

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

FRANKLIN TOWNSHIP

GRANT COUNTY, INDIANA

January 1, 2010 to December 31, 2011



FILED
01/17/2013

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Daniel D. Walls	01-01-07 to 12-31-14
Chairman of the Township Board	Brian Miller Pamela K. Leming	01-01-10 to 12-31-10 01-01-11 to 12-31-12



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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the accompanying financial statements of Franklin 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 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 29, 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, GRANT 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	\$ 31,487	\$ 26,518	\$ 33,589	\$ 24,416
Township Assistance	39,423	101,797	50,694	90,526
Fire Fighting	35,441	17,304	23,054	29,691
Totals	<u>\$ 106,351</u>	<u>\$ 145,619</u>	<u>\$ 107,337</u>	<u>\$ 144,633</u>

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

FRANKLIN TOWNSHIP, GRANT 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	\$ 24,416	\$ 32,308	\$ 31,011	\$ 25,713
Township Assistance	90,526	146,234	71,222	165,538
Fire Fighting	29,691	26,097	7,911	47,877
Totals	<u>\$ 144,633</u>	<u>\$ 204,639</u>	<u>\$ 110,144</u>	<u>\$ 239,128</u>

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

FRANKLIN TOWNSHIP, GRANT 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, GRANT 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, GRANT 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/.

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, GRANT 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>Totals</u>
Cash and investments - beginning	\$ 31,487	\$ 39,423	\$ 35,441	\$ 106,351
Receipts:				
Taxes	24,726	99,475	17,304	141,505
Other receipts	<u>1,792</u>	<u>2,322</u>	<u>-</u>	<u>4,114</u>
Total receipts	<u>26,518</u>	<u>101,797</u>	<u>17,304</u>	<u>145,619</u>
Disbursements:				
Personal services	25,517	9,371	-	34,888
Supplies	1,757	126	-	1,883
Other services and charges	6,315	5,931	23,054	35,300
Other disbursements	<u>-</u>	<u>35,266</u>	<u>-</u>	<u>35,266</u>
Total disbursements	<u>33,589</u>	<u>50,694</u>	<u>23,054</u>	<u>107,337</u>
Excess (deficiency) of receipts over disbursements	<u>(7,071)</u>	<u>51,103</u>	<u>(5,750)</u>	<u>38,282</u>
Cash and investments - ending	<u>\$ 24,416</u>	<u>\$ 90,526</u>	<u>\$ 29,691</u>	<u>\$ 144,633</u>

FRANKLIN TOWNSHIP, GRANT 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>Totals</u>
Cash and investments - beginning	\$ 24,416	\$ 90,526	\$ 29,691	\$ 144,633
Receipts:				
Taxes	17,464	127,290	23,750	168,504
Intergovernmental	<u>14,844</u>	<u>18,944</u>	<u>2,347</u>	<u>36,135</u>
Total receipts	<u>32,308</u>	<u>146,234</u>	<u>26,097</u>	<u>204,639</u>
Disbursements:				
Personal services	22,911	8,142	-	31,053
Supplies	3,075	-	-	3,075
Other services and charges	<u>5,025</u>	<u>63,080</u>	<u>7,911</u>	<u>76,016</u>
Total disbursements	<u>31,011</u>	<u>71,222</u>	<u>7,911</u>	<u>110,144</u>
Excess of receipts over disbursements	<u>1,297</u>	<u>75,012</u>	<u>18,186</u>	<u>94,495</u>
Cash and investments - ending	<u>\$ 25,713</u>	<u>\$ 165,538</u>	<u>\$ 47,877</u>	<u>\$ 239,128</u>

FRANKLIN TOWNSHIP, GRANT COUNTY
EXAMINATION RESULTS AND COMMENTS

CONDITION OF RECORDS

The following deficiencies relating to the recordkeeping were noted. A similar comment appeared in prior Report B36076.

1. Bank reconciliations presented for examination were incorrect. Outstanding check lists at December 31, 2010, and December 31, 2011, were inaccurate. These outstanding check lists included previously cleared checks that were listed as negative amounts. At December 31, 2011, the record balances exceeded the bank balance by \$2,560.

