

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

EXAMINATION REPORT  
OF  
VERNON TOWNSHIP  
JACKSON COUNTY, INDIANA  
January 1, 2007 to December 31, 2009



**FILED**  
05/12/2010



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Curt F. Kovener	01-01-07 to 12-31-10
Chairman of the Township Board	Stanley E. Metz	01-01-07 to 09-27-09
	Karen Metz	09-28-09 to 12-31-09
	Odes Densford	01-01-10 to 12-31-10



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial information presented herein of Vernon Township (Township), for the period of January 1, 2007 to December 31, 2009. 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, 2007, 2008, and 2009, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Long-Term Debt, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the basic financial information. It has not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

April 8, 2010

VERNON TOWNSHIP, JACKSON COUNTY  
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL GOVERNMENTAL FUND TYPES  
As Of And For The Years Ended December 31, 2007, 2008, And 2009

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
Township	\$ 139,661	\$ 32,239	\$ 26,382	\$ 145,518
Dog	426	-	426	-
Township Assistance	18,619	2,723	6,857	14,485
Firefighting	27,529	11,146	31,000	7,675
Cumulative Fire	19,366	26,080	27,427	18,019
Totals	<u>\$ 205,601</u>	<u>\$ 72,188</u>	<u>\$ 92,092</u>	<u>\$ 185,697</u>

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
Township	\$ 145,518	\$ 31,373	\$ 32,554	\$ 144,337
Township Assistance	14,485	5,469	4,242	15,712
Firefighting	7,675	14,325	22,000	-
Cumulative Fire	18,019	15,964	27,529	6,454
Totals	<u>\$ 185,697</u>	<u>\$ 67,131</u>	<u>\$ 86,325</u>	<u>\$ 166,503</u>

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
Township	\$ 144,337	\$ 39,739	\$ 38,112	\$ 145,964
Township Assistance	15,712	6,071	6,071	15,712
Firefighting	-	27,259	27,259	-
Cumulative Fire	6,454	25,751	6,292	25,913
Rainy Day	-	1,121	-	1,121
Totals	<u>\$ 166,503</u>	<u>\$ 99,941</u>	<u>\$ 77,734</u>	<u>\$ 188,710</u>

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

VERNON TOWNSHIP, JACKSON 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, 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.

VERNON TOWNSHIP, JACKSON COUNTY  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 For The Year Ended December 31, 2009

The Township has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Notes and loans payable:		
2006 Fire truck loan	\$ 17,243	\$ 6,292

VERNON TOWNSHIP, JACKSON COUNTY  
EXAMINATION RESULTS AND COMMENTS

TEMPORARY LOANS

The following temporary loans were made from the Township Fund to the Township Assistance Fund and the Firefighting Fund and have not been repaid as of April 8, 2010, nor has a resolution been passed declaring that an emergency exists:

<u>Date of Loan</u>	<u>Loaned From</u>	<u>Loaned To</u>	<u>Amount</u>
12-27-04	Township Fund	Township Assistance Fund	\$ 5,254
12-31-08	Township Fund	Township Assistance Fund	2,780
12-31-09	Township Fund	Firefighting Fund	9,048
12-31-09	Township Fund	Township Assistance Fund	<u>2,046</u>
Total			<u>\$ 19,128</u>

IC 36-1-8-4 concerning temporary loans states in part:

"(a) . . . (3) Except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs. (4) The amount transferred must be returned to the other fund at the end of the prescribed period. . . ."

"(b) If the fiscal body of a political subdivision determines that an emergency exists that requires an extension of the prescribed period of a transfer under this section, the prescribed period may be extended for not more than six (6) months beyond the budget year of the year in which the transfer occurs if the fiscal body does the following: (1) Passes an ordinance or a resolution that contains the following: (A) A statement that the fiscal body has determined that an emergency exists. (B) A brief description of the grounds for the emergency. (C) The date the loan will be repaid that is not more than six (6) months beyond the budget year in which the transfer occurs. (2) Immediately forwards the ordinance or resolution to the state board of accounts and the Department of Local Government Finance."

PAYROLL DEDUCTIONS

Social Security and Medicare taxes were not withheld from the wages paid to the Township Board members during the examination period.

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)

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

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)

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)

INTEREST ON INVESTMENTS

Interest earned on investments is being automatically added to the investment principal by the bank and has not been recorded in the Township's financial ledger. At December 31, 2010, \$11,366.24 of interest earnings has been added to the investments and not recorded on the Township's financial ledger.

Interest on investments should not be automatically added into the investment. Instead, interest on investments should be paid to the governmental unit at each maturity date and posted to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

VERNON TOWNSHIP, JACKSON COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on April 8, 2010, with Curt F. Kovener, Trustee. The official response has been made a part of this report and may be found on page 10.

# VERNON TOWNSHIP TRUSTEE

JACKSON COUNTY, INDIANA

Curt Kovener

P.O. Box 141  
Crothersville, Indiana 47229  
(812) 795-2188

April 14, 2010

## OFFICIAL RESPONSE

State Board of Accounts  
302 West Washington Street, Room E 418  
Indianapolis, IN 46204-2785

This letter is in response to audit findings from the 1/1/2007 to 12/31/2009 audit of Vernon Township, Jackson County and is to be added to the official bound audit available for public examination.

### Temporary Loan

Because of late property tax collections and distributions over the past several years in Jackson County, the township transferred funds from the General Fund to Township Assistance and Fire fighting to pay for ongoing obligations. This was more financially prudent than obtaining a bank loan and paying interest. Because of late tax collections the township found itself in a "Catch-22" situation in that money had not yet been received to repay the general fund at year's end. Had money been repaid without tax receipts, those funds would have shown a negative balance at year's end which would have also been an audit finding by SBOA.

### Payroll Deductions

Beginning with 2010 payroll, Township Board members will have payroll deductions made from their respective salaries. It was noted during the Exit Interview, SBOA field examiner commented that until recently SBOA itself was not clear on the withholding requirement for township board members.

### Interest on Investments

By not allowing interest to accumulate on investments, SBOA Compliance Guidelines put taxpayers at a disadvantage in that interest from higher yielding investments must be withdrawn and placed into respective funds or earned interest may be re-invested but at today's lower interest rate. Allowing interest to accumulate and reported in the township annual report is a wiser investment of taxpayer money.

Respectfully submitted,



Curt Kovener  
Vernon Township Trustee