

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

FINANCIAL STATEMENTS REVIEW REPORT

OF

TOWN OF ROSELAND

ST. JOSEPH COUNTY, INDIANA

January 1, 2017 to December 31, 2019



FILED

02/08/2021

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SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|-------------------------------|-------------------|----------------------|
| Clerk-Treasurer | Robin Ackerson | 01-01-17 to 12-31-21 |
| President of the Town Council | Elizabeth McCombs | 01-01-17 to 12-31-21 |



INDEPENDENT ACCOUNTANT'S REVIEW REPORT

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

We have reviewed the accompanying financial statements of the Town of Roseland (Town), for the period of January 1, 2017 to December 31, 2019. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Town's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with a regulatory basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6); which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. This includes determining that the basis of accounting the Town uses is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatements whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with *Statements on Standards for Accounting and Review Services* promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with the prescribed basis of accounting described in Note 1. We believe that the results of our procedures provide a reasonable basis for our conclusion.


INDEPENDENT ACCOUNTANT'S REVIEW REPORT
(Continued)

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with the prescribed basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our conclusion is not modified with respect to this matter.


Paul D. Joyce, CPA
State Examiner

January 21, 2021

FINANCIAL STATEMENTS AND ACCOMPANYING NOTES

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 ROSELAND
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended December 31, 2017 and 2018

| Fund | Cash and Investments | | | Cash and Investments | | | Cash and Investments |
|--------------------------------------|----------------------|-------------------|-------------------|----------------------|---------------------|---------------------|----------------------|
| | 01-01-17 | Receipts | Disbursements | 12-31-17 | Receipts | Disbursements | |
| General | \$ 167,916 | \$ 508,648 | \$ 558,126 | \$ 118,438 | \$ 418,913 | \$ 483,495 | \$ 53,856 |
| Motor Vehicle Highway | 8,404 | 80,698 | 77,994 | 11,108 | 116,158 | 82,687 | 44,579 |
| Local Road and Street | 8,457 | 16,901 | 7,566 | 17,792 | 12,773 | - | 30,565 |
| Law Enforcement Continuing Education | 788 | 1,112 | 1,868 | 32 | 1,376 | 1,090 | 318 |
| Park and Recreation | 21,305 | 3,060 | 12,808 | 11,557 | 64,472 | 16,173 | 59,856 |
| Rainy Day | (17,014) | 18,000 | - | 986 | - | - | 986 |
| LOIT Special Distribution | 50,383 | - | - | 50,383 | - | - | 50,383 |
| Police Evidence Fund | 11,954 | 240 | - | 12,194 | - | - | 12,194 |
| Major Moves | 81,015 | - | - | 81,015 | - | - | 81,015 |
| Cumulative Capital Development | 7,409 | 6,489 | - | 13,898 | 6,180 | - | 20,078 |
| Redevelopment Commission | (10,135) | - | - | (10,135) | - | - | (10,135) |
| Cumulative Capital Improvement | 17,627 | 11,872 | 3,374 | 26,125 | 1,473 | 18,349 | 9,249 |
| CEDI.T. | 14,882 | 53,323 | 59,221 | 8,984 | 119,041 | 94,949 | 33,076 |
| Riverboat | 14,916 | 3,732 | 18,000 | 648 | 3,732 | - | 4,380 |
| L.O.I.T. | 2,628 | 18,280 | 19,833 | 1,075 | 31,428 | 22,598 | 9,905 |
| Picnic Donation | 1,415 | 1,030 | - | 2,445 | 1,000 | - | 3,445 |
| Police Donation | 1,314 | 6,100 | 774 | 6,640 | 2,600 | 1,652 | 7,588 |
| Payroll | (76,791) | 96,302 | 78,815 | (59,304) | 328,289 | 328,341 | (59,356) |
| Totals | <u>\$ 306,473</u> | <u>\$ 825,787</u> | <u>\$ 838,379</u> | <u>\$ 293,881</u> | <u>\$ 1,107,435</u> | <u>\$ 1,049,334</u> | <u>\$ 351,982</u> |

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

TOWN OF ROSELAND
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended December 31, 2019

| Fund | Cash and Investments 01-01-19 | Receipts | Disbursements | Cash and Investments 12-31-19 |
|--------------------------------------|-------------------------------------|---------------------|---------------------|-------------------------------------|
| General | \$ 53,856 | \$ 582,314 | \$ 581,642 | \$ 54,528 |
| Motor Vehicle Highway | 44,579 | 29,210 | 69,458 | 4,331 |
| Local Road and Street | 30,565 | 12,991 | 37,334 | 6,222 |
| MVH Restricted | - | 13,558 | - | 13,558 |
| Law Enforcement Continuing Education | 318 | 1,470 | 900 | 888 |
| Riverboat | 4,380 | 7,732 | 4,000 | 8,112 |
| Park and Recreation | 59,856 | 54,629 | 68,053 | 46,432 |
| Rainy Day | 986 | - | - | 986 |
| LOIT Special Distribution | 50,383 | - | - | 50,383 |
| Major Moves | 81,015 | - | - | 81,015 |
| Cumulative Capital Improvement | 9,249 | 1,439 | 7,460 | 3,228 |
| Cumulative Capital Development | 20,078 | 20,612 | 10,226 | 30,464 |
| Redevelopment Commission | (10,135) | - | - | (10,135) |
| CED.I.T. | 33,076 | 168,866 | 137,647 | 64,295 |
| L.O.I.T | 9,905 | 33,547 | 24,046 | 19,406 |
| Picnic Donation | 3,445 | 1,000 | - | 4,445 |
| Police Donation | 7,588 | 3,000 | 4,859 | 5,729 |
| Police Evidence Fund | 12,194 | - | - | 12,194 |
| Payroll | (59,356) | 362,565 | 362,564 | (59,355) |
| Totals | <u>\$ 351,982</u> | <u>\$ 1,292,933</u> | <u>\$ 1,308,189</u> | <u>\$ 336,726</u> |

