

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, 2010 to December 31, 2010



FILED
08/25/2011

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Susan J. Hammons	01-01-08 to 12-31-11
President of the Town Council	Elizabeth J. McCombs	01-01-10 to 12-31-11



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

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

INDEPENDENT ACCOUNTANT'S REPORT

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

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

The Town did not properly maintain accounting records. The Town's records do not permit the application of other examination procedures to ascertain if the financial statement(s) is fairly stated.

Since the Town did not properly maintain accounting records and we were not able to apply other examination procedures to satisfy ourselves as to whether the financial statement(s) is fairly stated, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on this financial statement(s).

The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the examination procedures applied to the financial statement(s) and, accordingly, we express no opinion on them.

The Town's response to the Examination Results and Comments identified in our examination is described in the accompanying section of the report entitled Official Response. We did not examine the Town's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Town's management and Town Council, 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

July 28, 2011

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FINANCIAL STATEMENT(S)

TOWN OF ROSELAND
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
REGULATORY BASIS
For The Year Ended December 31, 2010

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
General	\$ 23,929	\$ 373,343	\$ 255,905	\$ 141,367
Motor Vehicle Highway	13,955	31,077	35,371	9,661
Local Road And Street	-	7,243	-	7,243
Park And Recreation Fund	(14,216)	510	8,979	(22,685)
Law Enforcement Continuing Education	1,231	970	500	1,701
Riverboat Revenue	4,024	-	-	4,024
Rainy Day Fund	5,809	7,125	-	12,934
Police Donations	5,719	-	-	5,719
Cumulative Capital Development	17,482	12,368	-	29,850
Cumulative Capital Improvement	(7,301)	1,888	2,732	(8,145)
CEDIT	31,077	87,348	-	118,425
Leaf Assistance Program	111	-	-	111
Town Welcome Sign	10	-	-	10
Totals	<u>\$ 81,830</u>	<u>\$ 521,872</u>	<u>\$ 303,487</u>	<u>\$ 300,215</u>

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

TOWN OF ROSELAND
NOTES TO FINANCIAL STATEMENT(S)

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, highways and streets, culture and recreation, public improvements, planning and zoning, and general administrative services.

The accompanying financial statement(s) presents the financial information for the Town (primary government), and does not include financial information for any of the Town's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of the Town (primary government).

B. Basis of Accounting

The financial statement(s) 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.

TOWN OF ROSELAND
NOTES TO FINANCIAL STATEMENT(S)
(Continued)

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.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, park rental fees, cable tv receipts, ordinance violations, and fines and fees.

Fines and forfeits which include receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

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.

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

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

TOWN OF ROSELAND
NOTES TO FINANCIAL STATEMENT(S)
(Continued)

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.

G. Fund Accounting

Separate funds are established, maintained, and reported by the Town. Each fund is used to account for money 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 money 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.

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 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.

TOWN OF ROSELAND
NOTES TO FINANCIAL STATEMENT(S)
(Continued)

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 and replacement items purchased.

Note 6. Pension Plan

The Town has a deferred compensation plan 457(b) for its full-time employees. The Town does not contribute to the plan. Information regarding this plan may be obtained from the Town.

Note 7. Subsequent Events

On April 6, 2011, the Town paid \$15,000 in penalties and interest to the Internal Revenue Service in settlement of penalties and interest owed from the quarter ending June 30, 2008 through the quarter ending September 30, 2010. There will be additional penalties and interest assessed for the quarters ending December 31, 2010, March 31, 2011, and June 30, 2011.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Town of Roseland's Annual Report(s) can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

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

	General	Motor Vehicle Highway	Local Road And Street	Park And Recreation Fund	Law Enforcement Continuing Education	Riverboat Revenue	Rainy Day Fund
Cash and investments - beginning	\$ 23,929	\$ 13,955	\$ -	\$ (14,216)	\$ 1,231	\$ 4,024	\$ 5,809
Receipts:							
Taxes	263,350	-	-	-	-	-	-
Licenses and permits	730	-	-	-	-	-	-
Intergovernmental	94,144	31,077	7,243	-	-	-	7,125
Charges for services	14	-	-	510	335	-	-
Fines and forfeits	-	-	-	-	635	-	-
Other receipts	15,105	-	-	-	-	-	-
Total receipts	<u>373,343</u>	<u>31,077</u>	<u>7,243</u>	<u>510</u>	<u>970</u>	<u>-</u>	<u>7,125</u>
Disbursements:							
Personal services	163,384	13,955	-	5,249	500	-	-
Supplies	19,313	3,054	-	1,041	-	-	-
Other services and charges	73,208	18,362	-	2,689	-	-	-
Total disbursements	<u>255,905</u>	<u>35,371</u>	<u>-</u>	<u>8,979</u>	<u>500</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>117,438</u>	<u>(4,294)</u>	<u>7,243</u>	<u>(8,469)</u>	<u>470</u>	<u>-</u>	<u>7,125</u>
Cash and investments - ending	<u>\$ 141,367</u>	<u>\$ 9,661</u>	<u>\$ 7,243</u>	<u>\$ (22,685)</u>	<u>\$ 1,701</u>	<u>\$ 4,024</u>	<u>\$ 12,934</u>

