

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

CEDAR CREEK TOWNSHIP

LAKE COUNTY, INDIANA

January 1, 2010 to December 31, 2012



FILED
05/09/2013

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Accountant's Report.....	3
Financial Statement:	
Statement of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis	6
Notes to Financial Statement.....	7-10
Supplementary Information - Unaudited:	
Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis	12-14
Schedule of Capital Assets.....	15
Examination Results and Comments:	
Compensation and Benefits	16
Deposit of Public Funds.....	16
Loan Repayment	16-17
Ambulance Service Contracts	17
Exit Conference.....	18

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Alice F. Dahl	01-01-07 to 12-31-14
Chairman of the Township Board	Marcia Quele Randy Weitbrock	01-01-10 to 12-31-10 01-01-11 to 12-31-13



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF CEDAR CREEK TOWNSHIP, LAKE COUNTY, INDIANA

We have examined the accompanying financial statement of Cedar Creek Township (Township), for the period of January 1, 2010 to December 31, 2012. The financial statement is the responsibility of the Township's management. Our responsibility is to express an opinion on the financial statement 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 statement 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 statement 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 statement 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. The basis noted above is a different basis than that used in the prior period.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does 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, 2012.

In our opinion, the financial statement 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, 2012, 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 statement. The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the examination procedures applied to the financial statement and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

February 28, 2013

(This page intentionally left blank.)

FINANCIAL STATEMENT

The financial statement and accompanying notes were approved by management of the Township. The financial statement and notes are presented as intended by the Township.

CEDAR CREEK TOWNSHIP, LAKE COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended, December 2010, 2011, and 2012

Fund	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
Township	\$ 9,914	\$ 474,413	\$ 484,033	\$ 294
Park and Recreation	6,688	21,438	28,110	16
Township Assistance	1,237	73,981	74,879	339
Fire Fighting	12,031	235,044	246,106	969
Levy Excess	-	2,011	-	2,011
Cumulative Fire	4,696	21,783	26,000	479
Debt Service Fund	(11,092)	53,035	39,000	2,943
Fire Debt	-	63,188	62,445	743
Totals	<u>\$ 23,474</u>	<u>\$ 944,893</u>	<u>\$ 960,573</u>	<u>\$ 7,794</u>

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
Township	\$ 294	\$ 666,677	\$ 630,869	\$ 36,102
Park And Recreation	16	46,068	42,099	3,985
Township Assistance	339	93,983	93,051	1,271
Fire Fighting	969	375,767	309,558	67,178
Levy Excess	2,011	-	2,011	-
Cumulative Fire	479	50,880	51,299	60
Debt Service Fund	2,943	-	2,943	-
Fire Debt	743	46,154	46,897	-
Totals	<u>\$ 7,794</u>	<u>\$ 1,279,529</u>	<u>\$ 1,178,727</u>	<u>\$ 108,596</u>

Fund	Cash and Investments 01-01-12	Receipts	Disbursements	Cash and Investments 12-31-12
Township	\$ 36,102	\$ 414,627	\$ 416,195	\$ 34,534
Park And Recreation	3,985	36,756	38,259	2,482
Township Assistance	1,271	83,314	48,079	36,506
Fire Fighting	67,178	178,360	199,000	46,538
Levy Excess	-	-	-	-
Cumulative Fire	60	25,098	24,000	1,158
Debt Service Fund	-	-	-	-
Fire Debt	-	-	-	-
Totals	<u>\$ 108,596</u>	<u>\$ 738,155</u>	<u>\$ 725,533</u>	<u>\$ 121,218</u>

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

CEDAR CREEK TOWNSHIP, LAKE COUNTY
NOTES TO FINANCIAL STATEMENT

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 control).

The accompanying financial statement presents the financial information for the Township.

B. Basis of Accounting

The financial statement is 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 statement. 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

CEDAR CREEK TOWNSHIP, LAKE COUNTY
NOTES TO FINANCIAL STATEMENT
(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 statement. 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.

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.

CEDAR CREEK TOWNSHIP, LAKE COUNTY
NOTES TO FINANCIAL STATEMENT
(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 statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

CEDAR CREEK TOWNSHIP, LAKE COUNTY
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give the Township authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS.

