The trustee issues a publicly available financial report that includes financial statements and required supplementary information of the plan. The report may be obtained by contacting:

Public Employees' Retirement Fund  
Harrison Building, Room 800  
143 West Market Street  
Indianapolis, IN 46204  
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for the County Police Benefit Plan are established by state statute. The primary government's annual pension cost and related information, as provided by the actuary, is presented in this note.

Actuarial Information for the Above Plans

	<u>PERF</u>	<u>County Police Retirement Plan</u>	<u>County Police Benefit Plan</u>
Annual required contribution	\$ 547,966	\$ 405,746	\$ 28,359
Interest on net pension obligation	(24,893)	(6,842)	-
Adjustment to annual required contribution	<u>28,368</u>	<u>11,459</u>	<u>-</u>
Annual pension cost	551,441	410,363	28,359
Contributions made	<u>617,302</u>	<u>81,442</u>	<u>28,359</u>
Increase (decrease) in net pension obligation	(65,861)	328,921	-
Net pension obligation, beginning of year	<u>(343,355)</u>	<u>(97,746)</u>	<u>-</u>
Net pension obligation, end of year	<u>\$ (409,216)</u>	<u>\$ 231,175</u>	<u>\$ -</u>

JOHNSON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

	PERF	County Police Retirement Plan	County Police Benefit Plan
Contribution rates:			
County	5.25%	22%	1%
Plan members	0%	0%	0%
Actuarial valuation date	07-01-04	01-01-05	01-01-05
Actuarial cost method	Entry age	Entry age	Entry age
Amortization method	Level percentage of projected payroll, closed	Level percentage of projected payroll, closed	Level percentage of projected payroll, closed
Amortization period	40 years	40 years	40 years
Amortization period (from date)	07-01-97	12-31-97	12-31-97
Asset valuation method	4 year smoothed market	4 year smoothed market	4 year smoothed market

Actuarial Assumptions

Investment rate of return	7.25%	7%	7%
Projected future salary increases:			
Total	5%	5%	5%
Attributed to inflation	4%	4%	4%
Attributed to merit/seniority	1%	1%	1%
Cost-of-living adjustments	2%	2%	0%

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-02	\$ 480,612	117%	\$ (394,034)
	06-30-03	628,879	92%	(343,355)
	06-30-04	551,441	112%	(409,216)
County Police Retirement Plan	12-31-02	215,436	61%	(102,592)
	12-31-03	341,954	99%	(97,746)
	12-31-04	410,363	20%	231,175
County Police Benefit Plan	12-31-02	26,439	100%	-
	12-31-03	34,074	100%	-
	12-31-04	28,359	100%	-

JOHNSON COUNTY  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULES OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-02	\$ 8,092,525	\$ 8,734,656	\$ (642,131)	93%	\$ 11,130,093	(6%)
07-01-03	8,312,927	8,334,885	(21,958)	100%	11,746,152	(0%)
07-01-04	8,588,949	9,271,407	(682,458)	93%	12,312,357	(6%)

County Police Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-00	\$ 6,200,256	\$ 6,200,256	\$ -	100%	\$ 1,583,662	0%
01-01-01	6,573,580	6,573,580	-	100%	1,695,968	0%
01-01-02	6,778,297	6,778,297	-	100%	1,853,003	0%
01-01-03	6,512,639	6,512,639	-	100%	1,857,759	0%
01-01-04	6,680,159	6,680,159	-	100%	1,956,026	0%
01-01-05	6,695,120	6,695,120	-	100%	1,903,424	0%

Effective January 1, 2002, the asset valuation method for the County Police Retirement Plan was changed from market value to smoothed basis. Under the smoothed basis method, realized and unrealized capital gains and losses are recognized over a four year period. This method was phased in over a three year period beginning with the actuarial value of assets reported as of January 1, 2002.

