

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

EXAMINATION REPORT

OF

JOHNSON TOWNSHIP

CLINTON COUNTY, INDIANA

January 1, 2008 to December 31, 2009



**FILED**  
12/10/2010



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OFFICIALS

Office

Official

Term

Trustee

Kim Rawlings

01-01-07 to 12-31-10

Chairman of the  
Township Board

Ralph Johnson  
Thomas Marshall

01-01-08 to 12-31-08  
01-01-09 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, CLINTON COUNTY, INDIANA

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

STATE BOARD OF ACCOUNTS

April 27, 2010

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

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
Township	\$ 113,806	\$ 116,173	\$ 51,424	\$ 178,555
Dog	344	-	-	344
Township Assistance	6,980	7,625	4,449	10,156
Firefighting	22,093	37,690	27,000	32,783
Levy Excess	2,237	-	-	2,237
Rainy Day	1,176	1,425	-	2,601
Totals	<u>\$ 146,636</u>	<u>\$ 162,913</u>	<u>\$ 82,873</u>	<u>\$ 226,676</u>

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
Township	\$ 178,555	\$ 50,073	\$ 67,255	\$ 161,373
Dog	344	-	-	344
Township Assistance	10,156	3,898	7,000	7,054
Firefighting	32,783	18,262	40,000	11,045
Levy Excess	2,237	-	-	2,237
Rainy Day	2,601	168	-	2,769
Totals	<u>\$ 226,676</u>	<u>\$ 72,401</u>	<u>\$ 114,255</u>	<u>\$ 184,822</u>

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

JOHNSON TOWNSHIP, CLINTON 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, CLINTON COUNTY  
EXAMINATION RESULTS AND COMMENTS

SALARY AND RENT OVERPAYMENTS

Salary and rent overpayments were made during 2009 to Township Trustee Kim Rawlings in the following amounts:

<u>Description</u>	<u>Amount Authorized</u>	<u>Payments</u>	<u>Amount Overpaid</u>
Salary	\$ 7,000.00	\$ 19,249.89	\$ 12,249.89
Rent	<u>5,000.00</u>	<u>13,333.27</u>	<u>8,333.27</u>
Totals	<u>\$12,000.00</u>	<u>\$ 32,583.16</u>	<u>\$ 20,583.16</u>

The Trustee submitted accounting records for our examination on April 12, 2010. That same day the Trustee repaid \$20,583.20 from personal funds to reimburse the Township for the overpayments listed above. (See Summary, page 15)

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 13)

EXPENSES FOR DESTROYING DETRIMENTAL PLANTS

Payments were made to Township Trustee Kim Rawlings for destroying detrimental plants in the Township in the following years:

<u>Year</u>	<u>Amount</u>
2006	\$ 3,500
2007	2,400
2008	5,500
2009	<u>16,333</u>
	<u>\$ 27,733</u>

A contract between the Township Board and the Trustee, presented for examination by the Trustee, called for the Trustee to be paid for the work at a rate of \$100.00 per hour. The contract was signed by two of the three Township Board members.

IC 15-16-8-5(a) states: "The township trustee may pay the following costs incurred in cutting or destroying detrimental plants under this chapter: (1) Chemical (2) Work (3) Labor, at a rate per hour to be fixed by the township trustee commensurate with local hourly wages.

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

IC 36-6-4-3 concerning a township trustee's responsibilities and duties states:

"The executive shall do the following: (1) Keep a written record of official proceedings. (2) Manage all township property interests. (3) Keep township records open for public inspection. (4) Attend all meetings of the township legislative body. (5) Receive and pay out township funds. (6) Examine and settle all accounts and demands chargeable against the township. (7) Administer township assistance under IC 12-20 and IC 12-30-4. (8) Perform the duties of fence viewer under IC 32-26. (9) Provide and maintain cemeteries under IC 23-14. (10) Provide fire protection under IC 36-8, except in a township that: (A) is located in a county having a consolidated city; and (B) consolidated the township's fire department under IC 36-3-1-6.1. (11) File an annual personnel report under IC 5-11-13. (12) Provide and maintain township parks and community centers under IC 36-10. (13) Destroy detrimental plants, noxious weeds, and rank vegetation under IC 15-3-4. (14) Provide insulin to the poor under IC 12-20-16. (15) Perform other duties prescribed by statute."

