

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

EXAMINATION REPORT
OF
FRANKLIN TOWNSHIP
GRANT COUNTY, INDIANA
January 1, 2006 to December 31, 2007



FILED
12/03/2008

TABLE OF CONTENTS

| <u>Description</u> | <u>Page</u> |
|--|-------------|
| Officials | 2 |
| Independent Accountant's Report..... | 3 |
| Financial Information: | |
| Schedules of Receipts, Disbursements, and Cash and Investment Balances | 4 |
| Notes to Financial Information | 5 |
| Examination Results and Comments: | |
| Condition of Records | 6 |
| Overdrawn Cash Balance..... | 6 |
| Public Records Retention | 6-7 |
| Appropriations..... | 7 |
| Conflict of Interest Disclosure..... | 7 |
| Exit Conference..... | 8 |

OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|-----------------------------------|--|--|
| Trustee | Kenneth D. Carmichael Daniel D. Walls | 01-01-03 to 12-31-06 01-01-07 to 12-31-10 |
| Chairman of the Township Board | Pamela Buteau Leming Brian Miller | 01-01-06 to 12-31-06 01-01-07 to 12-31-08 |



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF FRANKLIN TOWNSHIP, GRANT COUNTY, INDIANA

We have examined the financial information presented herein of Franklin Township (Township), for the period of January 1, 2006 to December 31, 2007. 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, 2006 and 2007, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

October 21, 2008

FRANKLIN TOWNSHIP, GRANT 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, 2006 And 2007

| | Cash and Investments 01-01-06 | Receipts | Disbursements | Cash and Investments 12-31-06 |
|---------------------|-------------------------------------|-------------------|-------------------|-------------------------------------|
| Governmental Funds: | | | | |
| Township | \$ 40,838 | \$ 61,234 | \$ 23,645 | \$ 78,427 |
| Dog | 300 | 144 | 444 | - |
| Township Assistance | 42,729 | 96,930 | 91,553 | 48,106 |
| Firefighting | 19,120 | 23,032 | 13,725 | 28,427 |
| | <u>102,987</u> | <u>181,340</u> | <u>129,367</u> | <u>154,960</u> |
| Totals | <u>\$ 102,987</u> | <u>\$ 181,340</u> | <u>\$ 129,367</u> | <u>\$ 154,960</u> |

| | Cash and Investments 01-01-07 | Receipts | Disbursements | Cash and Investments 12-31-07 |
|----------------------|-------------------------------------|------------------|-------------------|-------------------------------------|
| Governmental Funds: | | | | |
| Township | \$ 78,427 | \$ 25,142 | \$ 33,985 | \$ 69,584 |
| Township Assistance | 48,106 | 50,908 | 119,946 | (20,932) |
| Firefighting | 28,427 | 4,972 | 7,243 | 26,156 |
| Fiduciary Fund: | | | | |
| Payroll Withholdings | - | 5,724 | 4,326 | 1,398 |
| | <u>154,960</u> | <u>86,746</u> | <u>165,500</u> | <u>76,206</u> |
| Totals | <u>\$ 154,960</u> | <u>\$ 86,746</u> | <u>\$ 165,500</u> | <u>\$ 76,206</u> |

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

FRANKLIN TOWNSHIP, GRANT 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.

FRANKLIN TOWNSHIP, GRANT COUNTY
EXAMINATION RESULTS AND COMMENTS

CONDITION OF RECORDS

The following deficiencies relating to recordkeeping and reporting were noted:

- (1) Beginning and ending fund balances and receipt totals on the 2007 Township Annual Financial Report (Township Form 15) did not agree with the computerized accounting system records. Also, there were several addition errors on the 2007 Township Annual Financial Report (Township Form 15).
- (2) The Township's computerized accounting system provided a Client Assistance Report in 2007 detailing all disbursements for direct township assistance. The disbursements on this report were greater than the amount reported on the Township Annual Financial Report (Township Form 15).
- (3) The January 1, 2007, fund balances posted to the computerized accounting system did not agree with the December 31, 2006, balances posted in the manual Financial and Appropriation Record (Township Form 1C). The fund balances of the Firefighting Fund and the Township Assistance Fund were erroneously switched.
- (4) Financial Institution Tax and Commercial Vehicle Excise Tax distributions in 2007 were posted entirely to the Township General Fund. The Firefighting Fund and Township Assistance Fund should have received \$96 and \$593, respectively.

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)

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)

OVERDRAWN CASH BALANCE

The cash balance of the Township Assistance Fund was overdrawn by \$20,932 at December 31, 2007.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

PUBLIC RECORDS RETENTION

Payroll records (Form W-2, Form 941, and Form 1099) and contracts for fire protection were not presented for examination for 2006 and 2007.

Indiana Code 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."

FRANKLIN TOWNSHIP, GRANT COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

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)

APPROPRIATIONS

Expenditures exceeded budgeted appropriations for the Township Assistance Fund in 2006 and 2007 by \$14,752 and \$21,146, respectively.

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."

CONFLICT OF INTEREST DISCLOSURE

Judith E. Carmichael, former Township Clerk, is the spouse of Kenneth D. Carmichael, former Township Trustee. A Uniform Conflict of Interest Disclosure Statement was not filed for 2006.

Indiana Code 35-44-1-3 states in part:

"(a) A public servant who knowingly or intentionally: (1) has a pecuniary interest in; or (2) derives a profit from; a contract or purchase connected with an action by the governmental entity served by the public servant commits conflict of interest, a Class D felony."

"(c) This section does not prohibit a public servant from having a pecuniary interest in or deriving a profit from a contract or purchase connected with the governmental entity served . . . (3) if the public servant; (A) is an elected public servant . . . and (B) makes a disclosure under subsection (d)(1) through (d)(6). . . ."

"(d) A disclosure required by this section must: (1) be in writing; (2) describe the contract or purchase to be made by the governmental entity; (3) describe the pecuniary interest that the public servant has in the contract or purchase; (4) be affirmed under penalty of perjury; (5) be submitted to the governmental entity and be accepted by the governmental entity in a public meeting of the governmental entity prior to final action on the contract or purchase; (6) be filed within fifteen (15) days after final action on the contract or purchase with: (A) the state board of accounts; and (B) . . . the clerk of the circuit court in the county where the governmental entity takes final action on the contract or purchase . . ."

"(g) A public servant has a pecuniary interest in a contract or purchase if the contract or purchase will result or is intended to result in an ascertainable increase in the income or net worth of: (1) the public servant; or (2) a dependent of the public servant who: (A) is under the direct or indirect administrative control of the public servant; or (B) receives a contract or purchase order that is reviewed, approved, or directly or indirectly administered by the public servant."

"(k) As used in this section, 'dependent' means any of the following: (1) The spouse of a public servant. (2) A child, stepchild, or adoptee (as defined in IC 31-3-4-1) of a public servant who is: (A) unemancipated; and (B) less than eighteen (18) years of age. (3) Any individual more than one-half (1/2) of whose support is provided during a year by the public servant."

FRANKLIN TOWNSHIP, GRANT COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 21, 2008, with Daniel D. Walls, Trustee; and Pamela J. Hutchinson, Township Clerk. The officials concurred with our findings.

The contents of this report were discussed on October 24, 2008, with Kenneth D. Carmichael, former Trustee; and Judith E. Carmichael, former Township Clerk.