

**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

EXAMINATION REPORT  
OF  
JOHNSON TOWNSHIP  
KNOX COUNTY, INDIANA  
January 1, 2005 to December 31, 2006



**FILED**  
09/27/2007



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	William Holscher, Jr.	01-01-03 to 12-31-10
Chairman of the Township Advisory Board	Paul J. Keller	01-01-05 to 12-31-06
Members of the Township Advisory Board	Edward E. Banks Maxine J. Banks Donald L. Snider, Jr.	01-01-07 to 12-31-10 01-01-07 to 12-31-10 01-01-07 to 12-31-10



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF JOHNSON TOWNSHIP, KNOX COUNTY, INDIANA

We have examined the financial information presented herein of Johnson Township (Township), for the period of January 1, 2005 to December 31, 2006. The Township's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Financial records presented for examination were incomplete and not reflective of the activity of the General, Dog, or Township Assistance Funds. The records presented did not provide sufficient information to examine receipts, disbursements, and ending balances, or the accuracy or correctness of the transactions.

Because of the restrictions on our examination as discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on whether schedules referred to above present fairly, in all material respects, the cash transactions of the Township for the years ended December 31, 2005 and 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

August 14, 2007

JOHNSON TOWNSHIP, KNOX COUNTY  
 SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
 GOVERNMENTAL FUND TYPE  
 As Of And For The Years Ended December 31, 2005 And 2006

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
Total all funds	\$ 30,867	\$ 51,656	\$ 17,038	\$ 65,485
	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
Total all funds	\$ 65,485	\$ 17,292	\$ 17,447	\$ 65,330

The accompanying notes are an integral part of the financial information.

JOHNSON TOWNSHIP, KNOX COUNTY  
NOTES TO FINANCIAL INFORMATION

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, culture and recreation, 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.

JOHNSON TOWNSHIP, KNOX COUNTY  
EXAMINATION RESULTS AND COMMENTS

DEPOSIT OF PUBLIC FUNDS

We noted instances where the Trustee was not making deposits in a timely manner. Local tax distribution checks written in May 2005 were not deposited until July 2005. Distributions made in January, February, March, and June 2006, were not deposited until August 2006.

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."

A similar comment appeared in the prior report.

OFFICIAL BOND

The following official bond was not filed in the Office of the County Recorder:

William Holscher, Jr., Trustee

Indiana Code 5-4-1-5.1(b) states in part: "Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder . . ."

A similar comment appeared in the prior report.

DISBURSEMENT DOCUMENTATION

Several payments were observed which did not contain adequate supporting documentation such as receipts, and invoices.

Due to the lack of supporting information, the validity and accountability for some monies disbursed could not be established.

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)

A similar comment appeared in the prior reports.

PAYROLL DEDUCTIONS - DEDUCTIONS NOT PAID TO PROPER AUTHORITIES

Payments to some employees were made without payroll deductions for taxes. We noted that payroll deductions for the years 2005 and 2006 for FICA and Medicare taxes on all Township employees had not been paid to the IRS.

JOHNSON TOWNSHIP, KNOX COUNTY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

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)

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)

A similar comment appeared in the prior reports.

#### BOARD MINUTES

Minutes of meetings of the governing body were not available for examination.

Indiana Code 5-14-1.5-4(b) states:

"As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes taken, by individual members if there is a roll call.
- (5) Any additional information required under IC 5-1.5-2-2.5."

A similar comment appeared in the prior report.

#### TRAVEL CLAIMS

The Trustee paid himself \$750 per year for travel expenses without supporting documentation.

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)

Individuals requesting reimbursement for driving personal vehicles for extra-curricular purposes should properly complete a Mileage Claim, General Form 101, prior to receiving reimbursement. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

JOHNSON TOWNSHIP, KNOX COUNTY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

A similar comment appeared in the prior report.

The Trustee was requested to produce additional documentation supporting the \$750 for the current and prior examination periods or reimburse the Township for the amount of undocumented travel reimbursement.

CONTRACTS

Supporting documentation, agreements or contracts for payments for cemetery care were not presented for examination.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination 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)

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)

A similar comment appeared in the prior report.

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

The Trustee did not file any Internal Revenue Service Forms 1099s.

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)

JOHNSON TOWNSHIP, KNOX COUNTY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

PUBLIC RECORDS RETENTION

The following public records were not presented for examination:

Some bank statements and cancelled checks  
Approved budget  
Record of the Township Board  
Some W-2s  
Federal Form 941  
Documentation of some disbursements

Indiana Code 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

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)

A similar comment appeared in prior reports.

PENALTIES, INTEREST AND OTHER CHARGES

Information presented for examination indicates that penalties and interest totaling \$108.08 and \$88.72 were paid to the Indiana Department of Revenue on February 5, 2007, for the periods 2004 and 2005 respectively. The prior two reports noted late payments of withholdings to tax authorities.

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)

CONDITION OF RECORDS

Financial records presented for examination were incomplete and not reflective of the activity of the Township Fund or the Township Assistance Fund. The records presented did not provide sufficient information to examine or establish beginning balances, receipts, disbursements, ending balances, or the accuracy or correctness of the transactions.

JOHNSON TOWNSHIP, KNOX COUNTY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

The following deficiencies relating to the record keeping were noted.

1. Record balances were not reconciled to depository balances.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balances of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

2. There was a considerable number of posting errors. These errors included deposits not received, interest not posted, and checks not recorded in the proper amounts.
3. Totals were not correct.

Controls over 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)

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)

A similar comment appeared in prior reports.

#### FINANCIAL REPORT OPINION MODIFICATIONS

The Township Trustee's Report of Receipts and Disbursements for the Calendar Year (Form 15 - Annual Report) for the examination years of 2005 and 2006 were not presented for examination. Board minutes were not presented for examination and contracts and claims were not always supported with proper documentation. Therefore, the State Board of Accounts was unable to provide an unqualified opinion on the Independent Accountants' Report for the financial statements.

Accounting records and other public records must be maintained in a manner that will support accurate financial statements. Anything other than an unqualified opinion on the Independent Auditors' Report on the financial statements may have adverse financial consequences with the possibility of an increase in interest rate cost to the taxpayers of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

#### 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 name and address of each person who has money due . . . from the political subdivision to the treasurer of each county in which the political subdivision is located."

The Trustee was requested to reimburse the Township for penalty and interest amounts totaling \$196.80.

JOHNSON TOWNSHIP, KNOX COUNTY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

PRESCRIBED FORMS

The following prescribed forms were not in use:

Township Form 17 - Resolution Establishing Salaries  
of Township Officers and Employees  
Township Form 6 - Township Trustee Check  
General Form 101 - Mileage Claim

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)

JOHNSON TOWNSHIP, KNOX COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on August 13, 2007, with Township Board members Edward E. Banks and Maxine J. Banks. The contents of this report were discussed on August 14, 2007, with Township Clerk, Carol Williams. The officials concurred with our findings. The Trustee declined to attend the exit conference.