JOHNSON COUNTY  
OTHER REPORTS

The report presented herein was prepared in addition to other official reports prepared for the individual county offices listed below:

County Recorder  
County Treasurer  
Community Corrections  
County Surveyor  
County Adult Probation

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
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INDIANAPOLIS, INDIANA 46204-2765

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Fax: (317) 232-4711  
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF JOHNSON COUNTY, INDIANA

Compliance

We have audited the compliance of the Johnson County (County) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2004. The County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

As described in items 2004-1 and 2004-2 in the accompanying Schedule of Findings and Questioned Costs, the County did not comply with requirements regarding equipment and real property management, sub-recipient monitoring; and special tests and provisions that are applicable to its State Domestic Preparedness Equipment Support Program and its Child Support Enforcement, respectively. Compliance with such requirements is necessary, in our opinion, for the County to comply with requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2004.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133  
(Continued)

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the County's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 2004-01 and 2004-02.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

This report is intended solely for the information and use of the County's management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

June 15, 2006

JOHNSON COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended December 31, 2004

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Pass-Through Indiana Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553	N/A	\$ 21,583
National School Lunch Program	10.555	N/A	<u>41,252</u>
Total for cluster			<u>62,835</u>
Pass-Through Indiana Department of Health			
Special Supplemental Nutrition Program for Women, Infants and Children	10.557		
		FY 2004	148,407
		FY 2005	<u>28,355</u>
Total for program			<u>176,762</u>
Total for federal grantor agency			<u>239,597</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Pass-Through Indiana Housing Finance Authority			
Community Development Block Grants/States' Program	14.228	PN-002-010	<u>3,073</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct Grant			
Local Law Enforcement Block Grants Program	16.592	2003-LB-BX-2894	<u>2,432</u>
Community Prosecution and Project Safe Neighborhoods	16.609	2001-GP-CX-0100	<u>46,349</u>
Pass-Through Indiana Criminal Justice Institute			
Juvenile Accountability Incentive Block Grants	16.523		
		02-JB-BX-0018 02-JB-036	34,170
		03-JB-BX-0044 03-JB-033	<u>5,170</u>
Total for program			<u>39,340</u>
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	2003-JF-FX-0019 03-JF-003	<u>10,000</u>
National Criminal History Improvement Program	16.554	2000-RG-CX-K006	<u>10,584</u>
Crime Victim Assistance	16.575		
		2002-VA-GX-0018 02VA170	4,136
		2003-VA-GX-0029 03VA064	42,266
		2003-VA-GX-0029 03VA065	15,061
		2003-VA-GX-0029 03VA066	16,453
		2004-VA-GX-0032 04VA071	12,007
		2004-VA-GX-0032 04VA072	<u>12,198</u>
Total for program			<u>102,121</u>
Byrne Formula Grant Program	16.579		
		02DB-010	45,103
		03DB-026	<u>123,374</u>
Total for program			<u>168,477</u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

JOHNSON COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended December 31, 2004  
(Continued)

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF JUSTICE (continued)</u>			
Pass-Through Indiana Criminal Justice Institute (continued) Violence Against Women Formula Grants	16.588	2002-WF-BX-0052 2003-WF-BX-0197	28,491 <u>19,508</u>
Total for program			<u>47,999</u>
Total for federal grantor agency			<u>427,302</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Indiana Department of Transportation Highway Planning and Construction Cluster Highway Planning and Construction	20.205	BR-NBIS(468) Bridge Inspection STP-9941(014) Bridge 606 Des No. 9003745 Des No. 9785980 Des No. 9881730 Des No. 9980930  Intercity Operating Grant	22,399 8,672 71,180 81,004 8,672 68,638  <u>124,124</u>
Total for program			<u>384,689</u>
Total for cluster			<u>384,689</u>
Pass-Through Indiana Criminal Justice Institute Highway Safety Cluster State and Community Highway Safety	20.600	OP-05-02, T-03,P87 OP-05-02, T-03, P-89	2,983 <u>6,250</u>
Total for program			<u>9,233</u>
Total for cluster			<u>9,233</u>
Pass-Through Indiana Department of Transportation Formula Grants for Other Than Urbanized Areas	20.509	N/A	<u>318,548</u>
Pass-Through Indiana Criminal Justice Institute Open Alcohol Beverage Container Transfer Program	20.XXX	154AL 04-03-03-01 154AL 04-04-04-01 154AL 05-03, T-03, P-82	48,373 3,347 <u>2,983</u>
Total for program			<u>54,703</u>
Total for federal grantor agency			<u>767,172</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Pass-Through Indiana Department of Homeland Security Public Health Preparedness and Response for Bioterrorism	93.283	U90/CCU517024-04	<u>39,504</u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

