

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

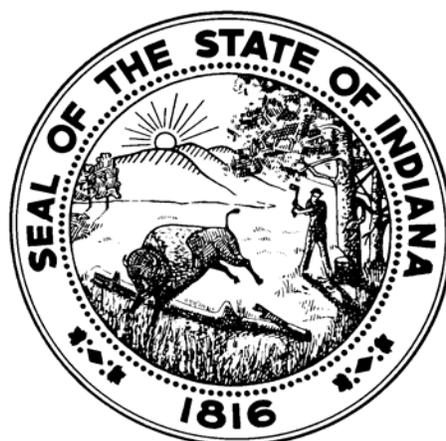
EXAMINATION REPORT

OF

JACKSON TOWNSHIP

ELKHART COUNTY, INDIANA

January 1, 2004 to December 31, 2005



FILED

01/26/2007

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Thomas Lantz	01-01-03 to 12-31-06
Chairman of the Township Board	Donald Wysong	01-01-04 to 12-31-04
	Bruce Korenstra	01-01-05 to 12-31-05
	Donald Wysong	01-01-06 to 12-31-06



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF JACKSON TOWNSHIP, ELKHART 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, 2004 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, 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 26, 2006

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

	Cash and Investments 01-01-04	Receipts	Disbursements	Cash and Investments 12-31-04
Governmental Funds:				
Township	\$ 117,521	\$ 84,878	\$ 94,837	\$ 107,562
Dog	822	395	522	695
Township Assistance	11,282	8,525	10,191	9,616
Firefighting	345,336	256,081	82,682	518,735
Cumulative Fire	360,227	85,348	26,426	419,149
Emergency Medical Services	11,309	63,324	50,000	24,633
Fiduciary Funds:				
Buggy License	990	1,167	990	1,167
Payroll Withholdings	-	1,603	2,805	(1,202)
Totals	<u>\$ 847,487</u>	<u>\$ 501,321</u>	<u>\$ 268,453</u>	<u>\$ 1,080,355</u>

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
Township	\$ 107,562	\$ 73,642	\$ 122,134	\$ 59,070
Dog	695	651	395	951
Township Assistance	9,616	7,965	13,621	3,960
Firefighting	518,735	201,068	97,681	622,122
Cumulative Fire	419,149	68,756	221,247	266,658
Emergency Medical Services	24,633	55,289	45,921	34,001
Levy Excess	-	763	-	763
Fiduciary Funds:				
Buggy License	1,167	1,128	-	2,295
Payroll Withholdings	(1,202)	1,656	1,883	(1,429)
Totals	<u>\$ 1,080,355</u>	<u>\$ 410,918</u>	<u>\$ 502,882</u>	<u>\$ 988,391</u>

The accompanying notes are an integral part of the schedules.

JACKSON TOWNSHIP, ELKHART 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.

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.

JACKSON TOWNSHIP, ELKHART COUNTY
EXAMINATION RESULTS AND COMMENTS

LIST OF EMPLOYEES NOT FILED WITH COUNTY TREASURER

Officials or employees of the Township had money due from the Township, but a list of such employees was not certified to the County Treasurer.

Indiana Code 6-1.1-22-14(a) states in part: "On or before June 1 and December 1 of each year . . . the disbursing officer of each political subdivision . . . shall certify the names and addresses of each person who has money due from the political subdivision to the treasurer of each county in which the political subdivision is located."

OVERDRAWN FUND BALANCES

The Payroll Withholding Fund was overdrawn in 2004 and 2005.

The 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)

FIREFIGHTING CONTRACTS

Records presented for examination indicate payments were made to the New Paris Fire Department, Inc., an Indiana not-for-profit corporation (a volunteer fire department), for \$60,000 in 2004 and \$60,000 in 2005, plus insurance as provided by contract. The payments also included utility bills, insurance bills, maintenance bills and other expenses for the New Paris Fire Department, Inc., from three different Township Funds. These additional expenses, not listed in a contract, totaled \$40,823.93 in 2004 and \$76,357.16 in 2005. A similar comment was also in the prior Report B24806.

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contract. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

CONTRACTS

Records presented for audit indicate payments were made to Jackson Township Emergency Ambulance Service, Inc., for \$50,000 in 2004 and \$45,800 in 2005. The contract called for payments of \$41,200 each year. Contractual payments were made to Jackson Township Improvement Corp. for \$8,418 in 2004 and \$8,000 in 2005, when the contract called for \$8,000 each year. Also, \$1,007 was paid to the Boy Scouts in 2004 without a contract or agreement.