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."

2. The fund balances of the Fire Fighting Fund and the Township Assistance Fund were erroneously switched in prior years. This was not corrected as of December 31, 2011. A transfer of \$19,679 should be made from the Fire Fighting Fund to the Township Assistance Fund.
3. Disbursements were not properly posted to the ledger. Payroll for the periods ending January 6, 2011, and January 20, 2011, were dated December 31, 2010, on the computer system. These transactions appear on the 2010 ledger as being posted then reversed on December 31, 2010. These transactions do not show on the 2011 ledger.

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)

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

Reported wages for the quarter ending March 31, 2011, were under reported by \$3,441 on the Employer's Quarterly Federal Tax Return (Form 941). Form 941 was not presented for examination for the quarter ending June 30, 2011.

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)

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)

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

CASH DISBURSEMENTS

Disbursements were not always made by check. Numerous purchases were paid for with the use of a debit card.

Disbursements, other than properly authorized petty cash disbursements, shall be by check or warrant, not by cash or other methods unless specifically authorized by statute, federal or state rule. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

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)

APPROPRIATIONS

The 2010 Fire Fighting Fund expenditures exceeded budgeted appropriations by \$3,054.

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."

RESOLUTION ESTABLISHING SALARIES OF TOWNSHIP OFFICERS AND EMPLOYEES (FORM 17)

The salaries for the Trustee and other Township employees were not approved by the Township Board using Township Form 17, Resolution Establishing Salaries of Township Officers and Employees, for the years 2010 and 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)

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

ANNUAL REPORT

The 2010 and 2011 Annual Financial Reports contained the following errors:

1. The January 1, 2011 beginning balances did not agree with the December 31, 2010 ending balances for some funds.
2. The transactions of the Township Assistance Fund in the computerized ledger did not agree with the amounts reported on the Annual Report Statement of Receipts, Disbursements and Balances (Part 1).
 - (a) The 2010 total Detail of Receipts (Part 2) did not agree with the amount reported on the Statement of Receipts, Disbursement and Balances (Part 1) for the Township Assistance Fund.
 - (b) The 2011 total Detail of Disbursements (Part 3) did not agree with the amount reported on the Statement of Receipts, Disbursements and Balances (Part 1) for the Township Assistance Fund.
3. Transactions in the Payroll Withholding Funds were not reported.
4. Payments to the Pleasant Township Volunteer Fire Department and Swayzee Volunteer Fire Department were not reported on the Financial Assistance to Non Governmental Entities section of the report.
5. The Annual Financial Reports for 2010 and 2011 were not filed until April 4, 2011, and March 13, 2012, respectively.

The 2011 Township Annual Report was not approved by the Township Board.

A similar comment appeared in prior Report B36076.

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)

Indiana Code 5-11-1-4 (a) concerning annual reports, states in part: ". . . these reports shall be prepared, verified, and filed with the state examiner no later than sixty (60) days after the close of each fiscal year."

Indiana Code 36-6-6-9(a) states: "The legislative body shall meet on or before the third Tuesday after the first Monday in January of each year. At this meeting it shall consider and approve, in whole or in part, the annual report of the executive presented under IC 36-6-4-12."

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

CERTIFIED REPORT (FORM 100R) NOT TIMELY FILED

The Township did not file a Certified Report of Names, Addresses, Duties and Compensation of Public Employees (Form 100R or its equivalent) with the state board of accounts on a timely basis. These reports, which are due by January 31 of each year, were not filed until August 18, 2011, and May 23, 2012, respectively.

Indiana Code 5-11-13-1(a) states in part: "Every . . . township . . . shall during the month of January of each year prepare, make, and sign a written or printed certified report, correctly and completely showing the names and addresses of each and all officers, employees . . . and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts. . . ."

FRANKLIN TOWNSHIP, GRANT COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 29, 2012, with Daniel D. Walls, Trustee, and Pamela Hutchison, Bookkeeper. The officials concurred with our findings.