

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

FRANKLIN TOWNSHIP

HENDRICKS COUNTY, INDIANA

January 1, 2010 to December 31, 2011



**FILED**  
09/20/2012



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Sharon Fruits	01-01-07 to 12-31-14
Chairman of the Township Board	Sharon Ryland	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 FRANKLIN TOWNSHIP, HENDRICKS COUNTY, INDIANA

We have examined the financial statements of Franklin Township (Township), for the period of January 1, 2010 to December 31, 2011. The Township's management is responsible for the financial statements. 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 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. The basis noted above is a different basis than that used in the prior year.

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.

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.

The Township's response to the Examination Results and Comments identified in our examination is described in the accompanying section of the report entitled Official Response. We did not examine the Township's response and, accordingly, we express no opinion on it.

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

July 16, 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.

FRANKLIN TOWNSHIP, HENDRICKS 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	\$ 90,141	\$ 13,696	\$ 8,687	\$ 95,150
Township Assistance	12,133	15,169	10,241	17,061
Fire Fighting	3,312	52,007	54,000	1,319
Cumulative Fire	36,716	8,651	-	45,367
Levy Excess	-	135	-	135
Rainy Day	1,150	-	-	1,150
Totals	<u>\$ 143,452</u>	<u>\$ 89,658</u>	<u>\$ 72,928</u>	<u>\$ 160,182</u>

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

FRANKLIN TOWNSHIP, HENDRICKS 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	\$ 95,150	\$ 13,682	\$ 14,942	\$ 93,890
Township Assistance	17,062	14,469	14,474	17,057
Fire Fighting	1,318	46,738	27,000	21,056
Rainy Day	1,150	-	-	1,150
Levy Excess	135	-	135	-
Cumulative Fire	<u>45,367</u>	<u>8,556</u>	<u>-</u>	<u>53,923</u>
Totals	<u>\$ 160,182</u>	<u>\$ 83,445</u>	<u>\$ 56,551</u>	<u>\$ 187,076</u>

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

FRANKLIN TOWNSHIP, HENDRICKS 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.

FRANKLIN TOWNSHIP, HENDRICKS COUNTY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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.

FRANKLIN TOWNSHIP, HENDRICKS 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. These risks may also be mitigated by the Township by recording as a disbursement any replacement items purchased.

### 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/](http://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.

FRANKLIN TOWNSHIP, HENDRICKS 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>Cumulative Fire</u>	<u>Levy Excess</u>	<u>Rainy Day</u>	<u>Totals</u>
Cash and investments - beginning	\$ 90,141	\$ 12,133	\$ 3,312	\$ 36,716	\$ -	\$ 1,150	\$ 143,452
Receipts:							
Taxes	13,543	15,169	52,007	8,651	135	-	89,505
Other receipts	153	-	-	-	-	-	153
Total receipts	<u>13,696</u>	<u>15,169</u>	<u>52,007</u>	<u>8,651</u>	<u>135</u>	<u>-</u>	<u>89,658</u>
Disbursements:							
Personal services	6,456	-	-	-	-	-	6,456
Supplies	210	-	-	-	-	-	210
Other services and charges	2,021	10,241	54,000	-	-	-	66,262
Total disbursements	<u>8,687</u>	<u>10,241</u>	<u>54,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>72,928</u>
Excess (deficiency) of receipts over disbursements	<u>5,009</u>	<u>4,928</u>	<u>(1,993)</u>	<u>8,651</u>	<u>135</u>	<u>-</u>	<u>16,730</u>
Cash and investments - ending	<u>\$ 95,150</u>	<u>\$ 17,061</u>	<u>\$ 1,319</u>	<u>\$ 45,367</u>	<u>\$ 135</u>	<u>\$ 1,150</u>	<u>\$ 160,182</u>

