

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

FINANCIAL STATEMENTS REVIEW REPORT

OF

STONY CREEK TOWNSHIP

MADISON COUNTY, INDIANA

January 1, 2017 to December 31, 2019



FILED

03/16/2021

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Diane Lawther	01-01-17 to 12-31-21
Chair of the Township Board	Terry Wilson	01-01-17 to 12-31-21



INDEPENDENT ACCOUNTANT'S REVIEW REPORT

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

We have reviewed the accompanying financial statements of Stony Creek Township (Township), for the period of January 1, 2017 to December 31, 2019. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Township'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 Township 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 controls 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, CPA
State Examiner

March 2, 2021

FINANCIAL STATEMENTS AND ACCOMPANYING NOTES

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

STONY CREEK TOWNSHIP, MADISON COUNTY
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Years Ended December 31, 2017 and 2018

Fund	Cash and Investments 01-01-17	Receipts	Disbursements	Cash and Investments 12-31-17	Receipts	Disbursements	Cash and Investments 12-31-18
Township General Fund	\$ 60,273	\$ 42,081	\$ 24,905	\$ 77,449	\$ 43,485	\$ 39,260	\$ 81,674
Township Assistance Fund	47,743	14,258	9,385	52,616	14,213	13,397	53,432
Rainy Day Fund	13,883	-	6,700	7,183	7,300	-	14,483
Fire Protection Territory Fund	(1,740)	134,644	73,854	59,050	322,072	293,549	87,573
Fire Territory Equipment Replacement	(518)	38,620	21,164	16,938	57,259	26,652	47,545
Equipment Donations	-	-	-	-	56,145	-	56,145
Fireman's Fund	-	-	-	-	31,668	1,294	30,374
Grants	-	-	-	-	116,343	-	116,343
Fire Building Debt	45,197	91,466	89,383	47,280	87,642	88,757	46,165
Payroll Withholdings Fund	-	1,144	1,557	(413)	4,050	-	3,637
Totals	<u>\$ 164,838</u>	<u>\$ 322,213</u>	<u>\$ 226,948</u>	<u>\$ 260,103</u>	<u>\$ 740,177</u>	<u>\$ 462,909</u>	<u>\$ 537,371</u>

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

STONY CREEK TOWNSHIP, MADISON COUNTY
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended December 31, 2019

Fund	Cash and Investments 01-01-19	Receipts	Disbursements	Cash and Investments 12-31-19
Township General Fund	\$ 81,674	\$ 48,185	\$ 41,373	\$ 88,486
Township Assistance Fund	53,432	12,270	25,718	39,984
Rainy Day Fund	14,483	-	4,000	10,483
Fire Protection Territory Fund	87,573	328,455	318,472	97,556
Fire Territory Equipment Replacement	47,545	161,414	169,234	39,725
Fire Building Debt	46,165	91,788	89,107	48,846
Fireman's Fund	30,374	33,185	6,606	56,953
Equipment Donations	56,145	645	-	56,790
Grants	116,343	139,623	255,966	-
Payroll Withholdings Fund	<u>3,637</u>	<u>32,795</u>	<u>35,118</u>	<u>1,314</u>
Totals	<u>\$ 537,371</u>	<u>\$ 848,360</u>	<u>\$ 945,594</u>	<u>\$ 440,137</u>

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

STONEY CREEK TOWNSHIP, MADISON COUNTY
NOTES TO FINANCIAL STATEMENTS

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 and dog control).

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

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 Township.

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.

STONEY CREEK TOWNSHIP, MADISON COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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.

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

Capital outlay. 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 Township 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.

STONEY CREEK TOWNSHIP, MADISON COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

G. Fund Accounting

Separate funds are established, maintained, and reported by the Township. 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 Township. 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 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 December 31 of the year preceding the budget year or January 15 of the budget year if the Township 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 Township 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.

