

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

WEST 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
Examination Results and Comments:	
Payroll Deficiencies	15
Overdrawn Fund Balances	15
Public Employee Retirement Fund (PERF).....	15-16
Receipt Issuance	16
Appropriations.....	16
Ambulance Service Contracts	16
Exit Conference.....	17

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Rick Niemeyer Harold Mussman, Jr.	01-01-07 to 12-31-10 01-01-11 to 12-31-14
Chairman of the Township Board	Michael McIntire	01-01-10 to 12-31-13



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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the accompanying financial statement of West 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 presents 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, 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.

Bruce Hartman
State Examiner

February 28, 2013

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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.

WEST 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 Fund	\$ 14,532	\$ 208,207	\$ 268,288	\$ (45,549)
Township Assistance	22,944	25,472	22,316	26,100
Fire Fighting Fund	(12,214)	54,359	26,295	15,850
Cumulative Fire	12,892	21,184	3,000	31,076
Cemetery Fund	660	1,250	2,800	(890)
Payroll Deduction Fund	1,178	-	1,178	-
Totals	\$ 39,992	\$ 310,472	\$ 323,877	\$ 26,587

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
Township Fund	\$ (45,549)	\$ 351,603	\$ 291,420	\$ 14,634
Township Assistance	26,100	33,769	32,594	27,275
Fire Fighting Fund	15,850	94,654	50,383	60,121
Cumulative Fire	31,076	38,202	30,000	39,278
Cemetery Fund	(890)	1,165	-	275
Payroll Deduction Fund	-	5,005	5,005	-
Totals	\$ 26,587	\$ 524,398	\$ 409,402	\$ 141,583

Fund	Cash and Investments 01-01-12	Receipts	Disbursements	Cash and Investments 12-31-12
Township Fund	\$ 14,634	\$ 229,736	\$ 188,332	\$ 56,038
Township Assistance	27,275	21,286	31,676	16,885
Fire Fighting Fund	60,121	70,378	89,337	41,162
Cumulative Fire	39,278	24,099	10,000	53,377
Cemetery Fund	275	850	-	1,125
Payroll Deduction Fund	-	5,501	5,450	51
Totals	\$ 141,583	\$ 351,850	\$ 324,795	\$ 168,638

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

WEST 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).

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

WEST 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

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

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 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.

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

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.

Note 6. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. This is a result of the delay in local tax distributions.

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.

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

	Township Fund	Township Assistance	Fire Fighting Fund	Cumulative Fire	Cemetery Fund	Payroll Deduction Fund	Totals
Cash and investments - beginning	\$ 14,532	\$ 22,944	\$ (12,214)	\$ 12,892	\$ 660	\$ 1,178	\$ 39,992
Receipts:							
Taxes	199,824	25,293	54,359	21,184	-	-	300,660
Intergovernmental	1,834	-	-	-	-	-	1,834
Charges for services	5,406	-	-	-	-	-	5,406
Other receipts	1,143	179	-	-	1,250	-	2,572
Total receipts	<u>208,207</u>	<u>25,472</u>	<u>54,359</u>	<u>21,184</u>	<u>1,250</u>	<u>-</u>	<u>310,472</u>
Disbursements:							
Personal services	24,453	11,669	-	-	-	-	36,122
Supplies	167	-	-	-	-	-	167
Other services and charges	243,668	1,142	26,295	-	2,800	1,178	275,083
Capital outlay	-	-	-	3,000	-	-	3,000
Other disbursements	-	9,505	-	-	-	-	9,505
Total disbursements	<u>268,288</u>	<u>22,316</u>	<u>26,295</u>	<u>3,000</u>	<u>2,800</u>	<u>1,178</u>	<u>323,877</u>
Excess (deficiency) of receipts over disbursements	<u>(60,081)</u>	<u>3,156</u>	<u>28,064</u>	<u>18,184</u>	<u>(1,550)</u>	<u>(1,178)</u>	<u>(13,405)</u>
Cash and investments - ending	<u>\$ (45,549)</u>	<u>\$ 26,100</u>	<u>\$ 15,850</u>	<u>\$ 31,076</u>	<u>\$ (890)</u>	<u>\$ -</u>	<u>\$ 26,587</u>

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

	Township Fund	Township Assistance	Fire Fighting Fund	Cumulative Fire	Cemetery Fund	Payroll Deduction Fund	Totals
Cash and investments - beginning	\$ (45,549)	\$ 26,100	\$ 15,850	\$ 31,076	\$ (890)	\$ -	\$ 26,587
Receipts:							
Taxes	332,518	31,982	90,853	36,665	-	-	492,018
Intergovernmental	15,050	1,537	3,801	1,537	-	-	21,925
Charges for services	3,800	-	-	-	-	-	3,800
Other receipts	235	250	-	-	1,165	5,005	6,655
Total receipts	<u>351,603</u>	<u>33,769</u>	<u>94,654</u>	<u>38,202</u>	<u>1,165</u>	<u>5,005</u>	<u>524,398</u>
Disbursements:							
Personal services	25,162	10,803	-	-	-	-	35,965
Supplies	3,480	-	-	-	-	-	3,480
Other services and charges	261,887	21,791	50,383	-	-	-	334,061
Capital outlay	-	-	-	30,000	-	-	30,000
Other disbursements	891	-	-	-	-	5,005	5,896
Total disbursements	<u>291,420</u>	<u>32,594</u>	<u>50,383</u>	<u>30,000</u>	<u>-</u>	<u>5,005</u>	<u>409,402</u>
Excess (deficiency) of receipts over disbursements	<u>60,183</u>	<u>1,175</u>	<u>44,271</u>	<u>8,202</u>	<u>1,165</u>	<u>-</u>	<u>114,996</u>
Cash and investments - ending	<u>\$ 14,634</u>	<u>\$ 27,275</u>	<u>\$ 60,121</u>	<u>\$ 39,278</u>	<u>\$ 275</u>	<u>\$ -</u>	<u>\$ 141,583</u>

