

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

EXAMINATION REPORT

OF

TAYLOR TOWNSHIP

HOWARD COUNTY, INDIANA

January 1, 2006 to December 31, 2007



FILED

01/23/2009

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Dianne Kuntz	01-01-03 to 12-31-10
Chairman of the Township Board	Floyd Richmond (deceased) Jerry Wooldridge	01-01-06 to 04-17-08 04-17-08 to 12-31-08



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF TAYLOR TOWNSHIP, HOWARD COUNTY, INDIANA

We have examined the financial information presented herein of Taylor Township (Township), for the period of January 1, 2006 to December 31, 2007. The Township's management is responsible for the financial information presented herein. 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 financial information presented herein 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 financial information referred to above presents fairly, in all material respects, the financial information of the Township for the years ended December 31, 2006 and 2007, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

December 8, 2008

TAYLOR TOWNSHIP, HOWARD 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, 2006 And 2007

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
Township	\$ 96,641	\$ 30,047	\$ 40,627	\$ 86,061
Dog	300	50	350	-
Township Assistance	142,239	7,109	14,595	134,753
Firefighting	246,564	144,827	131,335	260,056
Park and Recreation	24,789	74,705	54,508	44,986
Levy Excess	-	956	956	-
Cumulative Fire	64,944	62,499	23,919	103,524
Rainy Day	2,639	-	-	2,639
Insurance Replacement	7,365	15,715	9,308	13,772
Grant	-	40,000	-	40,000
Fiduciary Fund:				
Payroll Withholdings	1,130	12,739	10,657	3,212
Totals	<u>\$ 586,611</u>	<u>\$ 388,647</u>	<u>\$ 286,255</u>	<u>\$ 689,003</u>

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
Township	\$ 86,061	\$ 27,272	\$ 50,539	\$ 62,794
Township Assistance	134,753	2,278	24,149	112,882
Firefighting	260,056	163,147	103,848	319,355
Park and Recreation	44,986	68,872	43,187	70,671
Levy Excess	-	808	808	-
Cumulative Fire	103,524	77,379	57,954	122,949
Rainy Day	2,639	-	-	2,639
Insurance Replacement	13,772	2,359	10,924	5,207
Grant	40,000	55,125	86,763	8,362
Fiduciary Fund:				
Payroll Withholdings	3,212	13,654	14,043	2,823
Totals	<u>\$ 689,003</u>	<u>\$ 410,894</u>	<u>\$ 392,215</u>	<u>\$ 707,682</u>

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

TAYLOR TOWNSHIP, HOWARD 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. All property taxes collected by the County Treasurer and available for distribution were distributed to the Township on or prior to December 31 of the year collected.

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. Subsequent Event

On April 17, 2008, the Township Advisory Board signed a resolution to join the Indiana Public Employees' Retirement Fund effective July 1, 2008. The Township Trustee is the only position covered by the Fund. The initial rate has been set at 9.5% of gross wages.

TAYLOR TOWNSHIP, HOWARD COUNTY
EXAMINATION RESULTS AND COMMENTS

ANNUAL REPORTS

An annual report for the calendar year 2007 was not presented for examination. Ending balances for five of the nine funds from the Township annual report for the year 2006 did not agree to the Township's fund ledger. The total cash and investments at December 31, 2006, from the annual report did not agree to the funds ledger by \$5,243.

The Township Trustee's report of receipts and disbursements for the calendar year is an abstract report of receipts and disbursements for the calendar year. The annual report shall be prepared, verified, and filed with the State Board of Accounts within 30 days after the close of each fiscal year. The report must be published, within four weeks after the third Tuesday after the first Monday in January, one time in accordance with IC 5-3-1.

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were not presented for examination.

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."

SALES TAX

Sales tax was paid for some purchases and was paid on several of the utility services. A similar comment was contained in the prior report.

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. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

COMPENSATION AND BENEFITS

Township Form 17, a resolution that recommends the salaries of Township officers and employees for each year, was not provided for our review for the year 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)

TAYLOR TOWNSHIP, HOWARD COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

INCORRECT PAYROLL REPORTING

The Township's reporting of wages for both calendar years 2006 and 2007 on Form W-2 contained errors. Wages and withholdings reported did not always agree to the records. In some instances, the reporting was understated and in other instances the reporting was overstated. A similar comment was contained in the prior report.

