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

EXAMINATION REPORT

OF

JOHNSON TOWNSHIP

KNOX COUNTY, INDIANA

January 1, 2007 to December 31, 2009



FILED
06/11/2010

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TOWNSHIP OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	William Holscher, Jr. Michael Johnson Edward E. Banks	01-01-07 to 10-08-07 10-09-07 to 02-05-08 02-06-08 to 12-31-10
Chairman of the Township Board	No Chairman Elected Edward E. Banks Carol Farrell	01-01-07 to 12-31-07 01-01-08 to 02-05-08 02-06-08 to 12-31-10



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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, 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 present 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.

STATE BOARD OF ACCOUNTS

April 5, 2010

JOHNSON TOWNSHIP, KNOX 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, 2007, 2008, And 2009

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
Township	\$ 46,088	\$ 44,137	\$ 21,313	\$ 68,912
Township Assistance	19,242	9,428	1,933	26,737
Rainy Day	-	2,145	-	2,145
Totals	<u>\$ 65,330</u>	<u>\$ 55,710</u>	<u>\$ 23,246</u>	<u>\$ 97,794</u>

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
Township	\$ 68,912	\$ 20,506	\$ 19,313	\$ 70,105
Township Assistance	26,737	2,240	2,916	26,061
Rainy Day	2,145	1,436	-	3,581
Fiduciary Fund:				
Payroll Withholdings	-	553	-	553
Totals	<u>\$ 97,794</u>	<u>\$ 24,735</u>	<u>\$ 22,229</u>	<u>\$ 100,300</u>

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
Township	\$ 70,105	\$ 40,082	\$ 28,095	\$ 82,092
Township Assistance	26,061	13,504	1,789	37,776
Rainy Day	3,581	1,183	-	4,764
Fiduciary Fund:				
Payroll Withholdings	553	291	-	844
Totals	<u>\$ 100,300</u>	<u>\$ 55,060</u>	<u>\$ 29,884</u>	<u>\$ 125,476</u>

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, 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.

JOHNSON TOWNSHIP, KNOX COUNTY
EXAMINATION RESULTS AND COMMENTS

APPROPRIATIONS

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

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
Township	2008	\$ 19,313
Township Assistance	2008	2,916

A budget was prepared by the Township for 2008, but the Township Board did not approve the budget. Without the Township Board's approval, the Department of Local Government Finance did not approve the 2008 budget either. Without advertisement of additional appropriations during 2008, this resulted in the Township not having an approved budget for 2008.

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."

PUBLIC RECORDS RETENTION

The following records from 2007 were not presented for examination:

- Bank Statements and Cancelled Checks
- Approved Budget
- Form W-2's
- Federal Form 941
- Documentation and Invoices for Disbursements

A similar comment appeared in prior reports.

IC 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)

PENALTIES, INTEREST, AND OTHER CHARGES

Penalties and interest totaling \$426.48 were paid to the Internal Revenue Service on January 9, 2008, for the tax year 2005.

Penalties and interest totaling \$279.61 were paid to the Internal Revenue Service on April 2 and June 1, 2009 for the tax year 2006.

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

All penalties and interest charges paid by the Edward E. Banks, current Trustee, to the Internal Revenue Service were accrued under the William Holscher, Jr., former Trustee.

Similar comments appeared in prior reports.

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)

William Holscher, Jr., former Trustee, was requested to repay \$706.09 to Johnson Township. (See Summary, page 10)

OFFICIAL BOND

William Holscher, Jr., former Trustee, had the following official bonds: RLI Insurance Company, surety bond #RSB0601728, from January 1, 1995 to successor duly qualified for \$15,000. Continuation certificates on RSB0601728 were purchased from January 1, 2005 to January 1, 2006; January 1, 2006 to January 1, 2007; and January 1, 2007 to January 1, 2008, for \$15,000 each year. All bonds listed here were payable to the State of Indiana.

None of these bonds were filed with the office of the County Recorder.

IC 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 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 1)

Until July 1, 2009, IC 5-4-1-18 stated in part:

"(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 fifteen thousand dollars (\$15,000) 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 fifteen thousand dollars (\$15,000) nor more than three hundred thousand dollars (\$300,000) . . ."

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

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. . . ."

JOHNSON TOWNSHIP, KNOX COUNTY
EXIT CONFERENCE

The contents of this report were discussed on April 5, 2010, with Edward E. Banks, Trustee; and Maxine L. Banks, Clerk. The officials concurred with our findings.

Various attempts were made to contact William Holscher, Jr., former Trustee, to schedule an exit conference, but Mr. Holscher did not return the telephone calls to schedule the exit conference.

JOHNSON TOWNSHIP, KNOX COUNTY
SUMMARY

	Charges	Credits	Balance Due
William Holscher, Jr., former Trustee:			
Penalties, Interest, and Other Charges, pages 6 and 7	\$ 706.09	\$	\$
Paid May 28, 2010, Check No. 1923		706.09	-
 Totals	\$ 706.09	\$ 706.09	\$ -