

B37402

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

EXAMINATION REPORT
OF
TOWN OF ROSELAND
ST. JOSEPH COUNTY, INDIANA
January 1, 2008 to December 31, 2009



FILED
08/18/2010

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OFFICIALS

Office

Official

Term

Clerk-Treasurer

Susan J. Hammons

01-01-08 to 12-31-11

President of the
Town Council

Elizabeth McCombs

01-01-08 to 12-31-10



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial information presented herein of the Town of Roseland (Town), for the period of January 1, 2008 to December 31, 2009. The Town's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the Town for the years ended December 31, 2008 and 2009, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Long-Term Debt, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the basic financial information. It has not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

July 26, 2010

TOWN OF ROSELAND
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL FUNDS
As Of And For The Years Ended December 31, 2008 And 2009

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ (187,132)	\$ 219,336	\$ 271,583	\$ (239,379)
Motor Vehicle Highway	54,662	16,770	26,510	44,922
Local Road and Street	25,317	7,566	4,500	28,383
Park and Recreation	42,253	1,862	6,275	37,840
Law Enforcement Continuing Education	542	-	335	207
Riverboat	(12)	-	-	(12)
Rainy Day	(52,964)	15,321	-	(37,643)
Major Moves	81,113	-	-	81,113
Cumulative Capital Improvement	1,796	2,972	3,750	1,018
Cumulative Capital Development	50,709	3,987	-	54,696
County Economic Development Income Tax	93,782	14,415	-	108,197
Redevelopment Commission	(8,022)	-	-	(8,022)
Leaf Assistance Program	111	-	-	111
Town Welcome	10	-	-	10
Police Donation	1,535	5,350	188	6,697
Holy Cross Patrol	3,435	-	-	3,435
Totals	<u>\$ 107,135</u>	<u>\$ 287,579</u>	<u>\$ 313,141</u>	<u>\$ 81,573</u>
	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ (239,379)	\$ 431,285	\$ 365,919	\$ (174,013)
Motor Vehicle Highway	44,922	19,335	15,298	48,959
Local Road and Street	28,383	7,124	23,318	12,189
Park and Recreation	37,840	795	10,529	28,106
Law Enforcement Continuing Education	207	400	307	300
Riverboat	(12)	-	-	(12)
Rainy Day	(37,643)	6,741	-	(30,902)
Major Moves	81,113	-	-	81,113
Cumulative Capital Improvement	1,018	1,978	6,962	(3,966)
Cumulative Capital Development	54,696	13,495	825	67,366
County Economic Development Income Tax	108,197	-	-	108,197
Redevelopment Commission	(8,022)	-	123	(8,145)
Leaf Assistance Program	111	-	-	111
Town Welcome	10	-	-	10
Police Donation	6,697	1	971	5,727
Holy Cross Patrol	3,435	-	-	3,435
Totals	<u>\$ 81,573</u>	<u>\$ 481,154</u>	<u>\$ 424,252</u>	<u>\$ 138,475</u>

The accompanying notes are an integral part of the financial information.

TOWN OF ROSELAND
NOTES TO FINANCIAL INFORMATION

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. All property taxes collected by the County Treasurer and available for distribution were distributed to the Town on or prior to December 31 of the year collected.

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.

TOWN OF ROSELAND
NOTES TO FINANCIAL INFORMATION
(Continued)

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. Overdrawn Appropriations

For the year 2008, the General Fund appropriations were overdrawn in the amount of \$82,262. In the year 2009, the General Fund appropriations were overdrawn in the amount of \$145,385; the Park and Recreation Fund appropriations were overdrawn in the amount of \$8,318; and the Cumulative Capital Improvement Fund appropriations were overdrawn in the amount of \$4,962.

Note 6. Liabilities

The Town has identified liabilities totaling \$68,534 at December 31, 2009. This amount includes delinquent withholding tax of \$27,333, current withholding tax of \$10,394 and penalty and interest charges totaling \$15,764. The Town also owes the Town attorney \$14,935.

Note 7. Subsequent Event

The Town does not have a Debt Service tax rate for 2010. Principal and interest due in 2010 on the Town Judgment Bond issue will be paid from the General Fund. The amount due in 2010 is \$30,625.

TOWN OF ROSELAND
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2009

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Bonds payable:		
General obligation bonds:		
Judgment bonds of 2008	\$ 75,000	\$ 30,625

TOWN OF ROSELAND
EXAMINATION RESULTS AND COMMENTS

CONDITION OF RECORDS – BANK RECONCILEMENTS, POSTING ERRORS AND BUDGETS

The following deficiencies, relating to the recordkeeping that were cited in the prior Report B32116, were again present during our period of examination:

- (1) Depository reconciliations of the fund balances to the bank account balances presented for examination were incorrect. Outstanding check lists were inaccurate and bank charges and other bank adjustments were not included in the reconcilements. The adjusted bank balances were never balanced to the Town's fund balances.

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

- (2) There were a considerable number of posting errors. These errors included some checks and receipts not recorded in the proper amounts or to the proper fund or not recorded at all. Some State and County distributions were posted to the wrong fund. Check number 18525 in the amount of \$769.44 which cleared the bank on October 27, 2009 was not recorded on the Town records. Bank charges for overdrawn account balances and all other bank credits and debits were not posted to the Town records.

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)

- (3) The budgets used for 2008 and 2009 were not the approved budgets for the Town. The General Fund appropriations for 2008 totaled \$297,375 and the General Fund budget approved for 2008 was for \$190,874. The General Fund appropriations for 2009 totaled \$298,875 and the General Fund budget for 2009 was for \$123,981. In both years the expenditures for the General Fund exceeded the approved budgets.

