

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

EXAMINATION REPORT
OF
FALL CREEK TOWNSHIP
MADISON COUNTY, INDIANA
January 1, 2009 to December 31, 2010



FILED
09/12/2011

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
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	8-11
Supplementary Information:	
Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis	14-15
Schedule of Long-Term Debt	16
Examination Results and Comments:	
Appropriations.....	17
Capital Asset Records	17
Prescribed Form	17-18
Overdrawn Fund Balance.....	18
List of Employees Not Filed with County Treasurer	18
Exit Conference.....	19

OFFICIALS

Office

Official

Term

Trustee

Fred Gaskill

01-01-09 to 12-31-14

Chairman of the
Township Board

Michael Hart
Tim Pritchard

01-01-09 to 12-31-10
01-01-11 to 12-31-11



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF FALL CREEK TOWNSHIP, MADISON COUNTY, INDIANA

We have examined the financial statements of Fall Creek Township (Township), for the period of January 1, 2009 to December 31, 2010. 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, 2009 and 2010, on the basis of accounting described in Note 1.

The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis and Schedule of Long-Term Debt, 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 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

August 2, 2011

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FINANCIAL STATEMENTS

FALL CREEK TOWNSHIP, MADISON COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2009

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Township	\$ 26,338	\$ 4,062	\$ 15,027	\$ 15,373
Township Assistance	18,929	24,807	25,140	18,596
Fire Fighting	80,351	162,517	132,062	110,806
Cumulative Fire	2,333	46,708	-	49,041
Fire Debt	(108,099)	240,663	121,992	10,572
Fire Truck Loan	(5,623)	38,748	35,012	(1,887)
Totals	<u>\$ 14,229</u>	<u>\$ 517,505</u>	<u>\$ 329,233</u>	<u>\$ 202,501</u>

FALL CREEK TOWNSHIP, MADISON COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2010

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
Township	\$ 15,373	\$ 12,892	\$ 19,372	\$ 8,893
Township Assistance	18,596	39,363	30,102	27,857
Fire Fighting	110,806	216,123	200,792	126,137
Cumulative Fire	49,041	46,133	28,512	66,662
Fire Debt	10,572	313,793	242,145	82,220
Levy Excess	-	894	-	894
Rainy Day	-	494	-	494
Fire Truck Loan	(1,887)	51,276	38,044	11,345
Totals	<u>\$ 202,501</u>	<u>\$ 680,968</u>	<u>\$ 558,967</u>	<u>\$ 324,502</u>

FALL CREEK TOWNSHIP, MADISON COUNTY
NOTES TO FINANCIAL INFORMATION

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), and general administrative services.

The accompanying financial statements present the financial information for the Township (primary government), and does not include financial information for any of the Township's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of the Township (primary government.)

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 may include, but are not limited to, 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.

Special assessments which includes amounts levied against certain properties to defray all or part of the cost of a specific capital improvement or service deemed to benefit primarily those properties.

License and permits which includes amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the

FALL CREEK TOWNSHIP, MADISON COUNTY
NOTES TO FINANCIAL INFORMATION
(Continued)

permit. Examples of license and permits include: peddler licenses; dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits; and gun permits.

Intergovernmental receipts which includes receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts includes, but is 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 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.

Fines and forfeits which includes receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits help as performance guarantees (forfeitures).

Net proceeds from borrowings which includes receipts from general obligation bonds, notes and loans.

Intergovernmental loan activity which includes amounts received from other funds as loans on a temporary basis.

Transfers in which includes funds authorized by statute, ordinance, resolution or court order to be transferred in from another fund.

Internal service receipts which are comprised mostly of fees received for services performed for other funds.

Fiduciary receipts which are comprised mostly of contributions to the pensions funds from state and local sources.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statements. The aggregate disbursements may include, but are not limited to, the following uses:

Personal services which includes 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.

FALL CREEK TOWNSHIP, MADISON COUNTY
NOTES TO FINANCIAL INFORMATION
(Continued)

Supplies which includes 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 includes, but is not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance; and rental charges.

Debt service principle and interest which includes fixed obligations resulting from financial transactions previously entered into by the Township. It includes all expenditures for the reduction of the principal and interest of the Township's general obligation indebtedness.

Capital outlay which includes all outflows for land, infrastructure, buildings, improvements, machinery and equipment having an appreciable and calculable period of usefulness.

Interfund loan payments and loans made which includes amounts that are owed to a particular fund by another fund.

Transfers out which includes funds authorized by statute, ordinance, resolution or court order to be transferred to another fund.

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.

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 is subject to final approval by the Indiana Department of Local Government Finance.

FALL CREEK TOWNSHIP, MADISON COUNTY
NOTES TO FINANCIAL INFORMATION
(Continued)

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% 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 were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statute (IC 5-13-9) authorizes the Township to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

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 and replacement items purchased.