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

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

DONATIONS

The Township has a contractual agreement with New Paris Improvement Corporation, an Indiana not-for-profit corporation. The Township paid the New Paris Improvement Corporation \$18,000 in 2004 and \$14,000 in 2005. Funding from the contract was to be used for the following purposes: "To support the Jackson Township at large with promotion, guidance, leadership, and funding for the needs of the town and rural community. To identify for the Township areas of need where local tax dollars can be used to improve the way of life for the citizens of the Township. The money received from the Township must be used for these purposes and distributed under the guidance of the Corporation." Some of the funding in 2004 and \$10,000 in 2005 was provided by the Corporation to two cemetery associations for maintenance. Neither of the cemeteries is owned by the Township. A similar comment was also in the prior Report B24806.

Governmental funds should not be donated or given to other organizations, individuals, or governmental units unless specifically authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

DEPOSIT OF PUBLIC FUNDS

We noted deposits of the dog licenses and buggy plate's revenue was made only one time on July 5, 2005. The receipt book indicates receipts for issuance of licenses and plates occurred March 23, 2005 through June 1, 2005.

Indiana Code 5-13-6-1(c) states in part: "The public funds collected by township trustees shall be deposited in the designated depository on or before the first and fifteenth day of each month."

CAPITAL ASSET RECORDS

The capital asset records presented did not list all relevant assets paid for by the Township, which were purchased or constructed.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded on the applicable Capital Asset Ledger. A complete inventory should be taken at least every two years for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

INVESTMENT MATURITY LIMITATIONS

The Township purchased two certificates of deposit July 10, 2003, which have a stated maturity in excess of two years. Each \$200,000 certificate of deposit has a maturity date of July 10, 2008.

Indiana Code 5-13-9-5.6 states in part: ". . . investments made under this chapter must have a stated final maturity of not more than . . . two (2) years . . . after the date of purchase . . ."

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

COMPENSATION AND BENEFITS

The Trustee received payments of \$791.21 in 2004 and \$800 in 2005, which were not included in the payroll resolution. These amounts were designated as overtime work investigating for township assistance (poor relief) or resolving Township IRS problems dating back to 1995. We requested that the Trustee refund \$1,591.21 to the Township. (See Summary, page 13)

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)

PENALTIES, INTEREST AND OTHER CHARGES

Information presented for audit indicates that, in some cases, amounts payable to vendors and other suppliers of goods and services are not being paid until a couple of months after the invoice dates. Penalties and interest totaling \$42.20 were paid to the Internal Revenue Service on June 25, 2004, for the period January 1, 2004 to March 31, 2004. Also, late charges totaling \$48.68 were paid during the audit period.

Additionally, sales tax was paid on three invoices totaling \$92.08 in 2005.

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.

Governmental funds generally are exempt from the payment of sales tax on qualifying purchases. Respective tax agencies should always be contacted concerning tax exemptions and payments. 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)

SUPPORTING DOCUMENTATION

Several payments were observed which did not contain adequate supporting documentation, such as receipts, invoices, and other public records. Due to the lack of supporting information, the validity and accountability for some money disbursed could not be established. The Township began using a debit card in 2005. Four of these payments amounting to \$101.16 were not supported by documentation and one other charge, amounting to \$82.63, was an amount that represented an over reimbursement to the Trustee. (See Summary, page 13)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

JACKSON TOWNSHIP, ELKHART COUNTY
EXIT CONFERENCE

The contents of this report were discussed on July 31, 2006, and on October 15, 2006, with Thomas Lantz, Trustee. The official response has been made a part of this report and may be found on pages 10 through 12.

August 15, 2006

Township Comments to 2004 & 2005 Audit

State Board of Accounts:

I want personally thank Connie Fields who processed our Township audit for 2004 and 2005. During an audit for accuracy and procedure, a differences of opinion and interpretation of any law or procedure can and will occur. How solutions to problems are resolved and discussed, ultimately form the basis of any positive or negative progress. I believe Ms Fields was very helpful in explaining State audit procedure, but also understanding enough to know not all issues we Trustees deal with are black and white. I feel the audit was insightful and should help me as a Trustee and provide a positive impact to Jackson Township.

I was audited as a new Trustee for 2001 thru 2003. It provided a learning curve but by the time the report was received late, February 3, 2005 by the State Board of Accounts and many of the same issues could be raised again. What is seems significant in one audit may not be the same in the next. While State law changes everyday, I will continue to put to memory every item in the Accounting and Uniform Compliance Guideline Manual for Townships. I have ordered a new manual hopefully it will be complete and my memory is excellent. I choose to glean the positive information at this point and will put off new mistakes for the next audit.

Briefly I will comment on the results of the audit.