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 statement 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.

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

	Township	Park And Recreation	Township Assistance	Fire Fighting	Levy Excess	Cumulative Fire	Debt Service Fund	Fire Debt	Totals
Cash and investments - beginning	\$ 9,914	\$ 6,688	\$ 1,237	\$ 12,031	\$ -	\$ 4,696	\$ (11,092)	\$ -	\$ 23,474
Receipts:									
Taxes	390,129	19,738	43,981	155,044	2,011	21,783	53,035	21,188	706,909
Other receipts	<u>84,284</u>	<u>1,700</u>	<u>30,000</u>	<u>80,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,000</u>	<u>237,984</u>
Total receipts	<u>474,413</u>	<u>21,438</u>	<u>73,981</u>	<u>235,044</u>	<u>2,011</u>	<u>21,783</u>	<u>53,035</u>	<u>63,188</u>	<u>944,893</u>
Disbursements:									
Personal services	56,164	1,632	18,463	-	-	-	-	-	76,259
Supplies	1,993	988	-	2,648	-	-	-	-	5,629
Other services and charges	415,627	1,999	38,188	100,458	-	-	39,000	-	595,272
Capital outlay	10,249	23,491	-	-	-	15,300	-	62,445	111,485
Other disbursements	<u>-</u>	<u>-</u>	<u>18,228</u>	<u>143,000</u>	<u>-</u>	<u>10,700</u>	<u>-</u>	<u>-</u>	<u>171,928</u>
Total disbursements	<u>484,033</u>	<u>28,110</u>	<u>74,879</u>	<u>246,106</u>	<u>-</u>	<u>26,000</u>	<u>39,000</u>	<u>62,445</u>	<u>960,573</u>
Excess (deficiency) of receipts over disbursements	<u>(9,620)</u>	<u>(6,672)</u>	<u>(898)</u>	<u>(11,062)</u>	<u>2,011</u>	<u>(4,217)</u>	<u>14,035</u>	<u>743</u>	<u>(15,680)</u>
Cash and investments - ending	<u>\$ 294</u>	<u>\$ 16</u>	<u>\$ 339</u>	<u>\$ 969</u>	<u>\$ 2,011</u>	<u>\$ 479</u>	<u>\$ 2,943</u>	<u>\$ 743</u>	<u>\$ 7,794</u>

CEDAR CREEK TOWNSHIP, LAKE COUNTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011

	Township	Park And Recreation	Township Assistance	Fire Fighting	Levy Excess	Cumulative Fire	Debt Service Fund	Fire Debt	Totals
Cash and investments - beginning	\$ 294	\$ 16	\$ 339	\$ 969	\$ 2,011	\$ 479	\$ 2,943	\$ 743	\$ 7,794
Receipts:									
Taxes	615,814	44,072	88,766	262,906	-	38,406	-	43,211	1,093,175
Intergovernmental	33,633	1,996	5,159	11,861	-	1,774	-	-	54,423
Other receipts	17,230	-	58	101,000	-	10,700	-	2,943	131,931
Total receipts	666,677	46,068	93,983	375,767	-	50,880	-	46,154	1,279,529
Disbursements:									
Personal services	68,627	2,400	17,097	-	-	-	-	-	88,124
Supplies	4,984	1,000	1,000	7,674	-	-	-	-	14,658
Other services and charges	304,193	1,999	44,954	190,993	-	-	-	-	542,139
Capital outlay	164,055	35,000	-	110,891	-	51,299	-	46,897	408,142
Other disbursements	89,010	1,700	30,000	-	2,011	-	2,943	-	125,664
Total disbursements	630,869	42,099	93,051	309,558	2,011	51,299	2,943	46,897	1,178,727
Excess (deficiency) of receipts over disbursements	35,808	3,969	932	66,209	(2,011)	(419)	(2,943)	(743)	100,802
Cash and investments - ending	\$ 36,102	\$ 3,985	\$ 1,271	\$ 67,178	\$ -	\$ 60	\$ -	\$ -	\$ 108,596

CEDAR CREEK TOWNSHIP, LAKE COUNTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012