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)

APPROPRIATIONS OVERSPENT

The records presented for examination indicated the following expenditures in excess of budgeted appropriations:

<u>Fund</u>	<u>Years</u>	<u>Excess Amount Expended</u>
Park and Recreation	2006	\$ 1,508
General	2007	7,339
Cumulative Fire	2007	7,954

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

SALARY OVERPAYMENT

Salary overpayments totaling \$3,600 for the year 2007 and \$1,800 for the year 2008 were made to Dianne Kuntz, Trustee. Dianne Kuntz reimbursed the Township \$5,400 on December 8, 2008. (See Summary, page 13)

Governmental units should collect any overpayments made. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

TAYLOR TOWNSHIP, HOWARD COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

CONFLICT OF INTEREST DISCLOSURE

Gary Kuntz, Township employee, is the spouse of Dianne Kuntz, Township Trustee. A Uniform Conflict of Interest Disclosure Statement does not appear to have been filed with the State Board of Accounts.

Indiana Code 35-44-1-3 states in part:

"(a) A public servant who knowingly or intentionally: (1) has a pecuniary interest in; or (2) derives a profit from; a contract or purchase connected with an action by the governmental entity served by the public servant commits conflict of interest, a Class D felony . . ."

"(c) This section does not prohibit a public servant from having a pecuniary interest in or deriving a profit from a contract or purchase connected with the governmental entity served . . . (3) if the public servant; (A) is an elected public servant . . . and (B) makes a disclosure under subsection (d)(1) through (d)(6)."

"(d) A disclosure required by this section must: (1) be in writing; (2) describe the contract or purchase to be made by the governmental entity; (3) describe the pecuniary interest that the public servant has in the contract or purchase; (4) be affirmed under penalty of perjury; (5) be submitted to the governmental entity and be accepted by the governmental entity in a public meeting of the governmental entity prior to final action on the contract or purchase; (6) be filed within fifteen (15) days after final action on the contract or purchase with: (A) the state board of accounts; and (B) . . . the clerk of the circuit court in the county where the governmental entity takes final action on the contract or purchase . . ."

"(g) A public servant has a pecuniary interest in a contract or purchase if the contract or purchase will result or is intended to result in an ascertainable increase in the income or net worth of: (1) the public servant; or (2) a dependent of the public servant who: (A) is under the direct or indirect administrative control of the public servant; or (B) receives a contract or purchase order that is reviewed, approved, or directly or indirectly administered by the public servant . . ."

"(k) As used in this section, 'dependent' means any of the following: (1) The spouse of a public servant. (2) A child, stepchild, or adoptee (as defined in IC 31-3-4-1) of a public servant who is: (A) unemancipated; and (B) less than eighteen (18) years of age. (3) Any individual more than one-half (2) of whose support is provided during a year by the public servant."

TAYLOR TOWNSHIP, HOWARD COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 8, 2008, with Dianne Kuntz, Trustee and Gary Kuntz, Clerk. The official response has been made a part of this report and may be found on pages 10 through 12.

TAYLOR TOWNSHIP TRUSTEE

944 EAST CENTER RD.
KOKOMO, IN 46902-5387

DIANE KUNTZ
(765) 453-0466

December 14, 2008

To Whom It May Concern:

This letter is in reference to the State Audit performed for the 2006 through 2007 year for the Taylor Township Trustee's office. This letter is to serve as response to the examination results and comments received December 8, 2008. The letter will be structured to fulfill response needs as follows:

ANNUAL REPORTS: In reference to the 2006 annual report, the Taylor Township Trustee's office came upon difficulties in reconciling the above-mentioned report and sought assistance through The State Board of Accounts. Upon working with The State Board of Accounts, the report was reconciled and the office was under the impression that it would be filed electronically. Upon receiving notice that the report was not filed, the Taylor Township Trustee's Office has since taken action to ensure that this report will be filed in a timely manner.

BANK ACCOUNTS RECONCILIATIONS: The concerns about the bank reconciliations within the Taylor Township Trustee's Office stem from not having filed the proper forms to denote that the accounts were reconciled. Each account is reconciled monthly by visually balancing the amounts, however, since the notification that a form needs to be completed, this will be done. The office now has a form to reconcile each account on a monthly basis to ensure that this problem does not reoccur.

