B41809

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

DICK JOHNSON TOWNSHIP

CLAY COUNTY, INDIANA

January 1, 2010 to December 31, 2011

FILED
02/13/2013

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SCHEDULE OF OFFICIALS

Office	Official	Term
Trustee	William Joe Wilson	01-01-07 to 12-31-14
Chairman of the Township Board	Dale Loughmiller	01-01-10 to 12-31-10
	Jannis Fabbri	01-01-11 to 12-31-11
	Dan Bau	01-01-12 to 12-31-12

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF DICK JOHNSON TOWNSHIP, CLAY COUNTY, INDIANA

We have examined the accompanying financial statements of Dick Johnson Township (Township), for the years ended December 31, 2010 and 2011. The financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on the financial statements 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 statements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Township for the years ended December 31, 2010 and 2011, on the basis of accounting described in Note 1.

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 the examination procedures applied to the financial statements 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 13, 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.

DICK JOHNSON TOWNSHIP, CLAY 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	$ 24,339	$ 24,355	$ 22,411	$ 26,283
Township Assistance	3,445	3,000	113	6,332
Fire Fighting	44,320	35,291	29,366	50,245
Dog	395	-	-	395
Rainy Day	1,574	-	-	1,574
Totals	$ 74,073	$ 62,646	$ 51,890	$ 84,829

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

DICK JOHNSON TOWNSHIP, CLAY 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	$ 26,283	$ 19,074	$ 19,073	$ 26,284
Township Assistance	6,332	-	502	5,830
Fire Fighting	50,245	41,920	25,144	67,021
Rainy Day	1,574	-	-	1,574
Dog	395	-	-	395
Totals	$ 84,829	$ 60,994	$ 44,719	$ 101,104

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

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.

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.

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.

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.

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.

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

	Township	Township Assistance	Fire Fighting	Dog	Rainy Day	Totals
Cash and investments - beginning	$ 24,339	$ 3,445	$ 44,320	$ 395	$ 1,574	$ 74,073
Receipts:						
Taxes	24,283	3,000	35,291	-	-	62,574
Other receipts	72	-	-	-	-	72
Total receipts	24,355	3,000	35,291	-	-	62,646
Disbursements:						
Personal services	8,414	-	-	-	-	8,414
Supplies	135	-	-	-	-	135
Other services and charges	13,862	-	29,366	-	-	43,228
Other disbursements	-	113	-	-	-	113
Total disbursements	22,411	113	29,366	-	-	51,890
Excess of receipts over disbursements	1,944	2,887	5,925	-	-	10,756
Cash and investments - ending	$ 26,283	$ 6,332	$ 50,245	$ 395	$ 1,574	$ 84,829

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

	Township	Township Assistance	Fire Fighting	Rainy Day	Dog	Totals
Cash and investments - beginning	$ 26,283	$ 6,332	$ 50,245	$ 1,574	$ 395	$ 84,829
Receipts:						
Intergovernmental	19,011	-	41,920	-	-	60,931
Other receipts	63	-	-	-	-	63
Total receipts	19,074	-	41,920	-	-	60,994
Disbursements:						
Personal services	9,525	-	-	-	-	9,525
Supplies	552	-	25,144	-	-	25,696
Other services and charges	8,996	502	-	-	-	9,498
Total disbursements	19,073	502	25,144	-	-	44,719
Excess (deficiency) of receipts over disbursements	1	(502)	16,776	-	-	16,275
Cash and investments - ending	$ 26,284	$ 5,830	$ 67,021	$ 1,574	$ 395	$ 101,104

MILEAGE REIMBURSEMENT

The Trustee was compensated for mileage without filing Mileage Claim, General Form 101. The Trustee was asked to prepare this form before paying himself during the previous examination.

An examination of the mileage claimed without preparation of a proper claim form disclosed the Township was overcharged $225 for mileage.

MILEAGE

Business	Miles	Trips	Calculated Fee
Evaluating Township	93	12	Not Allowed
Fire meeting	14	8	$ 112
Clay City News	40	3	120
Indianapolis	128	2	256
Federal Surplus	120	5	600
			1,088
Approved rate			0.44/mile
Earned mileage			$ 479

Compensation

Check 4036	December	2010	$ 304
Check 4063	March	2011	100
Check 4141	December	2011	300
Received			704
Due Township			$ 225

On November 16, 2012, William Joe Wilson, Trustee, reimbursed the Township $225 for the overpaid mileage.

Indiana Code 36-6-8-3(b) states in part: "The township executive is entitled to a sum for mileage in the performance of official duties equal to the sum per mile paid to state officers and employees."

Mileage Claim Form Number 101 shall be properly completed, listing dates of authorized travel, details of travel, miles traveled, nature of business, etc., for reimbursements for mileage before payment is made.