STONE CREEK TOWNSHIP, MADISON COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 5. Risk Management

The Township may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job-related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third-party. The establishment of a self-insurance fund allows the Township to set aside money for claim settlements. The self-insurance fund would be included in the financial statements. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

Note 6. Cash Balance Deficits

The financial statements contain one fund with a deficit in cash. This is a result of disbursements made exceeding receipts.

Note 7. Fund Name Changes

Two funds were reported with different fund names from the previous report. The Special Fire Territory General fund was renamed Fire Protection Territory Fund. The Special Fire Territory Equipment fund was renamed Fire Territory Equipment Replacement fund.

STONY CREEK TOWNSHIP, MADISON COUNTY
REVIEW RESULTS AND COMMENTS

ADOPTION OF AND CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

The Township certified on the Indiana Gateway for Government Units financial reporting system that it had adopted the minimum internal control standards as required by Indiana Code 5-11-1-27(g); however, the adopted minimum internal control standards were not presented for review and there was no other documentation to indicate such standards were adopted.

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; . . ."

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

Condition and Context

For the period from January 2018 through December 2019, the Township compared monthly bank account activity to the Township's ledger; however, reconciliations of the ledger balances to the adjusted bank balances were not performed. As of December 31, 2019, the Township's adjusted bank balances were \$9,334 less than the ledger balances.

Criteria

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."

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 Townships, Chapter 1)

STONY CREEK TOWNSHIP, MADISON COUNTY
REVIEW RESULTS AND COMMENTS
(Continued)

CONDITION OF RECORDS

Condition and Context

The Township implemented a new accounting software beginning in January 2018. The Annual Financial Reports (AFR) filed by the Township on the Indiana Gateway for Government Units financial reporting system for 2018 and 2019, which are the source of the financial statements, were inaccurate and not reflective of the financial activity of the Township. The Township's ledger reports contained errors and inconsistencies based on when the reports were generated from the system.

The AFR and township ledger reports contained the following errors:

1. The beginning balance of the Rainy Day Fund was \$6,700 less on January 1, 2018, than the ending balance on December 31, 2017, on the Township's ledger.
2. Receipt activity in the Payroll Withholdings Fund was not reported on the 2018 or 2019 AFR, resulting in a total understatement of \$36,845. Disbursement activity in the Payroll Withholdings Fund was not reported on the 2019 AFR, resulting in an understatement of \$35,118.
3. Disbursement activity in the Township General Fund and Fire Protection Territory Fund on the 2018 AFR did not agree with the Township's underlying financial records.
4. Receipt activity in the Fire Protection Territory Fund, Fireman's Fund, and Grants fund on the 2019 AFR did not agree with the Township's underlying financial records.
5. Disbursement activity in the Fire Protection Territory Fund, Fire Debt fund, and Grants fund on the 2019 AFR did not agree with the Township's underlying financial records.
6. Three fund and activity reports with generated dates of January 7, 2019, April 17, 2020, and January 25, 2021, were obtained for 2018. These reports contained different amounts for receipts, disbursements, beginning balances, and ending balances along with inconsistent inclusion of Township funds. Beginning balances on the Township's fund report for 2019 did not always agree with the ending balances on the 2018 fund reports.
7. After adjustments were approved and made to the reported receipts and disbursements for 2018 and 2019 to correct errors discovered during the review, variances existed between the ending balances on the financial statements and the Township's fund balances. At December 31, 2018, the financial statement ending balance was \$6,974 greater than the Township's total fund balances. At December 31, 2019, the financial statement ending balance was \$795 greater than the Township's total fund balances.

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](#)."

STONY CREEK TOWNSHIP, MADISON COUNTY
REVIEW RESULTS AND COMMENTS
(Continued)

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 Townships, Chapter 1)

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

STONY CREEK TOWNSHIP, MADISON TOWNSHIP
EXIT CONFERENCE

The contents of this report were discussed on March 2, 2021, with Diane Lawther, Trustee, and Terry Wilson, Chair of the Township Board.