	Township	Park And Recreation	Township Assistance	Fire Fighting	Levy Excess	Cumulative Fire	Debt Service Fund	Fire Debt	Totals
Cash and investments - beginning	\$ 36,102	\$ 3,985	\$ 1,271	\$ 67,178	\$ -	\$ 60	\$ -	\$ -	\$ 108,596
Receipts:									
Taxes	364,435	33,486	75,901	166,329	-	23,405	-	-	663,556
Intergovernmental	35,593	3,270	7,413	12,031	-	1,693	-	-	60,000
Charges for services	2,773	-	-	-	-	-	-	-	2,773
Other receipts	11,826	-	-	-	-	-	-	-	11,826
Total receipts	<u>414,627</u>	<u>36,756</u>	<u>83,314</u>	<u>178,360</u>	<u>-</u>	<u>25,098</u>	<u>-</u>	<u>-</u>	<u>738,155</u>
Disbursements:									
Personal services	75,501	1,075	20,280	-	-	-	-	-	96,856
Supplies	3,422	846	539	10,000	-	-	-	-	14,807
Other services and charges	328,735	1,344	27,260	181,000	-	-	-	-	538,339
Debt service - principal and interest	8,537	-	-	-	-	-	-	-	8,537
Capital outlay	-	34,994	-	8,000	-	24,000	-	-	66,994
Other disbursements	-	-	-	-	-	-	-	-	-
Total disbursements	<u>416,195</u>	<u>38,259</u>	<u>48,079</u>	<u>199,000</u>	<u>-</u>	<u>24,000</u>	<u>-</u>	<u>-</u>	<u>725,533</u>
Excess (deficiency) of receipts over disbursements	<u>(1,568)</u>	<u>(1,503)</u>	<u>35,235</u>	<u>(20,640)</u>	<u>-</u>	<u>1,098</u>	<u>-</u>	<u>-</u>	<u>12,622</u>
Cash and investments - ending	<u>\$ 34,534</u>	<u>\$ 2,482</u>	<u>\$ 36,506</u>	<u>\$ 46,538</u>	<u>\$ -</u>	<u>\$ 1,158</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 121,218</u>

CEDAR CREEK TOWNSHIP, LAKE COUNTY
SCHEDULE OF CAPITAL ASSETS
December 31, 2012

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

	<u>Ending Balance</u>
Governmental activities:	
Land	\$ 100,496
Buildings	52,600
Machinery, equipment, and vehicles	<u>109,650</u>
 Total governmental activities	 <u>262,746</u>
 Total capital assets	 <u>\$ 262,746</u>

CEDAR CREEK TOWNSHIP, LAKE COUNTY
EXAMINATION RESULTS AND COMMENTS

COMPENSATION AND BENEFITS

An employee of the Township received \$10,200 in payments for the years 2010, 2011, and 2012 which were not included on the salary resolution or in a contract.

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. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 17)

DEPOSIT OF PUBLIC FUNDS

We noted instances where the Trustee was making deposits from 20-39 days after the receipt was written.

Indiana Code 5-13-6-1(c) states in part: "The public funds collected by township trustees shall be deposited in the designated depository on or before the first and fifteenth day of each month."

LOAN REPAYMENT

In 2010, the Township received a loan totaling \$80,000 and the proceeds were recorded in the Fire Fighting Fund. On January 21, 2011, the loan was repaid along with interest totaling \$80,739.73 from four different funds as follows:

Fund	Repayment Amount
Fire Debt	\$ 46,896.81
Cumulative Fire	16,214.71
Township	11,780.57
Fire Fighting	<u>5,847.64</u>
Total	<u><u>\$ 80,739.73</u></u>

CEDAR CREEK TOWNSHIP, LAKE COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

The total principal amount of the loan of \$80,000 should have been repaid from the Fire Fighting Fund.

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)

AMBULANCE SERVICE CONTRACTS

Payments of \$140,000 in 2010, \$395,000 in 2011, and \$266,532 in 2012 were made to Tri-Creek Ambulance Service. A signed contract was not provided for examination purposes. A similar comment appeared in previous reports.

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)

CEDAR CREEK TOWNSHIP, LAKE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on February 28, 2013, with Alice F. Dahl, Trustee. The official concurred with our findings.