Official Opinion 74 of the Indiana Attorney General, issued in 1953, concluded there is no statutory authority for payment of a fixed amount of travel allowance to public employees and that a public employer may not reimburse an employee for travel expense which is, in fact, not incurred by the employee. Also, there is no authority for a travel allowance to be paid without regard to the number of miles, if any, actually traveled.

Therefore, the State Board of Accounts is of the audit position that a fixed amount for travel allowance should not be paid. The prescribed method is to reimburse the employee for travel on the basis of a claim filed on Mileage Claim, Form 101. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

CONTRACTS - CEMETERY CARE

As previously reported in Report B36878, records presented for examination indicated payments were made for cemetery care without a contract. It was noted that $4,425 was paid in 2010 and 2011 for these services, an amount that is material to the Township.

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)

DEPOSIT OF PUBLIC FUNDS

A County Adjusted Gross Income Tax (CAGIT) distribution dated April 1, 2010, was not deposited until May 13, 2010.

On June 1, 2012, the County distributed $570 in County Vehicle Excise Tax (CVET) to the Township. However, the money was never deposited. The check was found on hand uncashed.

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."

DISBURSEMENT DOCUMENTATION

During a review of disbursements from the Fire Fighting Fund, we found several payments for phone service, utilities, parts, and equipment to vendors such as NAPA, Ceres, Hoosier Propane, 5 Alarm, and Frontier, totaling $7,348.25, that were made from billing statements without supporting itemized invoices or delivery tickets. Due to the lack of supporting information, the validity and accountability for those monies disbursed could not be established.

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)

DOG FUND CLOSEOUT

The Township has $395 remaining in the Dog Fund.

Public Law 162 provides non-code closeout provisions and provides in Section 51 (d) On or before August 1, 2006, the county auditor of each county shall distribute to the township trustees of the townships located in the county: (1) money distributed to the county under subsection (b); and (2) any money remaining in the county dog fund. An equal share of the money described in this subsection shall be distributed to each township trustee. (e) A township trustee who receives a distribution under subsection (d) shall use the distribution: (1) to pay claims filed under IC 15-5-9-9.1 (before its repeal by this act); (2) to pay fees and charges under IC 15-5-9-10 (before its repeal by this act); (3) to provide funding for the humane society designated by the county legislative body under IC 15-5-9-8(d) (before its repeal by this act) to receive a part of each dog tax payment; or (4) if the county legislative body did not designate a humane society under IC 15-5-9-8(d) (before its repeal by this act), to provide funding for the township general fund. (f) If any part of the money distributed to a township trustee under subsection (d) has not been not expended by July 1, 2007, for a purpose allowed under subsection (e), the township trustee shall distribute the remainder of the distribution received under subsection (d) to the county treasurer. If the county option dog tax under IC 6-9-39, as added by this act, is in effect in the county on July 1, 2007, the county treasurer shall deposit the money in the county option dog tax fund established under IC 6-9-39-6(a), as added by this act. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 7)

FIREFIGHTING CONTRACTS

As was reported in prior Report B36878, the Trustee paid $29,366 in 2010 and $25,144 in 2011 for expenses of the Dick Johnson Volunteer Fire Department from the Fire Fighting Fund without a contract for firefighting services.

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)

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)

CAPITAL ASSET RECORDS

The Township owns material assets, including fire trucks, a building and land, but records showing the purchase date and cost are not 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)

OFFICIAL BOND

The official bond for 2010 and 2011 was not on file at the County Recorder's Office. The 2012 bond has been filed. Indiana Code designates that the minimum amount for the Trustee's Bond is $30,000 but the Trustee was only bonded for $15,000.

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 . . ."

Indiana Code 5-1-1-18(c) states in part:

". . . 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."

PAYROLL DEDUCTIONS

Payments to the Trustee, the Township Assistance Clerk and the Township Board were made without payroll deductions for taxes. The Township paid both the employer and employee share of Social Security and Medicare expense.

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)

RECEIPT POSTING ERRORS

Controls for receipts generated by the Township are insufficient. The Township received tax distributions in the amount of $5,228 and $1,872 for the Township Assistance Fund in 2010 and 2011, respectively. However, the Township Assistance Fund was actually credited with $809 in 2010 and nothing in 2011. The $809 that was put into the Township Assistance Fund was designated to be put into the Rainy Day Fund. The net amount the Township Assistance Fund is short $6,291. The amount the Rainy Day Fund is short $809.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

RESOLUTION ESTABLISHING SALARIES

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

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

"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)

DICK JOHNSON TOWNSHIP, CLAY COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 13, 2012, with William Joe Wilson, Trustee. The official concurred with our findings.