

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

TOWN OF RIVER FOREST

MADISON COUNTY, INDIANA

January 1, 2010 to December 31, 2011



**FILED**  
05/11/2012



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Robin L. Jones Michael J. Hubbard	01-01-10 to 09-25-11 09-26-11 to 12-31-12
President of the Town Council	Frank Phelps Mary Hubbard	01-01-10 to 09-25-11 09-26-11 to 12-31-12



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF RIVER FOREST, MADISON COUNTY, INDIANA

We were engaged to examine the financial statements of the Town of River Forest (Town), for the period of January 1, 2010 to December 31, 2011. The Town's management is responsible for the financial statements.

The financial records presented for examination for the year ended December 31, 2010, were incomplete and not reflective of the activity of the Town's funds. The records presented did not provide sufficient evidence to examine beginning balances, receipts, disbursements, ending balances, or the accuracy of the transactions due to the failure to post all transactions. Additionally, the financial records presented for examination for the year ended December 31, 2011, did not provide appropriate evidence for us to verify that the beginning and ending balances reported were materially accurate. We were not able to perform sufficient alternate procedures to ensure that the financial statements presented were materially accurate.

Because the Town was not able to provide evidence or corroborating evidence in support of the financial statements, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on whether the financial statements referred to above presents fairly, in all material respects, the cash transactions of the Town for the years ended December 31, 2010 and 2011, on the basis of accounting described in Note 1.

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 statements. They have not been subjected to the examination procedures applied to the financial statements and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Town's management, the Town Council, and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

March 12, 2012

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## FINANCIAL STATEMENTS

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 RIVER FOREST  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For The Year Ended December 31, 2010

Fund	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
General	<u>\$ 16,018</u>	<u>\$ 22,397</u>	<u>\$ 9,119</u>	<u>\$ 29,296</u>

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

TOWN OF RIVER FOREST  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For The Year Ended December 31, 2011

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
General	\$ 33,250	\$ 10,480	\$ 9,571	\$ 34,159

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

TOWN OF RIVER FOREST  
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, general administrative services, and trash.

*B. Basis of Accounting*

The financial statements are 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 statements. The aggregate receipts may include, but are not limited to, 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 Town.

Licenses and permits which include amounts received from businesses, occupations, or nonbusinesses 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: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

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.

TOWN OF RIVER FOREST  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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 statements. The aggregate disbursements may include, but are not limited to, 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.

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 Town 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.

**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

TOWN OF RIVER FOREST  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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 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 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. These risks may also be mitigated by the Town by recording as a disbursement any replacement items purchased.

## SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Town's 2010 Annual Report can be found on the Indiana Transparency Portal website: [www.in.gov/itp/annual\\_reports/](http://www.in.gov/itp/annual_reports/).

For additional financial information, the Town's 2011 Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statements contained in this report and the financial information presented in the Annual Reports of the towns 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 Town. It is presented as intended by the Town.

TOWN OF RIVER FOREST  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010

	General
Cash and investments - beginning	\$ <u>16,018</u>
Receipts:	
Other receipts	<u>22,397</u>
Total receipts	<u>22,397</u>
Disbursements:	
Supplies	351
Other services and charges	483
Other disbursements	<u>8,285</u>
Total disbursements	<u>9,119</u>
Excess of receipts over disbursements	<u>13,278</u>
Cash and investments - ending	<u>\$ <u>29,296</u></u>

TOWN OF RIVER FOREST  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011

	General
Cash and investments - beginning	\$ <u>33,250</u>
Receipts:	
Taxes	5,326
Licenses and permits	239
Intergovernmental	4,857
Other receipts	<u>58</u>
Total receipts	<u>10,480</u>
Disbursements:	
Personal services	550
Supplies	265
Other services and charges	<u>8,756</u>
Total disbursements	<u>9,571</u>
Excess of receipts over disbursements	<u>909</u>
Cash and investments - ending	<u><u>\$ 34,159</u></u>

TOWN OF RIVER FOREST  
EXAMINATION RESULTS AND COMMENTS

**FINANCIAL OPINION MODIFICATION**

The financial records presented for examination for the year ending December 31, 2010, were incomplete and not reflective of the activity of the Town's funds. The records presented did not provide sufficient evidence to examine beginning balances, receipts, disbursements, ending balances, or the accuracy of the transactions due to the failure to post all transactions. Additionally, the financial records presented for examination for the year ending December 31, 2011, did not provide appropriate evidence for us to verify that the beginning and ending balances reported were materially accurate. We were not able to perform sufficient alternate procedures to ensure that the financial statements presented were materially accurate.

