

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

EXAMINATION REPORT

OF

JACKSON TOWNSHIP

BROWN COUNTY, INDIANA

January 1, 2002 to December 31, 2005



FILED

10/16/2006

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Jeff H. Richardson	01-01-02 to 12-31-06
Chairman of the Township Board	Barry K. Swift Todd Richardson	01-01-02 to 12-31-02 01-01-03 to 12-31-06



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF JACKSON TOWNSHIP, BROWN COUNTY, INDIANA

We have examined the schedules of receipts, disbursements, and cash and investment balances of Jackson Township (Township), for the period of January 1, 2002 to December 31, 2005. The Township's management is responsible for the schedules. Our responsibility is to express an opinion based on our examination.

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

In our opinion, the schedules referred to above present fairly, in all material respects, the cash transactions of the Township for the years ended December 31, 2002, 2003, 2004, and 2005, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

July 31, 2006

JACKSON TOWNSHIP, BROWN COUNTY
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL FUND TYPES
As Of And For The Years Ended December 31, 2002, 2003, 2004, And 2005

	Cash and Investments 01-01-02	Receipts	Disbursements	Cash and Investments 12-31-02
Governmental Funds:				
General	\$ 9,655	\$ 45,484	\$ 34,693	\$ 20,446
Dog	2,244	467	1,964	747
Township Assistance	5,354	25,468	30,204	618
Firefighting	2,999	36,460	28,488	10,971
Levy Excess	2,011	1,297	2,011	1,297
Totals	<u>\$ 22,263</u>	<u>\$ 109,176</u>	<u>\$ 97,360</u>	<u>\$ 34,079</u>

	Cash and Investments 01-01-03	Receipts	Disbursements	Cash and Investments 12-31-03
Governmental Funds:				
General	\$ 20,446	\$ 34,895	\$ 32,484	\$ 22,857
Dog	747	392	434	705
Township Assistance	618	20,426	12,148	8,896
Firefighting	10,971	45,183	51,000	5,154
Levy Excess	1,297	-	-	1,297
Totals	<u>\$ 34,079</u>	<u>\$ 100,896</u>	<u>\$ 96,066</u>	<u>\$ 38,909</u>

	Cash and Investments 01-01-04	Receipts	Disbursements	Cash and Investments 12-31-04
Governmental Funds:				
General	\$ 22,857	\$ 16,626	\$ 30,365	\$ 9,118
Dog	705	468	387	786
Township Assistance	8,896	6,550	12,037	3,409
Firefighting	5,154	17,231	32,000	(9,615)
Levy Excess	1,297	-	-	1,297
Totals	<u>\$ 38,909</u>	<u>\$ 40,875</u>	<u>\$ 74,789</u>	<u>\$ 4,995</u>

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General	\$ 9,118	\$ 20,296	\$ 28,714	\$ 700
Dog	786	316	1,047	55
Township Assistance	3,409	8,474	15,736	(3,853)
Firefighting	(9,615)	16,916	6,666	635
Levy Excess	1,297	-	-	1,297
Totals	<u>\$ 4,995</u>	<u>\$ 46,002</u>	<u>\$ 52,163</u>	<u>\$ (1,166)</u>

The accompanying notes are an integral part of the schedules.

JACKSON TOWNSHIP, BROWN COUNTY
NOTES TO SCHEDULES

Note 1. Introduction

The Township was established under the laws of the State of Indiana. The Township provides the following services: public safety, health and social services, and general administrative services.

Note 2. Fund Accounting

The Township uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Township in June and 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. Due to delays in completing the 2002 reassessment the property tax collection and distribution has not functioned on the statutory schedule. Tax distributions to all governmental units have been delayed.

Note 5. 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.

State statute (IC 5-13-9) authorizes the Township to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Note 6. Tax Anticipation Loan

The Township has entered into a line of credit with Lincoln Bank for \$38,650 and has drawn down the entire amount of \$38,650. The interest rate is 3.75% and the loan is due by December 31, 2006. The outstanding principal at December 31, 2005, was \$38,650.

JACKSON TOWNSHIP, BROWN COUNTY
EXAMINATION RESULTS AND COMMENTS

PRESCRIBED FORMS

There was no evidence of investigation on Application for Township Assistance (Township Form TA-1) nor was the form properly completed.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

ANNUAL REPORT

Annual financial reports for 2004 and 2005 were not published nor filed with the State Board of Accounts.

Indiana Code 36-6-4-13 states in part: "(b) Within four (4) weeks after the third Tuesday following the first Monday in January, the executive shall publish the abstract prescribed by subsection (a) in accordance with IC 5-3-1."

Indiana Code 5-11-1-4 states in part: "(a) The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. Except as provided by subsection (b), these reports shall be prepared, verified, and filed with the state examiner not later than thirty (30) days after the close of each fiscal year."

CONDITION OF RECORDS

The following deficiencies relating to the recordkeeping, were present during our period of examination:

- (1) Record balances were not reconciled to depository balances during the four year period.

Indiana Code 5-13-6-1(e) states in part: "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."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

- (2) There were a considerable number of posting errors. These errors included checks and receipts not recorded in the proper amounts, and interest not posted.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

JACKSON TOWNSHIP, BROWN COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

The proper taxes were not withheld from wages paid to Township Officials. Wages paid to Township Officials were not reported on a W-2 form.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

COMPENSATION AND BENEFITS

Jeff H. Richardson, Trustee, and Kristina Richardson, Township Clerk were overpaid salary in 2004 and 2005 in the amounts of \$833.33 and \$500.00 in 2004, respectively, and \$369.67 and \$210.00 in 2005, respectively, for a total of \$1,913.00. Jeff and Kristina Richardson will repay \$1,913.00 to the Township (Operating) Fund with payroll deductions during 2006.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 17)

DOG TAX ADMINISTRATIVE FEE

Administrative fees for dog tax were not receipted to the Township Fund.

Indiana Code 15-5-9-1 states in part: "For each individual dog tag or kennel license issued under this chapter, the township assessor (or trustee who collects the fee) shall retain from the fee described in this section, an administrative fee of fifty cents (\$0.50). Administrative fees collected by the assessor shall be deposited in the county general fund, and administrative fees collected by the trustee shall be deposited in the township general fund."

JACKSON TOWNSHIP, BROWN COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

PENALTIES, INTEREST AND OTHER CHARGES

Wages paid to Township officials were made by claim in the gross amount without withholding of taxes. The required reporting of payroll activity was not submitted to state and federal agencies.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

OVERDRAWN CASH BALANCES

There was a negative reconciled overall cash balance of \$1,165.90 as of December 31, 2005. The Township has experienced financial difficulties as a result of the delay in tax distributions by Brown County.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

JACKSON TOWNSHIP, BROWN COUNTY
EXIT CONFERENCE

The contents of this report were discussed on July 31, 2006, with Jeff H. Richardson, Trustee. The official concurred with our findings.