

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

JACKSON TOWNSHIP

SULLIVAN COUNTY, INDIANA

January 1, 2010 to December 31, 2011



FILED
01/28/2013

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Beth Swalls Randy Swalls	01-01-07 to 01-31-10 02-01-10 to 12-31-14
Chairman of the Township Board	William Zink	01-01-10 to 12-31-12



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

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

We were engaged to examine the accompanying financial statements of Jackson Township (Township), for the years ended December 31, 2010 and 2011. The financial statements are the responsibility of the Township's management.

The Township did not properly maintain accounting records. The Township's records do not permit the application of other examination procedures to ascertain if the financial statements are fairly stated.

Since the Township did not properly maintain accounting records and we were not able to apply other examination procedures to satisfy ourselves as to whether the financial statements are fairly stated, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on these financial statements.

Our examination was conducted for the purpose of forming an opinion on the Township's financial statements. The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statements. They have not been subjected to examination procedures and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Township's management, Township Board, and others within the entity and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

November 29, 2012

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FINANCIAL STATEMENTS

The financial statements and accompanying notes were approved by management of the Township. The financial statements and notes are presented as intended by the Township.

JACKSON TOWNSHIP, SULLIVAN COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2010

Fund	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
Township	\$ 58,050	\$ 36,523	\$ 24,537	\$ 70,036
Township Assistance	11,489	27,800	13,807	25,482
Fire Fighting	19,403	23,945	21,485	21,863
Levy Excess	-	136	-	136
Totals	<u>\$ 88,942</u>	<u>\$ 88,404</u>	<u>\$ 59,829</u>	<u>\$ 117,517</u>

The notes to the financial statements are an integral part of this statement.

JACKSON TOWNSHIP, SULLIVAN COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2011

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
Township	\$ 70,036	\$ 24,278	\$ 38,778	\$ 55,536
Township Assistance	25,482	22,633	18,172	29,943
Fire Fighting	21,863	17,947	22,716	17,094
Levy Excess	136	-	-	136
Totals	<u>\$ 117,517</u>	<u>\$ 64,858</u>	<u>\$ 79,666</u>	<u>\$ 102,709</u>

The notes to the financial statements are an integral part of this statement.

JACKSON TOWNSHIP, SULLIVAN COUNTY
NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The Township was established under the laws of the State of Indiana. The Township operates under a township trustee/township board form of government and provides some or all of the following services: public safety (fire), health and social services (township assistance), culture and recreation (parks and/or community centers), and general administrative services (weed and dog control).

The accompanying financial statements present the financial information for the Township.

B. Basis of Accounting

The financial statements are reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

C. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

D. Receipts

Receipts are presented in the aggregate on the face of the financial statements. The aggregate receipts include the following sources:

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the Township.

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state, local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling

JACKSON TOWNSHIP, SULLIVAN COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statements. The aggregate disbursements include the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

F. Interfund Transfers

The Township may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the Township. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the Township. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the Township in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

JACKSON TOWNSHIP, SULLIVAN COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the Township submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the Township in June and December; however, situations can arise which would delay the distributions. 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 percent 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 normally become delinquent if not paid by May 10 and November 10, respectively.

Note 4. Deposits and Investments

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be 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 statutes authorize 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 5. Risk Management

The Township may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the Township to set aside money for claim settlements. The self-insurance fund would be included in the financial statements. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Township's 2010 Annual Report can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

For additional financial information, the Township's 2011 Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statements contained in this report and the financial information presented in the Annual Reports of the Township which are referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the examination. This is a common occurrence in any financial statement examination. The financial information presented in this report is examined information, and the accuracy of such information can be determined by reading the opinion given in the Independent Accountant's Report.

The supplementary information presented was approved by management of the Township. It is presented as intended by the Township.