TOWN OF ROSELAND
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Police Donations	Cumulative Capital Development	Cumulative Capital Improvement	Cedit	Leaf Assistance Program	Town Welcome Sign	Totals
Cash and investments - beginning	\$ 5,719	\$ 17,482	\$ (7,301)	\$ 31,077	\$ 111	\$ 10	\$ 81,830
Receipts:							
Taxes	-	12,368	-	87,348	-	-	363,066
Licenses and permits	-	-	-	-	-	-	730
Intergovernmental	-	-	1,888	-	-	-	141,477
Charges for services	-	-	-	-	-	-	859
Fines and forfeits	-	-	-	-	-	-	635
Other receipts	-	-	-	-	-	-	15,105
Total receipts	-	12,368	1,888	87,348	-	-	521,872
Disbursements:							
Personal services	-	-	2,732	-	-	-	185,820
Supplies	-	-	-	-	-	-	23,408
Other services and charges	-	-	-	-	-	-	94,259
Total disbursements	-	-	2,732	-	-	-	303,487
Excess (deficiency) of receipts over disbursements	-	12,368	(844)	87,348	-	-	218,385
Cash and investments - ending	\$ 5,719	\$ 29,850	\$ (8,145)	\$ 118,425	\$ 111	\$ 10	\$ 300,215

TOWN OF ROSELAND
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2010

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	\$ 26,875

TOWN OF ROSELAND
EXAMINATION RESULTS AND COMMENTS

CAPITAL ASSET RECORDS

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

A similar comment appeared in prior Reports B37402 and 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. 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)

STATE AND LOCAL TAX DISTRIBUTIONS

Cigarette tax distributions for the Cumulative Capital Improvement Fund in the amount of \$1,888.54 were deposited into the General Fund. The Clerk-Treasurer should transfer the \$1,888.54 from the General Fund to the Cumulative Capital Improvement Fund.

The April 2010 General Fund CEDIT distribution received on April 12, 2010, in the amount of \$7,045.33 was not entered in the records of the Town. The Clerk-Treasurer should enter the distribution into the General Fund cash and CEDIT receipts.

The May 2010 Commercial Vehicle Excise Tax distribution for the Cumulative Capital Development Fund in the amount of \$11 was posted to the General Fund and the Cumulative Capital Development Fund. The Clerk-Treasurer should make a correction entry to decrease the amount of the General Fund cash and excise surtax receipts in the amount of \$11.

A Local Option Income Tax Fund was created during 2010. The Clerk-Treasurer should transfer Local Option Income Tax for Public Safety distributions of \$10,904.50 from the County Option Income tax account, \$2,180.90 from the Excise Surtax account, and \$2,180.90 from the Local Option Income Tax account, all in the General Fund, to the newly created Local Option Income Tax Fund.

A Riverboat distribution of \$4,036.43 was posted to the Rainy Day Fund. The Clerk-Treasurer should transfer the riverboat distribution from the Rainy Day Fund to the Riverboat Fund.

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)

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.

TOWN OF ROSELAND
EXAMINATION RESULTS AND COMMENTS
(Continued)

Since the Town has no approved Debt Service Fund tax rate, the annual principal and interest payments required for the Judgment Bond Issue of 2008 will be repaid from the Town General Fund.

The Town's last approved budgets were: General Fund for 2009 in the amount of \$123,981; Motor Vehicle Highway Fund for 2009 in the amount of \$39,902; Local Road and Street Fund for 2008 in the 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.

A similar comment appeared in prior Report B37402.

Indiana Code 36-4-8-2 and Indiana Code 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)

APPROPRIATIONS

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

Fund	Years	Excess Amount Expended
General	2010	\$ 131,924
Cumulative Capital Improvement	2010	732

A similar comment appeared in prior Report B37402.

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."