If any reduction is made by the county tax adjustment board or the Department of Local Government Finance in your budget and tax levy, the appropriate body must comply with IC 6-1.1-18-4, which 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" (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)

TOWN OF ROSELAND
EXAMINATION RESULTS AND COMMENTS
(Continued)

ANNUAL REPORTS

An annual report for 2008 was not presented for examination and the annual report prepared and presented for examination for 2009 was not consistent with the records of the Town.

A similar comment appeared in the prior Report B32116.

IC 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 . . ."

CLERK-TREASURER'S COMPENSATION

Susan J. Hammons, Clerk-Treasurer received \$1,800 in compensation in 2008 which was in excess of the salary ordinance, and she received a \$769.44 payment in 2009 which was not included in the payroll system or on the salary ordinance for 2009. These payments totaled \$2,569.44. The Clerk-Treasurer will repay these amounts to the Town by reduction of her salary for the remainder of 2010. Her approved salary for 2010 of \$23,400 will be reduced to \$20,830.56 to effect repayment of the amounts overpaid in 2008 and 2009.

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)

LATE PAYMENTS, PENALTIES, INTEREST, AND OTHER CHARGES

In some cases, Federal tax withholdings and amounts payable to vendors and other suppliers of goods and services were not being paid timely. At December 31, 2009, there was \$27,333 of Federal tax withholdings that were delinquent from prior years. This amount was paid on April 7, 2010. There were other amounts due to vendors totaling \$15,043 at December 31, 2010, that were past due. Also, penalty and interest totaling \$15,764 was due to the Internal Revenue Service for withholding tax errors in reporting and late payments of withholding taxes. This penalty and interest has not been paid and is currently being negotiated with the Internal Revenue Service by the Town attorney. Also, the Town has incurred \$153 in overdraft charges in 2008 and \$50 in 2009.

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)

TOWN OF ROSELAND
EXAMINATION RESULTS AND COMMENTS
(Continued)

OVERDRAWN APPROPRIATIONS

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

<u>Fund</u>	<u>Years</u>	<u>Excess Amount Expended</u>
General	2008	\$ 82,262
General	2009	145,385
Park and Recreation	2009	8,318
Cumulative Capital Improvement	2009	4,962

IC 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."

OVERDRAWN CASH BALANCES

The cash balances of four funds were overdrawn in 2008 and in 2009. The General Fund and the Rainy Day Fund were materially overdrawn in 2008 and 2009.

A similar comment appeared in the prior Report B32116.

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

SUPPORTING DOCUMENTATION

Several payments were observed which were not supported by adequate documentation, such as receipts, invoices, and other public records. Due to the lack of supporting information, the validity and accountability for some money disbursed could not be established. Some travel reimbursements did not have paid hotel bills attached to support the reimbursement. Some reimbursements to employees for purchases made for the Town did not have attached invoices or paid bills to support the amount reimbursed. For example, two reimbursements for soft drinks purchased for the Town vending machine had no supporting documentation. The paid bill for the soft drinks should have been attached to the claim.

A similar comment appeared in the prior Report B32116.

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)

TOWN OF ROSELAND
EXAMINATION RESULTS AND COMMENTS
(Continued)

CAPITAL ASSET RECORDS

The Town does not maintain current capital asset records. The Capital Assets Ledger, prescribed City/Town Form 211, reflects no entries since 2003 and does not accurately reflect the Capital Assets owned by the Town.

A similar comment appeared in the prior Report B32116.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded in the Capital Assets Ledger form. 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)

BUDGET NOT APPROVED FOR 2010

The Town's budget for 2010 was not approved by the State of Indiana Department of Local Government Finance. A certified tax levy was approved for the General Fund in the amount of \$232,771 at a certified tax rate of 0.4211 and a certified tax levy was approved for the Cumulative Capital Development Fund in the amount of \$10,779 at a certified tax rate of 0.0195. No other funds were approved for a 2010 tax rate.

The Town's last approved budgets were: General Fund for 2009 in amount of \$123,981, Motor Vehicle Highway Fund for 2009 in amount of \$39,902, Local Road and Street Fund for 2008 in amount of \$15,000; Park and Recreation Fund for 2009 in the amount of \$16,203; Cumulative Capital Improvement Fund for 2009 in the amount of \$2,000; and Cumulative Capital Development Fund for 2009 in the amount of \$15,000.

The budgets in use for 2010 by the Town for the above noted funds are these previously approved budgets.

IC 36-4-8-2 and IC 36-5-4-2 and the uniform system provide that no disbursement shall be made except as authorized by an appropriation contained in the budget or in a subsequent modification of the budget.

The law requires the adoption of a balanced budget which shall include all anticipated revenues and expenses of every organizational unit with the exception of utilities. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

BOND ISSUE ORDINANCE

Town Council Ordinance 11-2008 authorized the issuance of bonds for the purpose of providing funds for the payment of judgments entered against the Town and for incidental expenses in connection with the issuance. The ordinance required that bond proceeds be deposited in the Town of Roseland Judgment Bond Fund. The ordinance also provides that bonds and interest due thereon are general obligations of the Town payable from property taxes on all taxable property within the Town.

TOWN OF ROSELAND
EXAMINATION RESULTS AND COMMENTS
(Continued)

The proceeds from the bond issue were deposited in the Town General Fund and not in a separate Judgment Fund. The Town budget for 2010 was not approved and the Town has no approved debt service tax rate for 2010. Bond principal and interest payments for 2009 totaling \$27,798 were paid from the General Fund. Bond principal and interest payments due in 2010 totaling \$30,625 will be paid from the General Fund.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (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 July 26, 2010, with Elizabeth McCombs, President of the Town Council; and Susan J. Hammons, Clerk-Treasurer.