JACKSON TOWNSHIP, SULLIVAN COUNTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010

	<u>Township</u>	<u>Township Assistance</u>	<u>Fire Fighting</u>	<u>Levy Excess</u>	<u>Totals</u>
Cash and investments - beginning	\$ 58,050	\$ 11,489	\$ 19,403	\$ -	\$ 88,942
Receipts:					
Taxes	36,393	27,800	23,945	136	88,274
Other receipts	<u>130</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>130</u>
Total receipts	<u>36,523</u>	<u>27,800</u>	<u>23,945</u>	<u>136</u>	<u>88,404</u>
Disbursements:					
Personal services	8,500	8,067	-	-	16,567
Supplies	700	-	-	-	700
Other services and charges	13,337	1,270	21,485	-	36,092
Capital outlay	2,000	-	-	-	2,000
Other disbursements	<u>-</u>	<u>4,470</u>	<u>-</u>	<u>-</u>	<u>4,470</u>
Total disbursements	<u>24,537</u>	<u>13,807</u>	<u>21,485</u>	<u>-</u>	<u>59,829</u>
Excess of receipts over disbursements	<u>11,986</u>	<u>13,993</u>	<u>2,460</u>	<u>136</u>	<u>28,575</u>
Cash and investments - ending	<u>\$ 70,036</u>	<u>\$ 25,482</u>	<u>\$ 21,863</u>	<u>\$ 136</u>	<u>\$ 117,517</u>

JACKSON TOWNSHIP, SULLIVAN COUNTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011

	<u>Township</u>	<u>Township Assistance</u>	<u>Fire Fighting</u>	<u>Levy Excess</u>	<u>Totals</u>
Cash and investments - beginning	\$ 70,036	\$ 25,482	\$ 21,863	\$ 136	\$ 117,517
Receipts:					
Taxes	22,367	22,393	17,207	-	61,967
Intergovernmental	816	240	740	-	1,796
Charges for services	1,000	-	-	-	1,000
Other receipts	95	-	-	-	95
Total receipts	<u>24,278</u>	<u>22,633</u>	<u>17,947</u>	<u>-</u>	<u>64,858</u>
Disbursements:					
Personal services	9,645	8,230	-	-	17,875
Supplies	428	-	-	-	428
Other services and charges	14,256	4,844	6,716	-	25,816
Capital outlay	1,467	-	-	-	1,467
Other disbursements	12,982	5,098	16,000	-	34,080
Total disbursements	<u>38,778</u>	<u>18,172</u>	<u>22,716</u>	<u>-</u>	<u>79,666</u>
Excess (deficiency) of receipts over disbursements	<u>(14,500)</u>	<u>4,461</u>	<u>(4,769)</u>	<u>-</u>	<u>(14,808)</u>
Cash and investments - ending	<u>\$ 55,536</u>	<u>\$ 29,943</u>	<u>\$ 17,094</u>	<u>\$ 136</u>	<u>\$ 102,709</u>

JACKSON TOWNSHIP, SULLIVAN COUNTY
EXAMINATION RESULTS AND COMMENTS

FINANCIAL REPORT OPINION MODIFICATION

The 2010 and 2011 Annual Financial Reports submitted by the Township were not reflective of the Township's financial records presented for examination. Therefore, the State Board of Accounts was unable to provide an unqualified opinion on the Independent Accountant's 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 Auditor's 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)

PENALTIES, INTEREST, AND OTHER CHARGES

Penalties and interest totaling \$312 were paid to the Indiana Department of Revenue during 2010. As of November 14, 2012, \$1,552 in penalties and interest have been assessed but not paid in 2012.

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)

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	2010	\$ 3,531
Fire Fighting	2010	6,280
Township	2011	17,762

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."

RESOLUTION ESTABLISHING SALARIES

Township Form 17, Resolution Establishing Salaries of Township Officers and Employees, was not passed by the Township Advisory Board for 2010 or 2011.

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

Indiana Code 36-6-6-10(b) states:

"(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."

Indiana Code 36-6-6-10 requires the township board to set the salaries: wages: rates of hourly pay; and remuneration other than statutory allowances of all township officials and employees, except assessing officials and employees, for the year 1985 and each year thereafter. However, please remember the township board should RECORD THE SALARIES SO FIXED IN THE TOWNSHIP BOARD MINUTES. A type of format for recording these salaries should be the existing format of Township Form No. 17. We recommend the board set the salaries of township officials and employees, in conjunction with the preparation and completion of the township budget.