**CONDITION OF RECORDS PRESENTED FOR EXAMINATION
- RECONCILEMENTS, POSTING ERRORS, BUDGETS**

The following deficiencies, relating to the recordkeeping that were cited in prior Report B37402, were again present during our period of examination:

TOWN OF ROSELAND
EXAMINATION RESULTS AND COMMENTS
(Continued)

1. Depository reconciliations of the fund balances to the bank account balances presented for examination were incorrect. Outstanding check lists were inaccurate and a bank charge was not included in the reconciliation. The adjusted bank balances were never balanced to the Town's fund balances.

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 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. The annual report (CTAR-1) filed by the Town does not agree with the Town's records. The Financial Report by Fund, which is a summary of the activity of the general ledger, does not agree with the General Ledger Report.

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)

3. There were a considerable number of posting errors. These errors included some checks and receipts not recorded on the proper date, in the proper amounts, to the proper fund, or not recorded at all. Some State and County distributions were posted to the wrong fund. Check number 19196 in the amount of \$1,122.14, dated January 11, 2011, was posted as January 11, 2010. Cigarette Tax distributions for the Cumulative Capital Improvement Fund were posted to the General Fund. The General Fund CEDIT distribution, receipt number 8525 dated April 12, 2010, in the amount of \$7,045.33, was not recorded in the Town records. The commercial vehicle excise tax distribution for the Cumulative Capital Development Fund received in May 2010 in the amount of \$11 was posted to the General Fund and to the Cumulative Capital Development Fund. The local option income tax for public safety was posted to its own account within the General Fund, as well as to the COIT account and excise surtax account within the General Fund and a newly created Local Option Income Tax Fund. A riverboat distribution was posted to the Rainy Day Fund. A check printing fee of \$16.00 was not posted to the Town records. Three receipts appear to be entered twice in the Town records. Receipt number 8589 for \$5.00 and receipt number 8752 for \$5.00 were entered and posted twice. Receipt number 8605 for \$8.00 was entered and posted twice.

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)

4. The 2010 budget was not approved by the Department of Local Government Finance.

TOWN OF ROSELAND
EXAMINATION RESULTS AND COMMENTS
(Continued)

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)

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.

The proceeds from the bond issue were deposited in the Town General Fund and not in a separate Judgment Bond Fund. The Town budget for 2010 was not approved and the Town had no approved debt service tax rate for 2010. Bond interest payments for 2010 totaling \$5,625 were paid from the General Fund. The bond principal and interest payment paid in January 2011 totaling \$27,812.50 was also paid from the General Fund.

A similar comment appeared in prior Report B37402.

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)

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.

1. Some travel reimbursements to the Clerk-Treasurer were not supported by paid hotel bills, proper meal receipts or, in two instances, any documentation attached to support the reimbursement. For example, the meal receipts for a trip to Tennessee for a conference show that two people's meals were purchased and, in one case, three people were served. The receipts do not identify the people for whom the meals were purchased and their titles.
2. Some reimbursements to the Clerk-Treasurer for purchases made for the Town were not supported by attached invoices or paid bills. For example, one receipt for park fuel was missing, and one reimbursement for office supplies had no supporting documentation. The receipts and/or invoices should have been attached to the claim.

TOWN OF ROSELAND
EXAMINATION RESULTS AND COMMENTS
(Continued)

A similar comment appeared in prior Report B37402 and Prior Report B32116 indicating the lack of supporting documentation.

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)

When traveling outside the corporation limits on official business, officers and employees may be reimbursed for meals, lodging and other necessary traveling expenses. The claim for reimbursement should be completely itemized and should be supported by receipts from hotels, restaurants, and taxi cabs used by the employee while traveling on official business of the city or town. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

3. In some instances, the Clerk-Treasurer was reimbursed for mileage to conferences that exceeded the reasonable mileage from the Town of Roseland to the conference site. For example, mileage was claimed to Fort Wayne, Indiana in the amount of 279 miles. The mileage from the Town of Roseland to the conference site in Fort Wayne should be approximately 190 miles.

