

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

FINANCIAL STATEMENTS REVIEW REPORT

OF

TOWN OF SPRING HILL

MARION COUNTY, INDIANA

January 1, 2016 to December 31, 2019



**FILED**  
05/26/2020



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Independent Accountant's Review Report.....	3-4
Financial Statements and Accompanying Notes:	
Statements of Receipts, Disbursements, and Cash and Investment	
Balances - Regulatory Basis.....	6-7
Notes to Financial Statements.....	8-10
Review Results and Comments:	
Late Submission of Annual Financial Report .....	11
Late Submission of Certified Report.....	11
Condition of Records .....	11-12
Organization of Town Council at Beginning of Each Year .....	12
Adoption of and Training on Internal Control Standards .....	13
Certification on Internal Control Standards .....	13
Official Response .....	14
Exit Conference.....	15

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Niels Lyster (deceased) Emily Howard	01-01-16 to 04-29-17 04-30-17 to 12-31-20
President of the Town Council	Rob Burton	01-01-16 to 12-31-20



## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

TO: THE OFFICIALS OF THE TOWN OF SPRING HILL, MARION COUNTY, INDIANA

We have reviewed the accompanying financial statements of the Town of Spring Hill (Town), for the period of January 1, 2016 to December 31, 2019. 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 the 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*  
Paul D. Joyce, CPA  
State Examiner

May 13, 2020

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 SPRING HILL  
 STATEMENT OF RECEIPTS, DISBURSEMENTS,  
 AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Years Ended December 31, 2016 and 2017

Fund	Cash and Investments 01-01-16	Receipts	Disbursements	Cash and Investments 12-31-16	Receipts	Disbursements	Cash and Investments 12-31-17
Checking/Savings Accounts	\$ 76,941	\$ 3,635	\$ 1,765	\$ 78,811	\$ 4,050	\$ 2,084	\$ 80,777
Totals	<u>\$ 76,941</u>	<u>\$ 3,635</u>	<u>\$ 1,765</u>	<u>\$ 78,811</u>	<u>\$ 4,050</u>	<u>\$ 2,084</u>	<u>\$ 80,777</u>

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

TOWN OF SPRING HILL  
 STATEMENT OF RECEIPTS, DISBURSEMENTS,  
 AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Years Ended December 31, 2018 and 2019

Fund	Cash and Investments 01-01-18	Receipts	Disbursements	Cash and Investments 12-31-18	Receipts	Disbursements	Cash and Investments 12-31-19
General	\$ 80,777	\$ 6,075	\$ 624	\$ 86,228	\$ 5,122	\$ 1,148	\$ 90,202
Totals	<u>\$ 80,777</u>	<u>\$ 6,075</u>	<u>\$ 624</u>	<u>\$ 86,228</u>	<u>\$ 5,122</u>	<u>\$ 1,148</u>	<u>\$ 90,202</u>

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

TOWN OF SPRING HILL  
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, water, wastewater, electric, gas, storm water, trash, aviation, 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:

*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.

*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.

TOWN OF SPRING HILL  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

*E. Disbursements*

Disbursements are presented in the aggregate on the face of the financial statements. The aggregate disbursements include the following uses:

*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.

*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.

TOWN OF SPRING HILL  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

**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 December 31 of the year preceding the budget year or January 15 of the budget year if the Town is issuing debt after December 1 or intends on filing a shortfall appeal. These rates were based upon the assessed valuations adjusted for various tax credits from the preceding year's lien date of January 1. 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 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.

TOWN OF SPRING HILL  
REVIEW RESULTS AND COMMENTS

**LATE SUBMISSION OF ANNUAL FINANCIAL REPORT**

*Condition and Context*

The Town's Annual Financial Reports for 2016 and 2017 were not filed electronically until October 10, 2017, and April 8, 2018, respectively, which were 223 and 38 days past the due date.

*Criteria*

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](#)."

**LATE SUBMISSION OF CERTIFIED REPORT**

*Condition and Context*

The Town's Certified Report of Names, Addresses, Duties and Compensation of Public Employees (Form 100R) for 2017 was not filed electronically until April 8, 2018, respectively, which was 67 days past the due date.