Township Form No. 17 (Revised 2008) has been prescribed to fulfill the requirements of the statute. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 2)

SALES TAX

Sales tax was paid on some purchases.

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)

DEPOSIT OF PUBLIC FUNDS

We noted an instance where the Trustee did not make a deposit of local distributions for 353 days. On November 26, 2012, the fall 2011 tax distribution was deposited.

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."

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were not presented for examination. Additional testing was performed to address the possibility that funds were missing.

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."

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

CONDITION OF RECORDS

Financial records presented for examination were incomplete and not reflective of the activity of the township funds. The records presented did not include all of the Financial and Appropriation Record sheets for 2010 and 2011. In addition, monthly bank reconciliements were not presented for examination to verify that records were in agreement with the bank transactions and balances. Records further indicate that numerous check sequences were being used throughout 2010 and 2011 making accounting for all checks difficult.

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)

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)

SUPPORTING DOCUMENTATION

We reviewed numerous claims and found nine did not have sufficient supporting documentation. Five claims, totaling \$436.08, were Township Assistance expenditures for food and utilities and four claims, totaling \$1,551.75, were Township expenditures for supplies, mowing, and maintenance. Due to the lack of supporting information, the validity and accountability for these expenditures could not be established.

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)

PRESCRIBED FORMS

The following prescribed forms were not in use:

Township Form TA-2 - Township Assistance Purchase Order
General Form 369 - Capital Asset Ledger

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)

APPLICATION FOR TOWNSHIP ASSISTANCE

Several payments were observed which did not contain a supporting Application for Township Assistance (Form TA-1, Revised 2004), a Township Assistance Purchase Order (Form TA-2 Revised 2004) or supporting documentation, such as receipts and invoices.

Application for Township Assistance is to be completed by each person who applies for township assistance. The trustee has the power to administer oaths. Any person expressing a desire for assistance shall be permitted to apply, whether or not the trustee believes the person to be eligible. Each completed

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

form must be filed in the trustee's office, whether or not relief is granted on the application. The trustee shall not extend aid to persons or families unless an affidavit setting forth the personal condition of the family has been filed within one hundred eighty (180) days prior to the date of the extension of aid.

An individual filing an application and affidavit on behalf of a household must provide the names of all household members and any information necessary for determining for household's eligibility for township assistance. The application must be on the form prescribed by the State Board of Accounts. Indiana Code 12-20-6-1

The township trustee shall assist an applicant for township assistance in completing a township assistance application if the applicant: (1) has a mental or physical disability, including mental retardation, cerebral palsy, blindness, or paralysis; (2) has dyslexia; or (3) cannot read or write the English language. Indiana Code 12-20-6-1. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 6)

MEETING

Records presented for examination did not indicate that an organizational meeting was held for 2010 to elect a chairman and secretary for the advisory board.

The township board shall meet annually on or before the first Tuesday after the first Monday in January at the office of the township trustee. The board shall meet and organize annually on the above date by electing one of its members chairman and one of its member's secretary for that year. Any two members shall constitute a quorum. Indiana Code 36-6-6-4; Indiana Code 36-6-6-7. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 5)

CAPITAL ASSET RECORDS

Information presented for examination did not indicate an inventory or record of capital assets using General Form 369 Capital Asset Ledger was maintained.

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)

REPORT ADVERTISEMENT

Records presented for examination do not indicate that the Township Trustee's Report of Receipts and Disbursements for the Calendar Year was advertised in 2010 and 2011. Also, records do not indicate the annual budget was advertised as required for 2010.

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

Indiana Code 36-6-4-13 states in part:

"(b) Within four (4) weeks after the third Tuesday following the first Monday in January, the executive shall publish the abstract prescribed by subsection (a) in accordance with IC 5-3-1. The abstract must state that a complete and detailed annual report and the accompanying vouchers showing the names of persons paid money by the township have been filed with the county auditor, and that the chairman of the township legislative body has a copy of the report that is available for inspection by any taxpayer of the township. (c) An executive who fails to comply with this section commits a Class C infraction."