JOHNSON COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended December 31, 2004  
(Continued)

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)</u>			
Pass-Through Indiana Department of Child Services			
Child Support Enforcement	93.563		
Prosecuting Attorney's Expenditures		N/A	217,769
Clerk of the Circuit Court's Expenditures		N/A	42,049
Court Expenditures		N/A	82,966
Earned Indirect Costs		N/A	57,356
Collection Incentives		N/A	<u>86,622</u>
Total for program			<u>486,762</u>
Total for federal grantor agency			<u>526,266</u>
<u>DEPARTMENT OF HOMELAND SECURITY</u>			
Pass-Through Indiana Department of Homeland Security			
State Domestic Preparedness Equipment Support Program	97.004		
FY2003 Part I & II		N/A	382,710
FY2004		N/A	87,158
FY2004		N/A	292,192
FY2004 Law Enforcement Terrorism Prevention		N/A	74,213
FY2002 (Local Bomb Squad Equipment Sub-grant)		N/A	198,923
FY2003 (Part II)		N/A	<u>65,047</u>
Total for program			<u>1,100,243</u>
Public Assistance Grants	97.036	Disaster No.3197	<u>43,663</u>
Emergency Management Performance Grants	97.042	N/A	<u>823</u>
State and Local All Hazards Emergency Operations Planning	97.051	N/A	<u>16,079</u>
Citizen Corps	97.053		<u>1,288</u>
Community Emergency Response Teams	97.054		<u>3,153</u>
Total for federal grantor agency			<u>1,165,249</u>
Total federal awards expended			<u>\$ 3,128,660</u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

JOHNSON COUNTY  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Johnson County (County) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2. Subrecipients

Of the federal expenditures presented in the schedule, the County provided federal awards to subrecipients as follows for the year ended December 31, 2004:

Program Title	Federal CFDA Number	2004
Formula Grants for Other Than Urbanized Areas	20.205	\$ <u>318,548</u>

JOHNSON COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Qualified

Internal control over financial reporting:  
 Material weaknesses identified? no  
 Reportable conditions identified that are not considered to be material weaknesses? none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:  
 Material weaknesses identified? no  
 Reportable conditions identified that are not considered to be material weaknesses? yes

Type of auditor's report issued on compliance for major programs: Qualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
93.563	Child Support Enforcement
97.004	State Domestic Preparedness Equipment Support Program

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

Finding 2004-01, SPECIAL TESTS AND PROVISIONS

Federal Agency: U.S. Department of Health and Human Services  
 Federal Program: Child Support Enforcement  
 CFDA Number: 93.563  
 Federal Award Number: N/A  
 Pass-Through Entity: Indiana Family and Social Services Administration

JOHNSON COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

Johnson County, in conjunction with the Indiana Family and Social Services Administration, accounts for child support collections and payments through the Indiana Support Enforcement Tracking System (ISETS). The County accounts for both IV-D and non IV-D cases on ISETS. During our review of child support case files and case balances, we noted several case balances which were not correct or could not be verified to child support case file documentation. In most cases, these were child support cases which were currently identified as non IV-D cases. Some of the errors included data conversion errors from the original implementation of the ISETS system, duplicate cases, and other errors which had not been corrected by the Child Support staff.

45 CRF section 303.6 states in part: Enforcement of support obligations. For all cases referred to the IV-D agency or applying for services under Sec. 302.33 in which the obligation to support and the amount of the obligation have been established, the IV-D agency must maintain and use an effective system for: (a) Monitoring compliance with the support obligation; . . .

45 CRF section 303.11 Case closure criteria. (a) The IV-D agency shall establish a system for case closure. (b) In order to be eligible for closure, the case must meet at least one of the following criteria: (1) There is no longer a current support order and arrearages are under \$500 or unenforceable under State law; (2) The noncustodial parent or putative father is deceased and no further action, including a levy against the estate, can be taken; (3) Paternity cannot be established because: (i) The child is at least 18 years old and action to establish paternity is barred by a statute of limitations which meets the requirements of § 302.70(a)(5) of this chapter; . . .

The existence of incorrect child support case balances could lead to erroneous attempts to enforce these obligations.

