

**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2765**

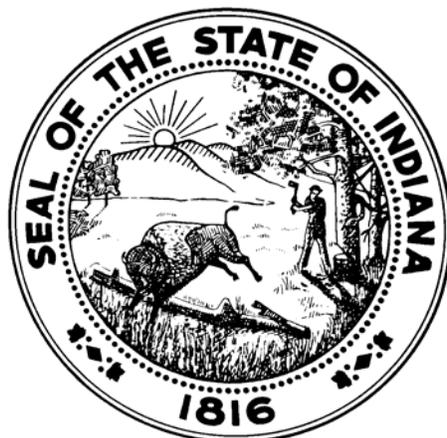
EXAMINATION REPORT

OF

TOWN OF ROSELAND

ST. JOSEPH COUNTY, INDIANA

January 1, 2004 to December 31, 2005



**FILED**  
08/03/2006



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OFFICIALS

Office

Official

Term

Clerk-Treasurer

Cheryl Gridley

01-01-04 to 12-31-07

President of the Town Council

Charles V. Shields  
Dorothy Snyder

01-01-04 to 07-15-05  
07-15-05 to 12-31-06



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2765

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

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF ROSELAND, ST. JOSEPH COUNTY, INDIANA

We have examined the schedules of receipts, disbursements, and cash and investment balances of the Town of Roseland (Town), for the period of January 1, 2004 to December 31, 2005. The Town's management is responsible for the schedules.

Financial records presented for examination were incomplete and not reflective of the activity of the Town's funds. The records presented did not provide sufficient information to examine receipts, disbursements, and ending balances, or the accuracy or correctness of the transactions.

Because of the restrictions on our examination as discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on whether the schedules referred to above present fairly, in all material respects, the cash transactions of the Town for the years ended December 31, 2004 and 2005, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

April 20, 2006

TOWN OF ROSELAND  
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES  
As Of And For The Years Ended December 31, 2004 And 2005

	Cash and Investments 01-01-04	Receipts	Disbursements	Cash and Investments 12-31-04
Governmental Funds:				
General	\$ 118,048	\$ 272,570	\$ 286,852	\$ 103,766
Motor Vehicle Highway	31,727	21,995	49,018	4,704
Local Road and Street	22,175	2,461	2,202	22,434
Park and Recreation	37,563	11,729	30,393	18,899
Law Enforcement Continuing Education	1,075	1,077	2,948	(796)
Riverboat	51	4,067	600	3,518
Rainy Day	-	8,755	-	8,755
Donation	-	2,275	2,275	-
Cumulative Capital Improvement	14,131	3,610	10,025	7,716
Cumulative Capital Development	119,986	6,369	-	126,355
County Economic Development Income Tax	110,578	15,253	16,228	109,603
Town Welcome	10	-	-	10
Police Donation	154	2,275	2,275	154
Local Law Enforcement Block Grant	9,003	-	-	9,003
Holy Cross Patrol	3,219	8,550	9,068	2,701
LEAF Assistance	111	-	-	111
Body Armor Grant	-	652	1,740	(1,088)
Fiduciary Fund:				
Payroll	2,187	180,496	178,060	4,623
Totals	<u>\$ 470,018</u>	<u>\$ 542,134</u>	<u>\$ 591,684</u>	<u>\$ 420,468</u>

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General	\$ 103,766	\$ 320,919	\$ 393,351	\$ 31,334
Motor Vehicle Highway	4,704	72,982	54,546	23,140
Local Road and Street	22,434	8,047	18,047	12,434
Park and Recreation	18,899	22,315	42,093	(879)
Law Enforcement Continuing Education	(796)	3,476	1,474	1,206
Riverboat	3,518	4,067	3,691	3,894
Rainy Day	8,755	42,506	32,495	18,766
Cumulative Capital Improvement	7,716	2,994	9,364	1,346
Cumulative Capital Development	126,355	17,951	85,442	58,864
County Economic Development Income Tax	109,603	15,428	6,366	118,665
Town Welcome	10	-	-	10
Police Donation	154	-	-	154
Local Law Enforcement Block Grant	9,003	-	9,003	-
Holy Cross Patrol	2,701	8,000	7,439	3,262
LEAF Assistance	111	-	-	111
Body Armor Grant	(1,088)	425	849	(1,512)
Fiduciary Fund:				
Payroll	4,623	151,804	156,567	(140)
Totals	<u>\$ 420,468</u>	<u>\$ 670,914</u>	<u>\$ 820,727</u>	<u>\$ 270,655</u>

The accompanying notes are an integral part of the schedules.

TOWN OF ROSELAND  
NOTES TO SCHEDULES

Note 1. Introduction

The Town was established under the laws of the State of Indiana. The Town provides the following services: public safety, culture and recreation, and general administrative services.

Note 2. Fund Accounting

The Town uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Town in June and December. 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% 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 become delinquent if not paid by May 10 and November 10, respectively.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were 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 statute (IC 5-13-9) authorizes the Town 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 6. Subsequent Event

Numerous lawsuits have been filed against the Town, many with the potential loss in excess of \$25,000 each. However, the likelihood of the outcome cannot be determined at this time.

TOWN OF ROSELAND  
EXAMINATION RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were not performed by the Clerk-Treasurer for 2004 and 2005. The bank reconciliation prepared by the field examiners for audit purposes for December 31, 2005, initially indicated a cash shortage of \$110,390.88. Further review of bank statements and financial records revealed that not all transactions have been entered into the financial records. Omitted transactions identified were a loan repayment of \$100,000 in September 2005, state distributions of June and December 2005 totaling \$4,833.85, local distributions totaling \$1,059.90 in June 2005, and receipts not deposited totaling \$90.30. After adjusting the financial records for these identified omitted transactions, the financial records show a balance that is in excess of the bank balance by \$16,290.43.