IC 36-6-6-10 concerning compensation of officers and employees states in part:

"(b) The township legislative body shall fix the: (1) salaries; (2) wages; (3) rates of hourly pay; and (4) remuneration other than statutory allowances; of all officers and employees of the township . . . (d) Except as provided in subsection (e), the township legislative body may not alter the salaries of elected or appointed officers during the fiscal year for which they are fixed, but it may add or eliminate any other position and change the salary of any other employee, if the necessary funds and appropriations are available. . . . Our Emphasis

We are not aware of any statutory provisions which would allow a trustee to circumvent a township board's authority to "fix the salaries" of a trustee by "contracting with themselves" to provide for cemetery care, township assistance investigations, weed eradication, and other statutory duties, etc. Therefore, the State Board of Accounts is of the audit position that compensation provided by a township board in accordance with IC 36-6-6-10 is all inclusive for all duties performed by a trustee. (Township Bulletin and Uniform Compliance Guidelines, Volume 284)

COLLECTION OF AMOUNTS DUE

Detrimental plants as discussed in the prior Examination Results and Comments were destroyed on several properties within the Township by the Trustee. Additionally, certified statements requesting land owners to reimburse the Township for the costs incurred for clean-ups were never sent to property owners.

IC 15-16-8-6 states in part (a):

"The Township trustee shall prepare a statement that contains the following:

- (1) A certification of the following costs:
  - (A) The cost or expense of the work.

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

(B) The cost of the chemicals.

(C) Twenty dollars (\$20) per day for each day that the trustee or the trustee's agent supervises the performance of the services required under this chapter as compensation for services.

(2) A description of the real estate on which the labor was performed.

(3) A request that the owner or person in possession of the real estate pay the costs under subdivision (1) to the township trustee."

IC 15-16-8-7 states in part:

"(a) If the owner or person in possession of the property does not pay the amount set forth . . . the township trustee shall file a copy of the certified statement in the office of the county auditor of the county where the real estate is located. (b) The auditor shall place the amount claimed in the certified statement on the tax duplicate of the real estate . . . (c) After an amount described in subsection (b) is collected, the funds shall be deposited in the trustee's township funds . . ."

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)

CEMETERY MAINTENANCE PAYMENTS

Township Trustee Kim Rawlings was paid \$3,000 on February 15, 2009, for "cemeteries maintenance contract" expenses. Additionally, during the examination period two contractors were paid a total of \$3,000 in 2008 and \$3,200 in 2009 for cemetery mowing expenses. The annual appropriation for the mowing of cemeteries was \$3,000 in 2008 and \$3,200 in 2009.

We are not aware of any statutory provisions which would allow a trustee to circumvent a Township board's authority to "fix the salaries" of a trustee by "contracting with themselves" to provide for cemetery care, township assistance investigations, weed eradication, and other statutory duties. etc. Therefore, the State Board of Accounts is of the audit position that compensation provided by a township board in accordance with IC 36-6-6-10 is all inclusive for all duties performed by a trustee. (Township Bulletin and Uniform Compliance Guidelines, Volume 284)

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

APPROPRIATIONS

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>
Township	2009	\$ 39,705
Township Assistance	2009	1,000
Fire Fighting	2009	8,000
Township	2008	28,774

IC 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."

EMPLOYER PAYROLL TAXES

Salary overpayments were made to Township Trustee Kim Rawlings during the examination period. As a result, \$2,499.31 in employer FICA and Medicare costs were overpaid to the Internal Revenue Service when payroll taxes were paid.

During the prior examination, the Trustee incurred \$1,020 in employer payroll cost overpayments as a result of salary overpayments. The Trustee was requested to contact the Internal Revenue Service to obtain a refund. No information was presented for examination to indicate an attempt to obtain the refund.

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

Every effort should be made by the governmental unit to avoid unreasonable or excessive costs. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

Township Trustee Kim Rawlings was requested to repay the Township \$3,519.31 for excessive employer FICA and Medicare costs overpaid to the Internal Revenue Service. (See Summary, page 15)

FIREFIGHTING CONTRACT OVERPAYMENT

The Township contracted with the Johnson Township Volunteer Fire Department in 2009 to provide firefighting services. The contract called for \$32,000 to be paid to the Volunteer Fire Department, but \$40,000.00 in payments were made.

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 Township Trustee, Chapter 13)

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

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

ANNUAL REPORT

The Annual Report for the Township for 2009 was not filed electronically with the State Board of Accounts prior to 60 days after December 31, 2009.

Effective July 1, 2009, IC 5-11-1-4 states:

"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. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be filed electronically, in a manner prescribed by the state examiner that is compatible with the technology employed by the political subdivision."

BOND INFORMATION

The State of Indiana, through Johnson Township, held an official bond on Township Trustee, Kim Rawlings in the amount of \$15,000 for the term beginning January 1, 2007, until his successor is duly qualified. The bond was underwritten by Pekin Insurance Company.