LIST OF EMPLOYEES NOT FILED WITH COUNTY TREASURER

Information required, is repeated on several forms and copies of which should be available in the County Auditors office. No specific form is listed or named by law specifically for the County Treasurer.

OVERDRAWN FUND BALANCES

The Payroll Withholding Funding was recorded wrong in the accounting program. It was corrected Jan 06 after program crash in Dec 05, nothing remotely close to a funding shortage.

FIREFIGHTING CONTRACTS

The Twp. Board for years was told there was a \$60,000 contract limit for the Fire Department. For years the Twp Board subsidized the department as needed with that contract limit. It was decided by the Twp. Board after the last audit to continue having the Twp. Trustee pay the various maintenance fees etc. there by keeping a better record of total expenses by the Dept. At audit we agreed we could leave the contract total at \$60,000 but should update the contract and itemize the other payments. We both decided that NP Fire Dept and EMS need to provide the TWP with inventory, income and expense, accounts and budgets annually to receive funding.

CONTRACTS

The EMS has for a number of years now had collection problems and at one time was nearly closed due to funding, needing help, new requirements for protocol, and intercept policy by paramedic services. We have struggled and survived and yes money was pulled over and above the contract and supplement. That is why extra money was set aside. The current budget was raised for 2006 to \$80,000 and with \$70,000 under contract, \$5,000 per supplement, and \$5,000 for cushion. EMS is now doing just fine!

The contract with Jackson Township Improvement Corp has been the same for a 10 to 15 years. It was suggested that since the TWP is spending more money than the contract was agreed at \$8,000 it would be best to help as needed and eliminate the contract. This would allow for easier tracking of funds.

DONATIONS

Contractual agreements with New Paris Improvement Corp. was discussed in the 2003 audit and it was decided that funding community projects would be handled with direct payments rather than through New Paris Improvement Corp. The contract continued because the audit report long over due and the course was set. Also of note it was determined and approved by the State Board that the TWP could provide funding for cemeteries within the TWP as long as the cemetery showed need of funding and was a not-for profit association.

CAPITAL ASSET RECORDS

Agreed, asset records need to be updated will be done with new contract guidelines.

INVESTMENT MATURITY LIMITATIONS

An oversight on my part as trustee that happened to make the township big money when CD interest was extremely low on two year notes. I was aware of this investment problem and discussed it with the State Board and was instructed to leave the CD investment alone and not take a penalty for withdrawing early.

COMPENSATION AND BENEFITS

Under Definitions of Budget Classification (Guidelines from the State Board)

Under PERSONAL SERVICES overtime compensation is listed. I was informed that as an elected official I am on call 24/7. Which means office hours are worthless. The TWP had two extreme poor relief cases' which took hours and hours of overtime. The work actually saved the TWP money. We figured \$ 8 / hr overtime. I thought this was more than fair since the VOLUNTEER RATE IN THE STATE IS ABOUT \$17.50 an hour. After discussion today with the State Board it is still not clear who can and cannot receive overtime compensation when needed. Too be determined later!

PENALTIES, INTEREST AND OTHER CHARGES

There are times when mistakes are made because you are too busy. My failure to perform my job in a timely fashion is by no means different than the State or the Fed not providing forms, doing audit, and their reports in a timely fashion. Maybe all government offices should work and be open 24/7.

SUPPORTING DOCUMENTATION

All invoices had supporting documentation. As checks are expensed each was recorded on a check register in the check book and recorded eight time in further expense records by Fund, Bank, and Appropriation. There were three TWP gas receipts that turned up in my personal gas receipts after using a TWP debit card. After some discussion Ms Fields agreed that the card did have merit and the expense was directly explained on the bank statement at the end of the month. It has actually become easier to track the debit cards on the bank statement than typical checks where only a check number, date, and amount is given. Many banks now are charging to get digital copies where some month ago it was free on the internet. When I needed copies from the digital bank the cost for the service was \$500 flat fee, \$20/hr for research. I am going to order new checks with the duplicates or changing banks to resolve the mess.

I was told that the use of a Debit Card was ok and actually easier to track than Credit Cards that are used by other government offices. After doing some research I did not find approval in the state law for either?

I am reimbursing the TWP \$183.79. I found a miscalculation on mileage and meals to Indianapolis. The remaining is for the gas receipts not found till after the audit.

Thomas Lantz, Trustee

JACKSON TOWNSHIP, ELKHART COUNTY
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Thomas Lantz, Trustee:			
Compensation and Benefits, page 8	\$ 1,591.21	\$ 1,591.21	\$ -
Supporting Documentation, page 8	<u>183.79</u>	<u>183.79</u>	<u>-</u>
Totals	<u>\$ 1,775.00</u>	<u>\$ 1,775.00</u>	<u>\$ -</u>