

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

TURMAN TOWNSHIP

SULLIVAN COUNTY, INDIANA

January 1, 2010 to December 31, 2011



**FILED**  
12/19/2012



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Elsie Cox Travis McKinney	01-01-07 to 12-31-10 01-01-11 to 12-31-14
Chairman of the Township Board	Dwight Burton Chuck Rinehart	01-01-10 to 12-31-10 01-01-11 to 12-31-12



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AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the accompanying financial statements of Turman 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. The basis noted above is a different basis than that used in the prior period.

In our opinion, the financial statements referred to above presents 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

October 30, 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.

TURMAN 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	\$ 90,153	\$ 33,821	\$ 33,102	\$ 90,872
Township Assistance	27,131	5,402	5,914	26,619
Fire Fighting	37,336	22,524	14,868	44,992
Cumulative Fire	19,310	12,138	4,409	27,039
Levy Excess	1,940	147	-	2,087
Totals	<u>\$ 175,870</u>	<u>\$ 74,032</u>	<u>\$ 58,293</u>	<u>\$ 191,609</u>

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

TURMAN 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	\$ 90,872	\$ 36,597	\$ 34,827	\$ 92,642
Township Assistance	26,619	5,495	3,989	28,125
Fire Fighting	44,992	19,507	28,172	36,327
Levy Excess	2,087	-	147	1,940
Cumulative Fire	<u>27,039</u>	<u>32,066</u>	<u>27,087</u>	<u>32,018</u>
Totals	<u>\$ 191,609</u>	<u>\$ 93,665</u>	<u>\$ 94,222</u>	<u>\$ 191,052</u>

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

TURMAN 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.

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

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 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.

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.

TURMAN 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/](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.

TURMAN 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>Cumulative Fire</u>	<u>Levy Excess</u>	<u>Totals</u>
Cash and investments - beginning	\$ 90,153	\$ 27,131	\$ 37,336	\$ 19,310	\$ 1,940	\$ 175,870
Receipts:						
Taxes	32,562	5,402	18,429	8,138	147	64,678
Other receipts	<u>1,259</u>	<u>-</u>	<u>4,095</u>	<u>4,000</u>	<u>-</u>	<u>9,354</u>
Total receipts	<u>33,821</u>	<u>5,402</u>	<u>22,524</u>	<u>12,138</u>	<u>147</u>	<u>74,032</u>
Disbursements:						
Personal services	9,150	706	-	-	-	9,856
Other services and charges	23,952	5,208	14,868	-	-	44,028
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,409</u>	<u>-</u>	<u>4,409</u>
Total disbursements	<u>33,102</u>	<u>5,914</u>	<u>14,868</u>	<u>4,409</u>	<u>-</u>	<u>58,293</u>
Excess (deficiency) of receipts over disbursements	<u>719</u>	<u>(512)</u>	<u>7,656</u>	<u>7,729</u>	<u>147</u>	<u>15,739</u>
Cash and investments - ending	<u>\$ 90,872</u>	<u>\$ 26,619</u>	<u>\$ 44,992</u>	<u>\$ 27,039</u>	<u>\$ 2,087</u>	<u>\$ 191,609</u>

TURMAN 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>Cumulative Fire</u>	<u>Totals</u>
Cash and investments - beginning	\$ 90,872	\$ 26,619	\$ 44,992	\$ 2,087	\$ 27,039	\$ 191,609
Receipts:						
Taxes	34,784	5,449	19,428	-	8,531	68,192
Intergovernmental	292	46	79	-	35	452
Charges for services	1,190	-	-	-	-	1,190
Other receipts	<u>331</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,500</u>	<u>23,831</u>
Total receipts	<u>36,597</u>	<u>5,495</u>	<u>19,507</u>	<u>-</u>	<u>32,066</u>	<u>93,665</u>
Disbursements:						
Personal services	9,204	706	-	-	-	9,910
Other services and charges	25,623	3,283	13,172	-	-	42,078
Capital outlay	-	-	15,000	-	27,087	42,087
Other disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>147</u>	<u>-</u>	<u>147</u>
Total disbursements	<u>34,827</u>	<u>3,989</u>	<u>28,172</u>	<u>147</u>	<u>27,087</u>	<u>94,222</u>
Excess (deficiency) of receipts over disbursements	<u>1,770</u>	<u>1,506</u>	<u>(8,665)</u>	<u>(147)</u>	<u>4,979</u>	<u>(557)</u>
Cash and investments - ending	<u>\$ 92,642</u>	<u>\$ 28,125</u>	<u>\$ 36,327</u>	<u>\$ 1,940</u>	<u>\$ 32,018</u>	<u>\$ 191,052</u>