A similar comment appeared in the prior report concerning bank reconciliations for December 2003 through April 2004 being not available for audit.

Indiana Code 5-13-6-1(e) states in part: "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 should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

COMPENSATION AND BENEFITS – OVERPAYMENT OF CLERK-TREASURER

Clerk-Treasurer, Cheryl Gridley, received \$840.21 more in salary in 2004 than authorized by the salary ordinance. This occurred due to 27 pay periods during 2004 instead of the normal 26 pay periods. She has been instructed to reimburse the Town \$840.21. Cheryl Gridley stated she would reimburse the Town through payroll deductions in 2006.

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 Cities and Towns, Chapter 7)

RECEIPT DEFICIENCIES

The following deficiencies in receipts were noted:

1. Receipts were not written for all collections received by the Town. For example, receipts for December 2005 state distributions totaling \$3,546.85 were not written.

TOWN OF ROSELAND  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

2. Receipts for collections were not written nor posted in a timely manner. For example, the Town did not write a receipt until November 4, 2005, for a state distribution warrant issued October 3, 2005. This receipt was not posted to the financial records until November 30, 2005.
3. Receipts were not deposited. For 2005, \$90.30 of receipts could not be traced to a bank deposit. Also, receipts were written for Park Department security deposits that were not deposited but simply returned to the individual after the event.
4. Receipts were not deposited timely. Instances of receipts accumulating for as much as 11 days prior to deposit were noted.
5. Receipts did not reflect actual collections. A single receipt was written for interest earned net of interest paid. Financial records do not reflect the actual interest earned or interest paid due to the posting of these "net" receipts.

The Clerk-Treasurer is reviewing Town records to determine the proper corrections to be made to correct the noted deficiencies.

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.

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. All documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed management decisions and to help ensure compliance with Indiana Code 5-15-1-1 et seq., commonly referred to as the Public Records Law.

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 Cities and Towns, Chapter 7)

Indiana Code 5-13-6-1(d) states: "A city (other than a consolidated city) or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and (2) approved as depositories of state funds."

INADEQUATE DISBURSEMENT SUPPORTING DOCUMENTATION

Several payments were observed which did not contain adequate supporting documentation, such as receipts, invoices, and other public records. Examples included reimbursement requests for hotel and meal costs without attached invoices and remittances of payroll taxes that did not indicate the time period to which the payroll taxes applied. Due to the lack of supporting information, the validity and accountability for some money disbursed could not be established.

We were unable to find several claims during the review claims. Records were not maintained in a proper manner, such as monthly files, numerical order, or vendor files that would assist in finding selected claims.

TOWN OF ROSELAND  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit 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 7)

The form prescribed under this section shall be prepared by or filed with the disbursing officer of the political subdivision, together with: the supporting claims if payment is made under section 1 of this chapter; or the supporting invoices or bills if payment is made under section 1.6 of this chapter. All such documents shall be carefully preserved by the disbursing officer as a part of the official records of the office. Indiana Code 5-11-10-2.

PENALTIES, INTEREST AND OTHER CHARGES

Penalties and interest totaling \$367.49 were assessed by the Internal Revenue Service on May 30, 2005, for the quarter ending March 31, 2005, for nonpayment of payroll related withholdings and taxes.

Also, in July 2005, the Town was charged, by its depository, \$992 for 33 instances of nonsufficient funds in its account to cover Town warrants issued. The Clerk-Treasurer failed to transfer sufficient funds from an investment account to the checking account to cover the amount of Town warrants that were written.

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 governmental 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 governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

BOARD MINUTES

Not all minutes of Town Council meetings were available for audit nor were they approved by the Town Council. Those minutes presented for audit were not maintained in an orderly manner nor did they clearly reflect the actions of the Town Council.

Indiana Code 5-14-1.5-4 states in part:

"(b) As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes taken, by individual members if there is a roll call.
- (5) An additional information required under IC 5-1.5-2-2.5 or IC 20-12-63-7."

TOWN OF ROSELAND  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

ANNUAL REPORT

An annual report for 2005 was not presented for audit.

Indiana Code 5-3-1-3(a) states in part: "Within sixty (60) days after the expiration of each calendar year, the fiscal officer of each civil city and town in Indiana shall publish an annual report of the receipts and expenditures of the city or town . . ."

CAPITAL ASSET RECORDS

The Town does not maintain records of capital assets. The City and Town Form 211, Capital Assets Ledger has been prescribed for this purpose.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded in the Capital Assets Ledger. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF ROSELAND  
EXIT CONFERENCE

The contents of this report were discussed on May 18, 2006, with Cheryl Gridley, Clerk-Treasurer; and Dorothy Snyder, President of the Town Council. The official response has been made a part of this report and may be found on page 11.

TOWN OF  ROSELAND  
INCORPORATED 1916

May 30, 2006

To: State Board of Accounts  
From: Cheryl Gridley  
Clerk-Treasurer of Roseland

Per the recent audit: I will be going over the bank statements to the checks to see where the problem lays, also the deposit slip to find the odd change in deposit error. I also will be depositing the 841.00 over the next 3 months via paycheck deductions.

Thank you,

  
Cheryl Gridley