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

	Township Fund	Township Assistance	Fire Fighting Fund	Cumulative Fire	Cemetery Fund	Payroll Deduction Fund	Totals
Cash and investments - beginning	\$ 14,634	\$ 27,275	\$ 60,121	\$ 39,278	\$ 275	\$ -	\$ 141,583
Receipts:							
Taxes	194,744	19,615	56,574	22,115	-	-	293,048
Intergovernmental	14,601	1,471	3,796	1,484	-	-	21,352
Charges for services	6,650	-	-	-	-	-	6,650
Other receipts	13,741	200	10,008	500	850	5,501	30,800
Total receipts	<u>229,736</u>	<u>21,286</u>	<u>70,378</u>	<u>24,099</u>	<u>850</u>	<u>5,501</u>	<u>351,850</u>
Disbursements:							
Personal services	25,458	10,800	-	-	-	-	36,258
Supplies	5,968	-	-	-	-	-	5,968
Other services and charges	146,906	20,876	79,337	-	-	-	247,119
Capital outlay	-	-	-	10,000	-	-	10,000
Other disbursements	10,000	-	10,000	-	-	5,450	25,450
Total disbursements	<u>188,332</u>	<u>31,676</u>	<u>89,337</u>	<u>10,000</u>	<u>-</u>	<u>5,450</u>	<u>324,795</u>
Excess (deficiency) of receipts over disbursements	<u>41,404</u>	<u>(10,390)</u>	<u>(18,959)</u>	<u>14,099</u>	<u>850</u>	<u>51</u>	<u>27,055</u>
Cash and investments - ending	<u>\$ 56,038</u>	<u>\$ 16,885</u>	<u>\$ 41,162</u>	<u>\$ 53,377</u>	<u>\$ 1,125</u>	<u>\$ 51</u>	<u>\$ 168,638</u>

WEST CREEK TOWNSHIP, LAKE COUNTY
EXAMINATION RESULTS AND COMMENTS

PAYROLL DEFICIENCIES

1. Cemetery employees received \$3,877.50 in payments for the year 2012 which were not included in the payroll system or on the salary resolution.
2. Time records were not maintained for the township employees.

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)

The federal Fair Labor Standards Act (FLSA) requires that records of wages paid, daily and weekly hours of work, and the time of day and day of week on which the employee's work week begins be kept for all employees. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 17)

OVERDRAWN FUND BALANCES

The following funds had overdrawn balances at December 31, 2010:

<u>Fund</u>	<u>Amount</u>
Township	\$ 45,549
Cemetery	890

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)

PUBLIC EMPLOYEE RETIREMENT FUND (PERF)

Tri-Creek Ambulance Service was formed for and by the townships of Cedar Creek, West Creek, and Eagle Creek to provide ambulance service to the three entities. Employees of Tri-Creek Ambulance Service are not considered public employees. The prior reports disclosed that Tri-Creek Ambulance Service receives additional income from private billings, interest, and miscellaneous revenue. The employees are issued W-2's, under a number assigned to Tri-Creek Ambulance Service. Payments to the Indiana Public Employees' Retirement Fund (PERF) are being provided under the West Creek PERF Plan Number. A similar comment appeared in the prior report.

Indiana Code 5-10.3-7-1 states in part: "Any individual who becomes a full-time employee of the state or of participating political subdivisions . . . becomes a member of the fund."

Indiana Code 5-10.3-1-6 states:

"Political subdivision as used in this article means a county, city, town, township, political body corporate, public school corporation, public library, public utility of a county, city, town, township, and any department of, or associated with, a county, city, town, or township, which department receives revenue independently of, or in addition to, funds obtained from taxation."

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

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. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

RECEIPT ISSUANCE

Township Trustee's Receipt Form 16 was not issued when property taxes, excise taxes, financial institution taxes, temporary loans, transfers between funds, interest earned and state grants were received. The receipts were properly posted in the ledger and deposited in the bank.

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

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

APPROPRIATIONS

Records presented for examination indicated the expenditures in excess of budgeted appropriations totaled \$22,337 for the Fire Fighting Fund in 2012.

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."

AMBULANCE SERVICE CONTRACTS

Payments of \$160,000 in 2010, \$215,000 in 2011, and \$140,000 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)

WEST CREEK TOWNSHIP, LAKE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on February 28, 2013, with Harold Mussman, Jr., Trustee, and Patricia Mussman, Clerk. The officials concurred with our findings.