Budgets must be published two times in each of two (2) newspapers published in the township. If there is only one (1) newspaper published in the political subdivision, then the notice shall be published in that newspaper. If no newspaper is published in the political subdivision, then publication shall be made in a newspaper published in the county and that circulates within the political subdivision. The first publication must be made not less than ten (10) days prior to the date of public hearing. Indiana Code 6-1.1-17-3, Indiana Code 5-3-1-4 (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 4)

OFFICIAL BOND

An official bond was filed in the County Recorder's office for former Trustee, Beth Swalls, however the bond was a continuation bond and in the amount of \$15,000. Records indicated the Trustee, Randy Swalls, obtained an official bond from the Western Surety Company, bond number 70935095 in the amount of \$15,000 beginning from January 1, 2010 to December 31, 2010; however, it was not recorded in the County Recorder's office. Records further indicated that an official bond was not purchased for Trustee, Randy Swalls, after December 31, 2010.

Indiana Code 5-4-1-18 states in part:

"(a) . . . the following . . . township officers . . . shall file an individual surety bond:

- (4) Township trustees. . . .

"(c) . . . the fiscal bodies of the respective units shall fix the amount of the bond of township trustees . . . as follows:

- (1) The amount 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 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 for the officer or employee."

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 . . ."

The State Board of Accounts is of the examination 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 1)

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

TOWNSHIP BOARD COMPENSATION

As reported in the prior Report B36627, the three Township Board members were paid \$349 instead of \$500 per the budget.

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)

TRUSTEE COMPENSATION

The Trustee, Randy Swalls, was paid \$5,400 in 2010 and \$5,600 in 2011 instead of the budgeted salary of \$6,550 each year.

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)

COMPENSATION OVERPAYMENT

Bethany Sankey, Township Clerk, was overpaid \$50 in compensation for the year 2010. Bethany Sankey reimbursed the Township \$50 on November 26, 2012, for the overpayment of compensation.

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)

PUBLIC RECORDS RETENTION

Records presented for examination showed that payments were made to the county sheriff's office for outstanding tax warrants during 2011 without the documentation being available for examination. In addition, payments were made to the Indiana Department of Revenue on August 1, 2011, for tax liabilities covering 2009 and 2010 without documentation available to determine the amount of penalties, interest and late fees paid by the township.

Indiana Code 5-15-6-3(f) 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 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)

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

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

The Township W-2s were not in agreement with the gross amount paid to the Trustee and Township Assistance Clerk. In addition, 1099s were not completed and issued for 2010 and 2011.

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)

CONTRACTS

Records presented for examination indicated payments were made to Beth Swalls for cemetery maintenance in 2010 and 2011 without a contract.

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)

RECORD OF HOURS WORKED

Records presented for examination indicated that the Township Clerk was paid without submitting record of hours worked.

Indiana Code 5-11-9-4 requires that records be maintained showing which hours are worked each day for employees employed by more than one political subdivision or in more than one position by the same public agency. This requirement can be met by indicating the number of hours worked on each Employee's Service Record, General Form 99 A and/or General Form 99B. 17-2 The federal Fair Labor Standards Act (FLSA) requires that records of wages paid, daily and weekly hours of work, and the time of day and day of week on which the employee's work week begins be kept for all employees. These requirements can be met by use of the following prescribed general forms:

General Form 99 A, Employees' Service Record
General Form 99B, Employee's Earnings Record
General Form 99C, Employee's Weekly Earnings Record

General Form 99C is required only for employees who are not exempt from FLSA, are not on a fixed work schedule, and are not paid weekly.

Additional information regarding FLSA rules and regulations may be obtained from the Department of Labor. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 17)

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

ANNUAL REPORT

The 2010 annual report for the Township was submitted to the State Board of Accounts in July 28, 2011, and the 2011 report submitted in May 23, 2012.

Indiana Code 5-11-1-4(a) 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."

JACKSON TOWNSHIP, SULLIVAN COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 29, 2012, with Beth Swalls, former Trustee and current Township Clerk. The official concurred with our findings.

The contents of this report were discussed on November 29, 2012, with William Zink, Chairman of the Township Board.