TURMAN TOWNSHIP, SULLIVAN COUNTY  
EXAMINATION RESULTS AND COMMENTS

**OFFICIAL BOND**

The following official bonds were filed in the Office of the County Recorder: Elsie Cox, former Trustee, and Travis McKinney, current Trustee. Both Elsie Cox and Travis McKinney's official bonds are continuation certificates. In addition, Travis McKinney's bond is based on an annual term instead of the actual elected term of office.

Indiana Code 5-4-1-9 states in part: "An officer required to give an official bond shall give the bond before the commencement of his term of office."

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)

**SALES TAX**

Sales tax was paid for 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)

**CONTRACTS**

Records presented for examination indicated payments were made for mowing of township property 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)

**BANK ACCOUNT RECONCILIATIONS**

Depository reconciliations of the fund balances to the bank account balances were not presented for examination for 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."

**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.

TURMAN 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)

**PRESCRIBED FORMS**

The following prescribed forms were not in use:

- Township Form No. 17, Resolution Establishing Salaries of Township Officers and Employees
- Township Form TA-2, Township Assistance Purchase Order

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)

**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>
Fire Fighting	2010	<u>\$ 2,168</u>

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."

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

**ADVANCE PAYMENTS**

Dates of transactions indicated that some payments were made prior to the receipt of goods or services.

Compensation and any other payments for goods and services should not be paid in advance of receipt of the goods or services unless specifically authorized by statute. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

**RECEIPT ISSUANCE**

Receipts presented for examination indicated that receipts were not issued in 2010. In 2011, Township Trustee's Receipt Form No. 16 was in use; however, receipts were not issued for all collections received.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

The Township Trustee's Receipt (Form 16-1997) is to be used for receipt of each item of money received. Indicate in the space "On Account Of" the fund or funds to which the receipt is to be posted and identify the receipt, such as Dog Tax, Tax Distribution, Fire Protection Agreement, Temporary Loan, Bank Loan for Equipment, etc. Give the original to the payor, and retain all duplicates in the bound record. Payment amount for cash, check, money order, credit card/bank card, EFT, and other shall be designated on each receipt. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 2)

**TOWNSHIP ASSISTANCE PURCHASE ORDER (Township Form TA-2)**

Records presented for examination indicated that Township Assistance Purchase Order (Prescribed Township Form No. TA-2) was not used in 2010. Payments were made for township assistance without TA-2 being completed and signed.

Township Assistance Purchase Order must be issued for each and every township assistance order for medical aid. The form is to be made out in triplicate. The original is either given the indigent to take to the doctor or vendor, or is mailed to the doctor or vendor. The duplicate is to be filed alphabetically in the assistance office, and the triplicate remains in the book in numerical order. The purchase order must be completely filled out and itemized before being issued to the doctor or vendor. The doctor or vendor must itemize fully on the reverse side the exact services rendered or items supplied, and must obtain the signature of the relief client. When more than one service is rendered on the same purchase order, a separate report blank (Form TA-4) must be submitted for each service showing necessary signatures. The original purchase order, signed by the recipient, must accompany the doctor's or vendor's claim when filed with the trustee for payment. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 6)

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

***CAPITAL ASSET RECORDS***

Information presented for examination did not indicate an inventory or record of capital assets using General Form No. 369, Capital Asset Ledger.

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)

TURMAN TOWNSHIP, SULLIVAN COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on October 30, 2012, with Travis McKinney, Trustee. The official concurred with our findings.