SALES TAX: It has been brought to the attention of Taylor Township Trustee's Office that some purchases made by the township have included sales tax. In reviewing these purchases, it has been noted that on these occasions the purchases in question were preauthorized, therefore the sales tax was added prior to when the office received the invoice. To rectify this situation in the future, notifications of the tax-exempt identification for the township have been sent to the companies in question. The office is also aware that sales tax continues to be paid on utilities such as electricity and gas for the buildings in use by the Township. The Trustee has been in contact with these utility companies several times over the past two years in attempt to rectify this situation. As of December 10, 2008, the utility companies notified us that the forms we had originally sent are no longer in use. We have since received notification of the new form and are continuing to work to have the sales tax removed from the utility bills.

TAYLOR TOWNSHIP TRUSTEE

944 EAST CENTER RD.
KOKOMO, IN 46902-5387

DIANE KUNTZ
(765) 453-0466

COMPENSATION AND BENEFITS: Through the audit process, it was brought to our attention that Township Form 17 was not filed for 2006. In reviewing this notification, it was found that Form 17 was approved and sent to the appropriate office. This approval and sending of the form is noted in the Township Advisory Board ledger. The original was mailed and no copy was made. To prevent this from happening anytime in the future, it is now standard procedure to ensure that copies are made of each form to be kept in the office.

INCORRECT PAYROLL REPORTING: Errors made within the Payroll Reporting of Taylor Township Trustee's office were made by communication errors between the office and the Certified Public Accountant at the time. To ensure that these errors are not made again, the office has since changed Certified Public Accountants and instilled a check and balance system through the necessary forms.

APPROPRIATIONS OVERSPENT: The notification of expenditures in excess of budgeted appropriations for the 2006 Park and Recreation Fund and the 2007 Cumulative Fire Fund are the product of a misunderstanding of appropriated funds. The excess expenditures from the Park and Recreation Fund are a direct result of the replacement of park equipment lost to arson. Upon replacing the equipment, we were under the understanding that the subsequent insurance payment would then be placed back into the Parks and Recreation Fund to cover the excess cost. Upon the payment being entered into the budget, it was mislabeled thus leading to what appeared to be an overspending of the budget. In 2007, Taylor Township sold an ambulance for \$20,000. We were under the understanding that the profit made from this sale would thus be used to purchase a new ambulance. Due to this misunderstanding, when budgeting for the Cumulative Fire Fund the amount that the ambulance sold for was assumed to be replaced in order to purchase the new ambulance. It has been brought to our attention that in both cases the funds acquired are placed in non-appropriated funds thus causing the budget to appear exceeded. The notification of expenditures in excess of budgeted appropriations for the General Fund was a direct result of salary overpayment, which has since been rectified fully.

SALARY OVERPAYMENT: The overpayment of the Taylor Township Trustee was simply an error. The salary had been increased to \$18,000 per year and in an error made by the office \$1,800 a month was paid to the trustee. Since being notified of this error the entire overpayment amount has been refunded to the township account thus rectifying the issue completely.

TAYLOR TOWNSHIP TRUSTEE

944 EAST CENTER RD.
KOKOMO, IN 46902-5387

DIANE KUNTZ
(765) 453-0466

CONFLICT OF INTEREST DISCLOSURE: The Conflict of Interest Disclosure in reference to Gary Kuntz, Township employee and spouse of Dianne Kuntz Township Trustee was completed and produced during The State Audit, however, it was brought to our attention that the form was not completed to the extent necessary to fulfill the requirements. The form has since been completed to the standards of the State, thus rectifying the previously mentioned concern.

Sincerely,



Dianne Kuntz
Taylor Township Trustee

TAYLOR TOWNSHIP, HOWARD COUNTY
SUMMARY

	Charges	Credits	Balance Due
Dianne Kuntz, Trustee:			
Salary Overpayment, page 7	\$ 5,400	\$	\$
Paid by Dianne Kuntz on December 5, 2008		5,400	-
 Totals	\$ 5,400	\$ 5,400	\$ -