

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

FINANCIAL STATEMENTS REVIEW REPORT

OF

TOWN OF HOMECROFT

MARION COUNTY, INDIANA

January 1, 2012 to December 31, 2015



**FILED**  
05/25/2017



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	William Coomes David Hanson Kevin R. Kehlbeck	01-01-12 to 03-05-13 03-06-13 to 10-15-15 10-16-15 to 12-31-19
President of the Town Council	Barbara K. Jones	01-01-12 to 12-31-17



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

TO: THE OFFICIALS OF THE TOWN OF HOMECROFT, MARION COUNTY, INDIANA

We have reviewed the accompanying financial statements of the Town of Homecroft (Town), for the period of January 1, 2012 to December 31, 2015. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Town's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with a regulatory basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana 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. This includes determining that the basis of accounting the Town uses is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements whether due to fraud or error.

***Accountant's Responsibility***

Our responsibility is to conduct the review engagement in accordance with *Statements on Standards for Accounting and Review Services* promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with the prescribed basis of accounting described in Note 1. We believe that the results of our procedures provide a reasonable basis for our conclusion.


INDEPENDENT ACCOUNTANT'S REVIEW REPORT  
(Continued)

***Accountant's Conclusion***

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with the prescribed basis of accounting described in Note 1.

***Basis of Accounting***

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana 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. Our conclusion is not modified with respect to this matter.

  
Paul D. Joyce, CPA  
State Examiner

March 15, 2017

## FINANCIAL STATEMENTS AND ACCOMPANYING NOTES

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

TOWN OF HOMECROFT  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Years Ended December 31, 2012 and 2013

Fund	Cash and Investments 01-01-12	Receipts	Disbursements	Cash and Investments 12-31-12	Receipts	Disbursements	Cash and Investments 12-31-13
General	\$ 100,587	\$ 102,863	\$ 95,688	\$ 107,762	\$ 113,066	\$ 156,293	\$ 64,535
Motor Vehicle Highway	61,540	20,217	7,250	74,507	21,963	11,376	85,094
Local Road and Street	32,507	9,806	19,506	22,807	9,634	17,455	14,986
Law Enforcement Continuing Education	1,982	268	-	2,250	2,264	1,303	3,211
Rainy Day	-	-	-	-	16,180	-	16,180
State Grant - Indiana Criminal Justice	(1,272)	-	-	(1,272)	-	-	(1,272)
LOIT - Public Safety	58,570	14,011	-	72,581	12,859	19,455	65,985
State Forfeiture	435	920	-	1,355	-	-	1,355
Payroll	1,079	2,579	2,579	1,079	18,241	19,212	108
Totals	<u>\$ 255,428</u>	<u>\$ 150,664</u>	<u>\$ 125,023</u>	<u>\$ 281,069</u>	<u>\$ 194,207</u>	<u>\$ 225,094</u>	<u>\$ 250,182</u>

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

TOWN OF HOMECROFT  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Years Ended December 31, 2014 and 2015

Fund	Cash and Investments 01-01-14	Receipts	Disbursements	Cash and Investments 12-31-14	Receipts	Disbursements	Cash and Investments 12-31-15
General	\$ 64,535	\$ 155,881	\$ 121,529	\$ 98,887	\$ 144,781	\$ 128,635	\$ 115,033
Motor Vehicle Highway	85,094	26,763	19,592	92,265	26,780	11,781	107,264
Local Road and Street	14,986	9,699	18,430	6,255	9,990	16,103	142
Law Enforcement Continuing Education	3,211	3,807	2,000	5,018	5,844	2,511	8,351
Rainy Day	16,180	16,180	-	32,360	-	-	32,360
State Grant - Indiana Criminal Justice	(1,272)	-	-	(1,272)	-	-	(1,272)
LOIT - Public Safety	65,985	15,090	35,347	45,728	23,099	38,011	30,816
State Forfeiture	1,355	-	-	1,355	-	-	1,355
Payroll	108	18,361	16,838	1,631	18,890	17,450	3,071
Totals	<u>\$ 250,182</u>	<u>\$ 245,781</u>	<u>\$ 213,736</u>	<u>\$ 282,227</u>	<u>\$ 229,384</u>	<u>\$ 214,491</u>	<u>\$ 297,120</u>

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

TOWN OF HOMECROFT  
NOTES TO FINANCIAL STATEMENTS

**Note 1. Summary of Significant Accounting Policies**

*A. Reporting Entity*

The Town was established under the laws of the State of Indiana. The Town operates under a Town Council form of government and provides some or all of the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, and urban redevelopment and housing.

The accompanying financial statements present the financial information for the Town.

*B. Basis of Accounting*

The financial statements are reported on a regulatory basis of accounting prescribed by the Indiana 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. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

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.* Amounts received from one or more of the following: property tax, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeeper's 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 Town.

*Licenses and permits.* Amounts received from businesses, occupations, or non-businesses that must be licensed before doing business within the government's jurisdiction, or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include the following: peddler licenses, animal licenses, auctioneer licenses, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

TOWN OF HOMECROFT  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

*Intergovernmental receipts.* Amounts received from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of intergovernmental receipts include, but are not limited to, the following: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distributions received from the state, local road and street distributions 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.* Amounts received for services including, but not limited to, the following: planning commission charges, building department charges, copies of public records, copy machines 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.* Amounts received 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 held as performance guarantees (forfeitures).

*Other receipts.* Amounts received from various sources, including, but 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.* Amounts disbursed 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.* Amounts disbursed for 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, but are not limited to, the following: office supplies, operating supplies, and repair and maintenance supplies.