When traveling outside the corporation limits on official business, officers and employees may be reimbursed for meals, lodging and other necessary traveling expenses. The claim for reimbursement should be completely itemized and should be supported by receipts from hotels, restaurants, and taxi cabs used by the employee while traveling on official business of the city or town. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Every effort should be made by the governmental unit to avoid unreasonable or excessive costs. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

4. In one instance, the Clerk-Treasurer was paid for mileage to a conference in advance of the actual travel date.

Compensation and any other payments for goods and services should not be paid in advance of receipt of the goods or services unless specifically authorized by statute. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

5. The Town contracted with Total Property Maintenance for snow removal and salting of roads. The amounts paid to Total Property Maintenance for the current year and the three prior years are as follows: 2011, \$44,750; 2010, \$53,785; 2009, \$60,140; and 2008, \$37,325. For the 2010 calendar year, one other company bid for the contract. The bid from Larrison Lawn and Landscaping Service was \$24,980. For the 2011 calendar year, two other companies bid for the contract. The bid from Larrison Lawn and Landscaping Service was for an amount not to exceed \$25,000 per year, with a rate of snow plowing at \$700 per event and salt at \$1,000 per plowing event. The bid from

TOWN OF ROSELAND
EXAMINATION RESULTS AND COMMENTS
(Continued)

Extreme Creations was for \$21,000 per season plus professional ice melt at \$.40/lb and billed per application. It appears that the other companies' bids would have materially lowered the costs of snow removal and salting expenses for the Town of Roseland.

A contract must be awarded with reasonable promptness by written notice to the lowest responsible and responsive bidder. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Every effort should be made by the governmental unit to avoid unreasonable or excessive costs. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OVERDRAWN CASH BALANCES

The cash balances of the Park and Recreation Fund and the Cumulative Capital Improvement Fund were overdrawn in 2010. The overdrawn balances are as follows: Park and Recreation Fund, (\$22,685); and Cumulative Capital Improvement Fund, (\$8,145).

A similar comment appeared in prior Report B37402 and 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)

TOWN OF ROSELAND
EXIT CONFERENCE

The contents of this report were discussed on July 28, 2011, with Susan J. Hammons, Clerk-Treasurer, and Elizabeth J. McCombs, President of the Town Council. The official response has been made a part of this report and may be found on pages 22 through 25.

August 4, 2011

State Board of Accounts,

Here are my comments in response to the Examination Results and Comments from the most recent audit conducted for the Town of Roseland:

- (1.) There are a number of corrections that need to be made with respect to the accounting for a number of entries in the books for the Town of Roseland. I will ask the Town Council to adopt a resolution directing the Clerk-Treasurer to make the corrections outlined in the results and comments.
- (2.) A debt service fund rate needs to be established and bond debt payments and receipts need to be accounted for under a separate account.
- (3.) Immediate action needs to be taken by the Town to obtain an approved budget and appropriations in accordance with all laws that are set in place to govern over budget guidelines.

(4.) The Clerk-Treasurer will be asked to account for excess expenditures; If she fails to do so, further action will be considered, including a claim against her and her surety on her bond, and contacting Indiana's Inspector General.

(5) - I will recommend the Town Contract with an independent financial advisor to establish a corrected/reconciled baseline for all accounts; and for myself and Council Members to monitor future accounting to make sure it complies with all regulations, rules, laws that apply to the Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7.

(6) With respect to the comment regarding the award of contract for snow removal and salting expenses, I will recommend that the Council adopts a resolution explaining why the selection of Total Property Maintenance was chosen as the contractor, even though it wasn't the lowest bid

to explain why Total Property Maintenance was the most responsible and responsive bidder. In addition: Total Property Maintenance owned and operated the best equipment for the snow removal and salting, the bids were broke down for all bids up for consideration and were found to be hire in distribution of salt on each application, Council Member Ed Kenn has retained a copy of the accounting of all break downs. For the health and safety of the entire town, Total Property Maintenance qualified to be the best choice for proper maintenance of our towns roads when all considerations were taken in account including the safety of school busses, Clay fire Department, police and all other emergency services who must gain access to our town even in sever winter conditions. The Council also took into consideration how important it was to make the correct choice of bidders who would not open the town up for litigation of liability. The Minutes of the December 10, 2009 Council meeting and December

2010 meeting reflect a lengthy discussion of all bids. Council took into consideration who was most qualified to perform the snow removal and salting for the protection of all of our residents.

At no time did the Council take action to set a cap of \$25,000. per year of snow removal. The Clerk-Treasurer imposed that of his own actions, published that amount and never told the Town Council until we read it in the paper.

With respect to the accounting of all payments made to Total Property Maintenance there are more considerations that must be observed. For example: There is a break down that work performed in 2007 was paid out in 2008 for unpaid claims for the prior Council. and so on for the following years. Documentation will reflect the totals will run and be misrepresented as the current year when it also includes work from the prior year.

Respectfully,
Elizabeth G. McHomb
Town Council President.