

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

FRANKLIN TOWNSHIP

OWEN COUNTY, INDIANA

January 1, 2010 to December 31, 2011



FILED
05/28/2013

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Accountant's Report.....	3
Financial Statements:	
Statements of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis	6-7
Notes to Financial Statements	8-10
Supplementary Information - Unaudited:	
Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis	12-13
Examination Results and Comments:	
Official Bond	14
Minutes	14
Reorganization.....	14
Overdrawn Fund Balance.....	14
Certified Report, Form 100R	14-15
Capital Assets.....	15
Payroll Deductions.....	15
Resolution Establishing Salaries	15-16
Annual Report.....	16
Exit Conference.....	17

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Leroy O. Gentry	01-01-07 to 12-31-14
Chairman of the Township Board	Denise Jenkins Line	01-01-10 to 12-31-13



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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the accompanying financial statements of Franklin Township (Township), for the period of January 1, 2010 to December 31, 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 effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position and results of operations of the Township for the period of January 1, 2010 to December 31, 2011.

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 period of January 1, 2010 to December 31, 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.

STATE BOARD OF ACCOUNTS

February 12, 2013

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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, OWEN 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	\$ 40,775	\$ 17,643	\$ 16,906	\$ 41,512
Township Assistance	10,612	5,143	3,588	12,167
Fire Fighting	(175)	17,434	20,000	(2,741)
Levy Excess	47	58	-	105
Rainy Day	3,906	-	2,835	1,071
Totals	<u>\$ 55,165</u>	<u>\$ 40,278</u>	<u>\$ 43,329</u>	<u>\$ 52,114</u>

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

FRANKLIN TOWNSHIP, OWEN 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	\$ 41,512	\$ 10,323	\$ 18,380	\$ 33,455
Township Assistance	12,167	4,339	3,629	12,877
Fire Fighting	(2,741)	21,735	20,000	(1,006)
Rainy Day	1,071	-	-	1,071
Levy Excess	105	-	-	105
Totals	<u>\$ 52,114</u>	<u>\$ 36,397</u>	<u>\$ 42,009</u>	<u>\$ 46,502</u>

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

FRANKLIN TOWNSHIP, OWEN 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) and health and social services (township assistance).

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.

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

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

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.

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, OWEN 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 Annual Reports for years prior to 2011 can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

For additional financial information, the Township's Annual Report information for years 2011 and later 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, OWEN 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>Levy Excess</u>	<u>Rainy Day</u>	<u>Totals</u>
Cash and investments - beginning	\$ 40,775	\$ 10,612	\$ (175)	\$ 47	\$ 3,906	\$ 55,165
Receipts:						
Taxes	17,302	5,143	17,434	58	-	39,937
Charges for services	341	-	-	-	-	341
Total receipts	<u>17,643</u>	<u>5,143</u>	<u>17,434</u>	<u>58</u>	<u>-</u>	<u>40,278</u>
Disbursements:						
Personal services	8,383	-	-	-	-	8,383
Supplies	228	-	-	-	-	228
Other services and charges	8,295	118	20,000	-	2,835	31,248
Other disbursements	-	3,470	-	-	-	3,470
Total disbursements	<u>16,906</u>	<u>3,588</u>	<u>20,000</u>	<u>-</u>	<u>2,835</u>	<u>43,329</u>
Excess (deficiency) of receipts over disbursements	<u>737</u>	<u>1,555</u>	<u>(2,566)</u>	<u>58</u>	<u>(2,835)</u>	<u>(3,051)</u>
Cash and investments - ending	<u>\$ 41,512</u>	<u>\$ 12,167</u>	<u>\$ (2,741)</u>	<u>\$ 105</u>	<u>\$ 1,071</u>	<u>\$ 52,114</u>

FRANKLIN TOWNSHIP, OWEN 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>Rainy Day</u>	<u>Levy Excess</u>	<u>Totals</u>
Cash and investments - beginning	\$ 41,512	\$ 12,167	\$ (2,741)	\$ 1,071	\$ 105	\$ 52,114
Receipts:						
Taxes	3,836	3,959	14,807	-	-	22,602
Intergovernmental	5,887	380	6,928	-	-	13,195
Other receipts	<u>600</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>600</u>
Total receipts	<u>10,323</u>	<u>4,339</u>	<u>21,735</u>	<u>-</u>	<u>-</u>	<u>36,397</u>
Disbursements:						
Personal services	8,765	-	-	-	-	8,765
Supplies	161	-	-	-	-	161
Other services and charges	<u>9,454</u>	<u>3,629</u>	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>33,083</u>
Total disbursements	<u>18,380</u>	<u>3,629</u>	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>42,009</u>
Excess (deficiency) of receipts over disbursements	<u>(8,057)</u>	<u>710</u>	<u>1,735</u>	<u>-</u>	<u>-</u>	<u>(5,612)</u>
Cash and investments - ending	<u>\$ 33,455</u>	<u>\$ 12,877</u>	<u>\$ (1,006)</u>	<u>\$ 1,071</u>	<u>\$ 105</u>	<u>\$ 46,502</u>

FRANKLIN TOWNSHIP, OWEN COUNTY
EXAMINATION RESULTS AND COMMENTS

OFFICIAL BOND

An official bond for Leroy O. Gentry, Trustee, was recorded in the Owen County Recorder's office; however, the amount of the bond was for \$15,000 instead of \$30,000 as required.

Indiana Code 5-4-1-18(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 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 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 for the officer or employee."

MINUTES

Minutes of the Township Board were not kept in a bound permanent record book.

Indiana Code 36-6-6-9 states in part: "The legislative body shall keep a permanent record of its proceedings in a book furnished by the executive."

REORGANIZATION

Records presented for examination indicated the Township Board did not reorganize at the beginning of each year as required.

Indiana Code 36-6-6-7(a) states: "The legislative body shall meet at the office of the executive on the first Tuesday after the first Monday in January of each year. At this meeting the legislative body shall elect one (1) member as chairman for that year and one (1) member as secretary for that year."

OVERDRAWN FUND BALANCE

The fund balance of the Fire Fighting Fund was overdrawn in 2010 and 2011 by \$2,741 and \$1,006, respectively.

The fund 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)

CERTIFIED REPORT, FORM 100R

The Certified Report of Public Names, Addresses, Duties, and Compensation of Public Employees, (Form 100R) for 2010 was not filed until May 26, 2011.

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

Indiana Code 5-11-13-1 states in part:

"Every . . . township . . . shall during the month of January of each year prepare, make, and sign a certified report, correctly and completely showing the names and business 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."

CAPITAL ASSETS

Information presented for examination did not indicate an inventory or record of capital assets was 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 Assets 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)

PAYROLL DEDUCTIONS

Compensation was made to some individuals without payroll deductions for taxes, during the examination period.

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)

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:

"(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."

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

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)

ANNUAL REPORT

The Annual Report for 2010 was filed with incorrect amounts and not all funds were in agreement with the ledger.

Indiana Code 5-11-1-4(a) states in part: "The state examiner shall require from every . . . local governmental unit . . . financial reports covering the full period of each fiscal year. These reports shall be prepared, verified . . ."

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)

FRANKLIN TOWNSHIP, OWEN COUNTY
EXIT CONFERENCE

The contents of this report were discussed on February 12, 2013, with Leroy O. Gentry, Trustee. The official concurred with our findings.