*Other services and charges.* Amounts disbursed for services including, but not limited to, the following: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

*Capital outlay.* Amounts disbursed for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

*Other disbursements.* Amounts disbursed for various other purposes including, but 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.

TOWN OF HOMECROFT  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

*F. Interfund Transfers*

The Town may, from time to time, make transfers 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 Town. Each fund is used to account for amounts 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 Town. The amounts 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 Town 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 Town 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 Town 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.

TOWN OF HOMECROFT  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

State statutes authorize the Town to invest in securities including, but not limited to, the following: 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 Town 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 Town 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.

**Note 6. Cash Balance Deficits**

The financial statements contain one fund with a deficit in cash. This is a result of a grant reimbursement posting error in a previous year.

TOWN OF HOMECROFT  
REVIEW RESULTS AND COMMENTS

**CONDITION OF RECORDS**

We identified the following deficiencies with the Town's financial records:

The 2012 ledger contained numerous errors and a consultant was hired to correct the ledger. Corrections were made to the ledger; however, the 2012 Annual Financial Report (AFR) submitted by the Town was incorrect and did not match the Town's records as corrected in the ledger. The AFR submitted by the Town was used to compile the Town's financial statements. Adjustments to the financial statements were purposed, accepted by the Town, and made to the financial statements.

A similar comment appeared in the prior Report B42248.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

**BANK ACCOUNT RECONCILIATIONS**

Depository reconciliations of the fund balances to the bank account balances were conducted; however, the reconciliations contained errors and did not balance at any point during the review period. Four checks totaling \$972 and listed as outstanding as of December 31, 2012, were not shown on the reconciliation as of December 31, 2015. There was no supporting documentation to verify when or if they cleared. Unidentified variances in the reconciliations ranged from cash necessary to balance of \$3,463 at December 31, 2012, to \$3,218 at December 31, 2015.

A similar comment appeared in the prior Report B42248.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

TOWN OF HOMECROFT  
REVIEW RESULTS AND COMMENTS  
(Continued)

***PENALTIES, INTEREST, AND OTHER CHARGES***

The Town paid penalties and interest to the Department of Treasury (IRS) and the Indiana Department of Revenue (IDOR) during the review period. Penalties and interest totaling \$141 were paid to IRS in July 2015 because the Town did not remit first quarter 2015 federal income taxes on a timely basis. Penalties and interest totaling \$72 were paid to IDOR in January 2016 for late remittance of 2014 state and local income taxes.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the unit. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the unit. Any penalties, interest, or other charges paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

***PAYROLL REPORTING AND REMITTANCES***

The following issues were noted related to payroll reporting and remittances:

1. The Internal Revenue Service's (IRS) Employer's Quarterly Federal Tax Return - Form 941 (Form 941) for 8 of the 16 quarters during the review period were not provided or information from a prior quarter appeared to be copied over and didn't reflect the totals for that quarter. The payments to the IRS did not agree with the amounts calculated on the payroll earnings records for 2012 and 2015. The Town remitted \$341 and \$204 more to the IRS, respectively, during 2012 and 2015.
2. Payments to the IDOR for withholding taxes were not paid timely during the review period. Withholdings during 2013 were paid in December of 2013, while 2014 and 2015 withholdings were paid in February of 2015 and January of 2016, respectively.

A similar comment appeared in the prior Report B42248.

Indiana Code 5-15-6-3 states:

"No financial records or records relating to financial records shall be destroyed until the earlier of the following actions:

- (1) The audit of the records by the state board of accounts has been completed, report filed, and any exceptions set out in the report satisfied.
- (2) The financial record or records have been copied or reproduced in accordance with a retention schedule or with the written consent of the administration."

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

TOWN OF HOMECROFT  
 REVIEW RESULTS AND COMMENTS  
 (Continued)

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions, and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

**OVERDRAWN CASH BALANCE**

The cash balance of the State Grant - Indiana Criminal Justice fund was overdrawn by \$1,272 for all four years of the review period.

A similar comment appeared in the prior Report B42248.

The cash 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 unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

**CAPITAL ASSETS**

The Town did not maintain capital asset records for 2012, 2014, and 2015.

A similar comment appeared in the prior Report B42248.

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

**APPROPRIATIONS**

The following fund expenditures were in excess of budgeted appropriations during the review period:

Fund	Years	Excess Amount Expended
Motor Vehicle Highway	2012	\$ 7,250
Local Road and Street	2012	19,506
Local Road and Street	2015	402
LOIT - Public Safety	2015	38,011

TOWN OF HOMECROFT  
REVIEW RESULTS AND COMMENTS  
(Continued)

A similar comment appeared in the prior Report B42248.

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."

***MVH FUNDS USED FOR LAW ENFORCEMENT PURPOSES***

Law enforcement expenditures from the Motor Vehicle Highway fund exceeded the 15 percent allowed per Indiana Code by \$4,214, \$5,358, and \$3,129 during 2013, 2014, and 2015, respectively.

A similar comment appeared in the prior Report B42248.

Indiana Code 8-14-1-5(b) states in part:

". . . monies allocated to cities and towns under this chapter may be expended for law enforcement purposes, subject to the following limitations:

- (1) For cities and towns with a population of less than five thousand (5,000), no more than fifteen percent (15%) may be spent for law enforcement purposes. . . ."

TOWN OF HOMECROFT  
EXIT CONFERENCE

The contents of this report were discussed on March 15, 2017, with Kevin R. Kehlbeck, Clerk-Treasurer, and Barbara K. Jones, President of the Town Council.