Accounting records and other public records must be maintained in a manner that will support accurate financial statements. Anything other than an unqualified opinion on the Independent Auditor's Report on the financial statements may have adverse financial consequences with the possibility of an increase in interest rate cost to the taxpayers of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

**CONDITION OF RECORDS**

The following were specific deficiencies identified during the two year period of examination:

- In 6 instances, expenditures were not posted to the ledgers, for a total of \$1,978 in expenditures not accurately posted to the ledger.
- In 6 instances, expenditures were posted multiple times to the ledgers, totaling \$1,265.29 in expenditures which were posted multiple times to the ledger.
- In 11 instances, multiple receipts were written for the same deposit. In 5 instances, receipts were not written. Also, for EFT deposits and interest deposits, no receipts were written.
- In multiple instances distributions could not be traced exactly to deposits.
- Depository reconciliations of the fund balances to the bank account balances were not presented for examination.
- Due to the conditions of the records and lack of accurate financials, a bank reconciliation could not be completed as of December 31, 2010, or December 31, 2011.

A similar comment appeared in prior Report B36981.

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."

TOWN OF RIVER FOREST  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

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. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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)

**ERRORS ON CLAIMS**

The following deficiencies were noted on claims during the examination period:

1. Claims were not prepared for all disbursements. We identified ten expenditures in 2010 and two expenditures in 2011 for which a claim was not prepared to support the expenditure.
2. Claims did not have Board approval.
3. Claims or invoices did not contain evidence to support receipt of goods or services. We identified 42 claims in 2010 which were not certified. The 2011 claims were appropriately certified.

Indiana Code 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

**DEPOSITS**

Receipts were routinely not deposited timely. Of the receipts tested, on average, receipts were deposited 14 days after receipt.

TOWN OF RIVER FOREST  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

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."

***BOARD MINUTES***

No minutes were presented for 2010. The minutes for two meetings in 2011 were presented. A similar comment appeared in prior Report B36981.

Indiana Code 5-14-1.5-4b states:

"(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) Any additional information required under IC 5-1.5-2-2.5."

***INVESTMENTS IN CERTIFICATES OF DEPOSIT***

An investment was made in a certificate of deposit with a maturity date 60 months (5 years) from the date of purchase. In addition, a record of quotes taken for investment in certificates of deposit was not available for examination.

Indiana Code 5-13-9-5.6 states in part: "Investments made under IC 5-13-9 must have a stated final maturity of not more than two years after the date of purchase or entry into a repurchase agreement."

Indiana Code 5-13-9-4(b) states in part:

"The investing officer making a deposit in a certificate of deposit shall obtain quotes of the specific rates of interest for the term of that certificate of deposit that each designated depository will pay on the certificate of deposit. Quotes may be solicited and taken by telephone. A memorandum of all quotes solicited and taken shall be retained by the investing officer as a public record of the political subdivision under IC 5-14-3. . . ."

***APPROPRIATIONS***

No records were presented for examination in regards to a budget being passed in either year. It was noted in the Board minutes that no budget was prepared or approved for 2011.

TOWN OF RIVER FOREST  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

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."

***ANNUAL REPORT***

An Annual Report for 2010 was not submitted timely. The Annual Report was submitted June 20, 2011, which was over 14 months past the deadline. The 2011 Annual Report was submitted timely. A similar comment appeared in prior Report B36981.

Indiana Code 5-11-1-4 states in part:

"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 filed electronically, in a manner prescribed by the state examiner that is compatible with the technology employed by the political subdivision."

***INTEREST ON INVESTMENTS***

Interest earned on investments was automatically added to the principal and not recorded in the records.

Interest on investments should not be automatically added into the investment. Instead, interest on investments should be paid to the governmental unit at each maturity date and posted to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF RIVER FOREST  
EXIT CONFERENCE

The contents of this report were discussed on March 12, 2012, with Michael J. Hubbard, Clerk-Treasurer. The official concurred with our findings.