We recommended that the Prosecutor's Child Support staff review the case balances and make the appropriate adjustments to ensure that the case balances are correct.

FINDING 2004-02, EQUIPMENT AND REAL PROPERTY MANAGEMENT; SUBRECIPIENT MONITORING

Federal Agency: U.S. Department of Homeland Security  
Federal Program: State Domestic Preparedness Equipment Support Program  
CFDA Number: 97.004  
Grant Award Number: N/A  
Pass-through Entity: Indiana Department of Homeland Security

The Johnson County Office of Emergency Operations received federal grant funds through the Indiana Department of Homeland Security. Equipment was purchased with the grant funds, with some of the equipment being passed through to two cities located within Johnson County. Officials did not inform its subrecipients (the two cities) of the grant requirements. The subrecipients were not made aware of the Catalog of Federal Domestic Assistance number, federal grant name, and relevant grant information from which the equipment was purchased.

For the Fiscal Year 2003 grants, there were report forms which were required to be returned to the Indiana Department of Homeland Security. These forms included each specific piece of equipment, the cost and the location of the asset.

For the Fiscal Year 2004 grants, the only information available is on each purchase order/claim voucher. The equipment was actually shipped to either the County offices or directly to one of the two cities. The following is a schedule of equipment purchases from federal grant funds:

JOHNSON COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

Grant Fiscal Year	Grant Award	Equipment Purchases Calendar Year 2004	Retained at County	Passed on to Cities
FY 2003 Part I	\$ 84,007	\$ 84,007	\$ 3,151	\$ 80,856
FY 2003 Part II	292,192	291,506	261,506	30,000
FY 2004	553,950	382,711	***	***
FY 2004	84,286	74,213	***	***

\*\*\*Information was not readily available to allocate the cost of assets purchased between those retained at the County and those passed on to the cities.

OMB Circular A-133, Audits Of States, Local Governments, and Non-Profit Organizations, Subpart C, Section 300(b) states in part:

The auditee shall: . . .(b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

Also, Subpart B, Section 205(a) states in part:

Determining Federal awards expended. . . . the receipt of property.

Title 28, Code of Federal Regulations, Section 66.32 states:

(d) Management requirements. Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated.
- (4) Adequate maintenance procedures must be developed to keep the property in good condition.
- (5) If the grantee or subgrantee is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return.

JOHNSON COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

(e) Disposition. When original or replacement equipment acquired under a grant or subgrant is no longer needed for the original project or program or for other activities currently or previously supported by a Federal agency, disposition of the equipment will be made as follows:

- (1) Items of equipment with a current per-unit fair market value of less than \$5,000 may be retained, sold or otherwise disposed of with no further obligation to the awarding agency.
- (2) Items of equipment with a current per unit fair market value in excess of \$5,000 may be retained or sold and the awarding agency shall have a right to an amount calculated by multiplying the current market value or proceeds from sale by the awarding agency's share of the equipment.

OMB Circular A-133, *Audits Of States, Local Governments, and Non-Profit Organizations*, Section 400(d) states in part:

Pass-through entity responsibilities. A pass-through entity shall perform the following for the Federal awards it makes:

- (1) Identify Federal awards made by informing each sub-recipient of CFDA title and number, award name and number, award year, if the award is R&D, and name of Federal agency. When some of this information is not available, the pass-through entity shall provide the best information available to describe the Federal award.
- (2) Advise sub-recipients of requirements imposed on them by Federal laws, regulations, and the provisions of contracts or grant agreements as well as any supplemental requirements imposed by the pass-through entity.
- (3) Monitor the activities of sub-recipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and those performance goals are achieved.

Without sufficient understanding of program requirements, adequate internal controls, and monitoring of the program, officials cannot ensure it is in compliance with the requirements. As a result, this increases the risk that equipment could be used for unauthorized purposes or otherwise disposed of without compensation to the granting agency.

We recommended that County officials enter into a subgrant agreement which includes the relevant federal regulations concerning the grant requirements with each city. In addition, County officials will need to provide sufficient oversight and monitoring of their subrecipients and develop an adequate monitoring system and internal controls to ensure compliance with federal grant requirements.