FRANKLIN TOWNSHIP, HENDRICKS 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	Levy Excess	Cumulative Fire	Totals
Cash and investments - beginning	\$ 95,150	\$ 17,062	\$ 1,318	\$ 1,150	\$ 135	\$ 45,367	\$ 160,182
Receipts:							
Intergovernmental	13,225	14,469	46,738	-	-	8,556	82,988
Other receipts	457	-	-	-	-	-	457
Total receipts	<u>13,682</u>	<u>14,469</u>	<u>46,738</u>	<u>-</u>	<u>-</u>	<u>8,556</u>	<u>83,445</u>
Disbursements:							
Personal services	9,471	-	-	-	-	-	9,471
Supplies	548	-	-	-	-	-	548
Other services and charges	4,923	14,474	27,000	-	-	-	46,397
Other disbursements	-	-	-	-	135	-	135
Total disbursements	<u>14,942</u>	<u>14,474</u>	<u>27,000</u>	<u>-</u>	<u>135</u>	<u>-</u>	<u>56,551</u>
Excess (deficiency) of receipts over disbursements	<u>(1,260)</u>	<u>(5)</u>	<u>19,738</u>	<u>-</u>	<u>(135)</u>	<u>8,556</u>	<u>26,894</u>
Cash and investments - ending	<u>\$ 93,890</u>	<u>\$ 17,057</u>	<u>\$ 21,056</u>	<u>\$ 1,150</u>	<u>\$ -</u>	<u>\$ 53,923</u>	<u>\$ 187,076</u>

FRANKLIN TOWNSHIP, HENDRICKS COUNTY  
EXAMINATION RESULTS AND COMMENTS

**CONDITION OF RECORDS**

The following deficiencies relating to the recordkeeping were noted:

- The Township's ledger for 2010 was not mathematically correct.
- The 2010 and 2011 annual report beginning balances were incorrect. Adjustments of \$54,014.15 were made to the 2010 annual report and adjustments of \$29,007.57 were made to the 2011 annual report.
- In 2010, \$24,352.79 of CAGIT receipts were not posted to the proper fund on the annual report.
- Five checks written in 2010, totaling \$29,079.71, were posted in 2011.
- Input errors for 2010 annual report receipts resulted in a necessary adjustment in the amount of \$10,704.45.
- December 2011 interest in the amount of \$2.46 was not posted until 2012.
- There were a considerable number of posting errors. These errors included deposits not receipted, checks and receipts not recorded in the proper amounts, interest not posted, and nonsufficient funds checks incorrectly posted.

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)

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)

**ANNUAL REPORT NOT FILED TIMELY**

The Trustee did not file an electronic financial report timely with the Office of State Examiner for the period January 1, 2010 to December 31, 2010. The report was not filed until June 8, 2011. A similar comment appeared in prior Report B36402.

During the examination period Indiana Code 5-11-1-4 stated:

"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."

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

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)

***PENALTIES, INTEREST, AND OTHER CHARGES***

Penalties and interest totaling \$1,150.61 were paid to the Internal Revenue Service in 2011.

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)

***BANK ACCOUNT RECONCILIATIONS***

Depository reconciliations of the fund balances to the bank account balances were not completed on a monthly basis throughout the examination period. Monthly reconciliations began in September 2011.

Indiana Code 5-13-6-1(e) states: "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."

***LIST OF EMPLOYEES NOT FILED WITH COUNTY TREASURER***

Officials or employees of the Township had money due from the Township, but a list of such employees was not certified to the County Treasurer. This issue was previously communicated in prior Report B36402.

Indiana Code 6-1.1-22-14(a) states in part:

"On or before June 1 and December 1 of each year . . . the disbursing officer of each political subdivision and the township executive shall certify the name and address of each person who has money due the person from the political subdivision to the treasurer of each county in which the political subdivision is located."

FRANKLIN TOWNSHIP, HENDRICKS COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on July 16, 2012, with Sharon Fruits, Trustee, and Sandra McCammack, Bookkeeper. The Official Response has been made a part of this report and may be found on page 17.

July 20, 2012  
Sharon Fruits, Trustee  
3944 W 900 S  
Stilesville, IN 46180

To Whom it May Concern:

The list of written issues presented to me at Exit have all been addressed previously. I had a bookkeeper for about 18 years and when she resigned, due to health, naturally I employed a new one. The "previous" bookkeeper had kept me advised of all deadlines, etc and I blindly went forward with the new lady thinking she would do the same. Not so.

After realizing things were not being done properly, I replaced her with Sandy McCammack who had recently retired from State Government and knows her way through this type of bookkeeping. She has corrected everything. We have everything up to date and it will stay that way now.

Thank you for your consideration of our problems. Deadlines will be handled in a timely manner in the future.

Sharon Fruits,  
Franklin Township Trustee  
Hendricks County  
Indiana