*Criteria*

Indiana Code 5-11-13-1(a) states in part:

"Every . . . Town . . . shall during the month of January of each year prepare, make, and sign a certified report, correctly and completely showing the names and business addresses of each and all officers, employees, and agents . . . and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts. . . . The certification must be filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

**CONDITION OF RECORDS**

*Condition and Context*

The Town did not report a Motor Vehicle Highway (MVH) fund, which is considered necessary for proper recordkeeping and reporting of Town financial activity. The MVH fund had been established in a prior year, but during the audit period all transactions were recorded in the General fund. An MVH fund was not included in the ledger or Annual Financial Report.

In 2019, 50 percent of the MVH distributions should have been receipted into a restricted sub-fund of the MVH fund.

TOWN OF SPRING HILL  
REVIEW RESULTS AND COMMENTS  
(Continued)

*Criteria*

The major principles of accounting which underlie the Uniform System contained in this manual are:

1. Records shall be kept in full compliance with all legal requirements.
2. Accounting shall be based on a separation of funds.
3. Distinction with respect to character of expenditure shall be maintained.
4. The uniform classification of accounts shall be used in budgeting, accounting and reporting.
5. The records shall be kept on either a single-entry cash basis or double-entry modified accrual basis.
6. Budgetary control of receipts and disbursements shall be established.
7. Unexpended balances of appropriations, for other than encumbrances by contract or purchase order, shall lapse at the close of each year.

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 2)

The system provides for separation of accounts by funds in order to comply with statutory requirements and generally accepted accounting principles. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 2)

State Examiner Directive 2018-2 states in part:

"The purpose of this Directive is to authorize and require counties, cities, and towns that receive distributions from the State Motor Vehicle Highway Account to create a new sub-fund within the MVH Fund to properly manage and account for the usage restrictions that were included in House Enrolled Act 1002-2017 and House Enrolled Act 1290-2018." (State Examiner Directive 2018-2)

Officials and employees are required to use prescribed and approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

## **ORGANIZATION OF TOWN COUNCIL AT BEGINNING OF EACH YEAR**

*Condition and Context*

The Town Council did not reorganize by electing new officers at the beginning of each year as required by law.

*Criteria*

Indiana Code 36-5-2-7 states: "The legislative body shall select one (1) of its members to be its president for a definite term, which may not exceed the member's term of office as a member of the legislative body."

TOWN OF SPRING HILL  
REVIEW RESULTS AND COMMENTS  
(Continued)

**ADOPTION OF AND TRAINING ON INTERNAL CONTROL STANDARDS**

*Condition and Context*

The Town had not adopted the acceptable minimum level of internal control standards and personnel had not received training over the internal control standards as required by Indiana Code 5-11-1-27(g).

*Criteria*

Indiana Code 5-11-1-27(g) states:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that:

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

**CERTIFICATION ON INTERNAL CONTROL STANDARDS**

*Condition and Context*

The Town incorrectly certified on their Annual Financial Reports for 2016, 2017, 2018, and 2019 that they adopted and trained on the minimum internal control standards.

*Criteria*

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](#)."

OFFICIAL RESPONSE

State Board of Accounts  
302 West Washington Street, Room E 418  
Indianapolis, Indiana 46204-2765

Spring Hill Civil Town  
Emily Howard, Clerk-Treasurer  
4444 Edinburgh Point  
Indianapolis, Indiana 46228

The late submission of the Annual Financial Report occurred because of the transition of the position of clerk treasurer. This was remedied in 2019.

The late submission of the Certified Report for the town's Public Employees has been remedied. As the Town of Spring Hill has no paid employees an incorrect assumption was made that this report was not necessary.

An MVH fund has been established for the year 2020. 50% of the MVH distributions will be Receipts into a restricted sub-fund.

The Town Board will reorganize by electing new Officers at the beginning of each year with a term for its president defined.

Internal control standards and procedures are being developed and will be presented for adoption at the next scheduled meeting of the town council.

The clerk-treasurer has completed the online certification for the Internal Control Standards.

TOWN OF SPRING HILL  
EXIT CONFERENCE

The contents of this report were discussed on May 13, 2020, with Emily Howard, Clerk-Treasurer, and Rob Burton, President of the Town Council.