# JOHNSON COUNTY AUDITOR

**JAN RICHHART**

COURTHOUSE ANNEX  
86 WEST COURT STREET  
FRANKLIN, INDIANA 46131  
TEL (317) 736-3745  
FAX (317) 736-7565

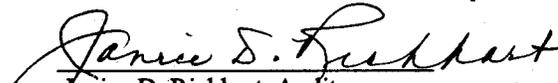
## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### FINDING NO. 2003-01. SUBRECIPIENT MONITORING

Federal Agency: U.S. Department of Transportation  
Federal Programs: Highway Planning and Construction Cluster and  
Formula Grants For Other Than Urbanized Areas  
CFDA Numbers: 20.205 and 20.509  
Federal Award Number: N/A  
Pass-Through Entity: Indiana Department of Transportation

Contact Person: Janice D. Richhart  
Phone Number: 317-736-3748

Corrective action has been taken to review the program on a regular schedule.

  
Janice D. Richhart, Auditor

**OFFICE OF THE  
PROSECUTING  
ATTORNEY**



**LANCE D. HAMNER**  
Johnson County  
Prosecuting Attorney

**Bradley D. Cooper**  
Chief Deputy

**Joseph D. Gaunt**  
Supervising Deputy  
Child Support

Oren Wright Building  
80 South Jackson Street  
Franklin, Indiana 46131  
317-736-3750  
317-736-6913 (FAX)

**CORRECTIVE ACTION PLAN**

Finding No. 2004-1. Special Tests and Provisions

Federal Agency: U.S. Department of Health and Human Services  
Federal Program: Child Support Enforcement  
CFDA Number: 93.563  
Federal Award Number: N/A  
Pass-through Entity: Indiana Department of Child Services  
Auditee Contact Person: Lisa L. Lancaster  
Title of Contact Person: Administrator  
Phone Number: 317-736-3040  
Expected Completion Date: ongoing monitoring of cases will take place

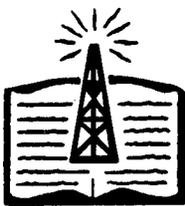
**Corrective Action:**

The main problem seems to be cases that we do not have files for, such as new Medicaid cases, and cases that were not closed properly in ISETS or should never have been open cases in the first place. These are the cases we have been and will continue to be concentrating on.

In addition to the above, we also review every open file at least once a year to determine whether or not the balances in the ISETS computer system match the figures in our file and make any corrections as necessary.

Sincerely,

Joseph D. Gaunt  
Deputy Prosecutor  
Child Support Enforcement  
80 S. Jackson Street  
Franklin, IN 46131  
317-736-3750



## Johnson County Emergency Management

### Emergency Operations Center

1111 Hospital Road  
P.O. Box 171  
Franklin, IN 46131  
(317) 736-9064  
Fax (317) 736-2282  
[fsutton@co.johnson.in.us](mailto:fsutton@co.johnson.in.us)

**Forrest E. Sutton**  
Director

### CORRECTIVE ACTION PLAN

Finding No. 2004-2, Equipment and Sub-recipient Monitoring  
Federal Agency: U.S. Dept. of Homeland Security  
Federal Program: State Domestic Preparedness  
Equipment Support  
CFDA Number: 97.004  
Federal Award Number: N/A  
Pass-through entity: Indiana Dept of Homeland Security  
Auditee Contact Person: Forrest Sutton  
Contact Person Title: Director  
Agency: Johnson County Emergency Mgmt  
Contact Phone Number: 317-736-9064  
E-mail: [fsutton@co.johnson.in.us](mailto:fsutton@co.johnson.in.us)  
Expected Completion Date: July 1, 2006  
Corrective action:

A sub-grant agreement, after approval of the Johnson County Attorney, will be sent to each municipality or agency that has or will receive any 2004 grant funds through the Johnson County Emergency Management Agency. They will be asked to review and sign the documentation and return the original to Johnson County Emergency Management Agency.

*Forrest Sutton, Director*  
*4/26/06*



JOHNSON COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on August 14, 2006, with Janice Richhart, Auditor; R.J. McConnell, Chairman of the Board of County Commissioners; and Ron West, President of the County Council.

The contents of this report were also discussed on August 18, 2006, with Brenda Jones-Mathews, former Auditor.