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SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Township's Annual Reports can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

FALL CREEK TOWNSHIP, MADISON COUNTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2009

	<u>Township</u>	<u>Township Assistance</u>	<u>Fire Fighting</u>	<u>Cumulative Fire</u>	<u>Fire Debt</u>	<u>Fire Truck Loan</u>	<u>Totals</u>
Cash and investments - beginning	\$ 26,338	\$ 18,929	\$ 80,351	\$ 2,333	\$ (108,099)	\$ (5,623)	\$ 14,229
Receipts:							
Taxes	3,890	24,330	162,517	46,708	240,663	38,248	516,356
Other receipts	172	477	-	-	-	500	1,149
Total receipts	<u>4,062</u>	<u>24,807</u>	<u>162,517</u>	<u>46,708</u>	<u>240,663</u>	<u>38,748</u>	<u>517,505</u>
Disbursements:							
Personal services	8,766	2,469	-	-	-	-	11,235
Supplies	399	-	-	-	-	-	399
Other services and charges	5,862	1,065	132,062	-	121,992	35,012	295,993
Other disbursements	-	21,606	-	-	-	-	21,606
Total disbursements	<u>15,027</u>	<u>25,140</u>	<u>132,062</u>	<u>-</u>	<u>121,992</u>	<u>35,012</u>	<u>329,233</u>
Excess (deficiency) of receipts over disbursements	<u>(10,965)</u>	<u>(333)</u>	<u>30,455</u>	<u>46,708</u>	<u>118,671</u>	<u>3,736</u>	<u>188,272</u>
Cash and investments - ending	<u>\$ 15,373</u>	<u>\$ 18,596</u>	<u>\$ 110,806</u>	<u>\$ 49,041</u>	<u>\$ 10,572</u>	<u>\$ (1,887)</u>	<u>\$ 202,501</u>

FALL CREEK TOWNSHIP, MADISON COUNTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010

	Township	Township Assistance	Fire Fighting	Cumulative Fire	Fire Debt	Levy Excess	Rainy Day	Fire Truck Loan	Totals
Cash and investments - beginning	\$ 15,373	\$ 18,596	\$ 110,806	\$ 49,041	\$ 10,572	\$ -	\$ -	\$ (1,887)	\$ 202,501
Receipts:									
Taxes	12,442	38,885	216,095	46,120	313,684	-	-	51,260	678,486
Other receipts	<u>450</u>	<u>478</u>	<u>28</u>	<u>13</u>	<u>109</u>	<u>894</u>	<u>494</u>	<u>16</u>	<u>2,482</u>
Total receipts	<u>12,892</u>	<u>39,363</u>	<u>216,123</u>	<u>46,133</u>	<u>313,793</u>	<u>894</u>	<u>494</u>	<u>51,276</u>	<u>680,968</u>
Disbursements:									
Personal services	8,651	2,584	-	-	-	-	-	-	11,235
Supplies	432	-	-	-	-	-	-	-	432
Other services and charges	10,289	1,000	200,792	-	242,145	-	-	38,044	492,270
Capital outlay	-	-	-	28,512	-	-	-	-	28,512
Other disbursements	-	26,518	-	-	-	-	-	-	26,518
Total disbursements	<u>19,372</u>	<u>30,102</u>	<u>200,792</u>	<u>28,512</u>	<u>242,145</u>	<u>-</u>	<u>-</u>	<u>38,044</u>	<u>558,967</u>
Excess (deficiency) of receipts over disbursements	<u>(6,480)</u>	<u>9,261</u>	<u>15,331</u>	<u>17,621</u>	<u>71,648</u>	<u>894</u>	<u>494</u>	<u>13,232</u>	<u>122,001</u>
Cash and investments - ending	<u>\$ 8,893</u>	<u>\$ 27,857</u>	<u>\$ 126,137</u>	<u>\$ 66,662</u>	<u>\$ 82,220</u>	<u>\$ 894</u>	<u>\$ 494</u>	<u>\$ 11,345</u>	<u>\$ 324,502</u>

FALL CREEK TOWNSHIP, MADISON COUNTY
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2010

The Township has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Township Debt:		
Capital lease:		
2001 Fire Station Lease	\$ 1,411,000	\$ 364,600
Note and loan payable:		
2006 Fire Truck Loan	<u>83,880</u>	<u>38,556</u>
Total Debt	<u>\$ 1,494,880</u>	<u>\$ 403,156</u>

FALL CREEK TOWNSHIP, MADISON COUNTY
EXAMINATION RESULTS AND COMMENTS

APPROPRIATIONS

Records presented for examination indicated the following expenditures in excess of budgeted appropriations:

<u>Fund</u>	<u>Years</u>	<u>Excess Amount Expended</u>
Firefighting Fund	2010	\$ 27,752.00
Fire Debt Fund	2010	195.00

A similar comment appeared in prior Report B35501.

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."

CAPITAL ASSET RECORDS

The Township is not maintaining a capital asset ledger. The Township is in the process of purchasing a Building and a Fire Truck. The Township will jointly own these assets with the Town of Pendleton. The Township is paying 68 percent of the total cost of the Building and 100 percent of the cost of the Fire Truck. Capital asset records need to be maintained by the Township in order to document proper ownership of these Township assets.

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)

PRESCRIBED FORM

The Township was not using Township Form 17, Resolution Recommending Salaries of Township Officers and Employees. The salaries of the Trustee and Clerk were not formally approved. A previous comment appeared in prior Report B35501.

FALL CREEK TOWNSHIP, MADISON COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Township Trustees, 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 Township Trustees, Chapter 13)

OVERDRAWN FUND BALANCE

The Fire Truck Loan Fund was overdrawn in 2009. A similar comment appeared in prior Report B35501.

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)

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. A similar comment has appeared in several prior reports, most recently B35501.

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 . . . shall certify the names and addresses of each person who has money due from the political subdivision to the treasurer of each county in which the political subdivision is located."

FALL CREEK TOWNSHIP, MADISON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 2, 2011, with Fred Gaskill, Trustee, and Tim Pritchard, Chairman of the Township Board.