Effective July 1, 2009, IC 5-4-1-18 states in part:

"(c) Except as provided in subsections (h) and (i), the fiscal bodies of the respective units shall fix the amount of the bond of. . . township trustees . . . as follows:

- (1) The amount of annual coverage must equal thirty thousand dollars (\$30,000) for each one million dollars (\$1,000,000) of receipts of the officer's office during the last complete fiscal year before the purchase of the bond, subject to subdivision (2).
- (2) The amount of annual coverage may not be less than thirty thousand dollars (\$30,000) nor more than three hundred thousand dollars (\$300,000) unless the fiscal body approves a greater amount of annual coverage for the officer or employee . . ."

The State Board of Accounts is of the audit position continuation certificates or renewals should not be used in lieu of obtaining the required annual bond coverage. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

EXAMINATION COSTS

Additional examination fees were incurred in the investigation of matters referenced herein.

Examination costs incurred because of theft or shortage may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

JOHNSON TOWNSHIP, CLINTON COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on June 2, 2010, with Kim Rawlings, Trustee.

The contents of this report were discussed on June 14, 2010, with Tom Marshall, Chairman of the Township Board.

**Johnson Township**

**Kim Rawlings, Trustee  
3019 N. Co. Rd. 1350 E.  
Forest, IN 46039**

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Indiana State Board of Accounts  
302 West Washington St.  
Room E 418 Indianapolis Ind. 46204

Dear Sir:

In response to the June 2nd exit conference of Johnson Township the Trustee and Advisory board position on the audit is as follows.

Salary and rent overpayments.

The trustee advised the advisory board on Jan. 27th 2010 of the overpayment and corrective action would be taken and that action was taken and corrected.

Excessive or unreasonable cost- Employer payroll taxes

The board feels that this matter should be corrected by filing amended tax returns with the IRS. This process has as of this date be started. After this is complete the township will forward copies of the returns to your office for review. The boards position on this finding is that the trustee not repay the township until this process is complete. If it is not complete in a 6 month time frame then the trustee would be ask to repay the outstanding amount. The findings of this audit were not constant with the previous audit.

Firefighting contract overpayment

The board agrees with this finding. this was a one time payment and was documented in the minutes of a public meeting.

Excessive Expense of Destroying Detrimental Plants

The advisory board in 1997 ask for opinion from the county attorney on weed removal by the trustee due to the fact that a contractor could not be found that opinion was as follows. As regards the weed removal compensation, the trustee in my opinion, has no duty to personally remove noxious weeds complained of in his township. He has a responsibility to proceed to contract for the weed removal, but no personal duty to remove them himself. I would therefore hold the opinion that he is legally entitled to reasonable compensation for those additional services, provided that the Advisory Board approves same and a conflict of interest disclosure is filed.

## Johnson Township

Kim Rawlings, Trustee  
3019 N. Co. Rd. 1350 E.  
Forest, IN 46039

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Therefore the advisory board request that the trustee not be ask to repay weed mowing cost to the township. There are measures in the the contract for the township to recoup the monies . This also was not constant with last 6 audits.

### Annual Report

The board agree with this finding and corrective will be taken

### Cemetery Care Expenses

This item was was a error in the record book. the field auditor was advised at the exit conference of the error it was for removal of detrimental weeds (the field auditor must of chose not to change it in the report)

### Bond information

The board agrees with this finding and corrective action will be taken.

### Examination Cost - Missing funds

The board has not a clue why this is in the report all checks and deposits were recorded in the ledger there is no missing money all funds are accounted for. It is the boards view that this was a standard audit and feels no one should pay any additional cost.

The advisory board or a spokesperson of Johnson Township request a meeting with a representative of your office to discuss this report. We feel that it is not constant with previous audits

  
Kim Rawlings Trustee

**Johnson Township**

Kim Rawlings, Trustee  
3019 N. Co. Rd. 1350 E.  
Forest, IN 46039

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Indiana State Board of Accounts  
302 West Washington St.  
Room E 418 Indianapolis Ind.46204

Oct. 16 2010

Dear Sir;

Per the phone conversation with Rick Cole on Oct. 6 2010 the trustee has deposited 3,519.31 from personal funds for the (receipt enclosed) for the item in the audit of excessive Employer Payroll Taxes. The townships position is if this is corrected by the IRS and the township is given a refund a determination will be made at a future time as to how to administer the refund.

  
Johnson Township Trustee

JOHNSON TOWNSHIP, CLINTON COUNTY  
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Kim Rawlings, Trustee :			
Salary and Rent Overpayments, page 6	\$ 20,583.16	\$	\$
Repaid by Kim Rawlings, April 12, 2010		20,583.16	-
Employer Payroll Taxes, page 9	3,519.31		
Repaid by Kim Rawlings, October 18, 2010	<u>                    </u>	<u>3,519.31</u>	<u>                    </u> -
Totals	<u>\$ 24,102.47</u>	<u>\$ 24,102.47</u>	<u>\$</u> <u>                    </u> -