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

TOWN OF ROSELAND
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, planning and zoning, general administrative services, water, wastewater, electric, gas, storm water, trash, aviation, and urban redevelopment and housing.

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

B. Basis of Accounting

The financial statements are reported on a regulatory basis of accounting prescribed by the Indiana State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America, in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

C. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

D. Receipts

Receipts are presented in the aggregate on the face of the financial statements. The aggregate receipts include the following sources:

Taxes. Amounts received from one or more of the following: property tax, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeeper's tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the Town.

Licenses and permits. 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 the following: peddler licenses, animal licenses, auctioneer licenses, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

TOWN OF ROSELAND
NOTES TO FINANCIAL STATEMENTS
(Continued)

Intergovernmental receipts. Amounts received from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of intergovernmental receipts include, but are not limited to, the following: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distributions received from the state, local road and street distributions received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services. Amounts received for services including, but not limited to, the following: planning commission charges, building department charges, copies of public records, copy machines charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable TV receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits. Amounts received 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. Amounts received from various sources, including, but not limited to, the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution, or court order; internal service receipts; and fiduciary receipts.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statements. The aggregate disbursements include the following uses:

Personal services. Amounts disbursed for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies. Amounts disbursed for articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include, but are not limited to, the following: office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges. Amounts disbursed for services including, but not limited to, the following: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Capital outlay. Amounts disbursed for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Other disbursements. Amounts disbursed for various other purposes including, but not limited to, the following: interfund loan payments; loans made to other funds; internal service disbursements; and transfers out that are authorized by statute, ordinance, resolution, or court order.

TOWN OF ROSELAND
NOTES TO FINANCIAL STATEMENTS
(Continued)

F. Interfund Transfers

The Town may, from time to time, make transfers from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the Town. Each fund is used to account for amounts received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the Town. The amounts accounted for in a specific fund may only be available for use for certain, legally-restricted purposes. Additionally, some funds are used to account for assets held by the 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 December 31 of the year preceding the budget year or January 15 of the budget year if the Town is issuing debt after December 1 or intends on filing a shortfall appeal. These rates were based upon the assessed valuations adjusted for various tax credits from the preceding year's lien date of January 1. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

Note 4. Deposits and Investments

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana, at year end, should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

TOWN OF ROSELAND
NOTES TO FINANCIAL STATEMENTS
(Continued)

State statutes authorize the Town to invest in securities including, but not limited to, the following: federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

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.

Note 6. Pension Plan

Nationwide Retirement Solutions 457(b) Plan

Plan Description

The Nationwide Retirement Solutions 457(b) Plan is a single-employer deferred compensation pension plan which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this benefit plan. The retirement benefit consists of the pension provided by an annuity provided by the member's annuity savings account. The annuity savings account consists of members' pre-tax contributions, set by federal statute at 100 percent of the participant's includible compensation, or the elective deferral limit (\$18,000 in 2017, 2018, and 2019), plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

Nationwide Investment Advisors, LLC, administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants.

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for the 457 plan are established by Nationwide Retirement Solution.

Note 7. Cash Balance Deficits

The financial statements contain some funds with deficits in cash. This is a result of multiple errors made in the past decade by various Clerk-Treasurers and deputies that were not corrected in a timely manner. Most of the errors were for receipts and distributions that were posted to the wrong fund account; however, some of the errors were due to inadequate training on the computer software program.

TOWN OF ROSELAND
NOTES TO FINANCIAL STATEMENTS
(Continued)

In 2011, when the current administration took office, there were nine funds with negative balances; in 2019, the number had been reduced to two such funds, for which the following plan was established:

- (a) Adjustments to correct the negative balance in the Payroll fund are being made incrementally each year as the affected funds allow; they accrued over time and would decimate the budget to correct all at once.
- (b) The Redevelopment Commission fund remains in the negative, as the Town Council has deemed that the Redevelopment Commission was not legitimately created (must have a 5-member council), and, therefore, does not use the fund, nor answer for the previous administration's creation of the fund.

Note 8. Subsequent Events

The Town Council adopted Ordinance 02-2020 on January 16, 2020. The ordinance dissolved the Department of Parks and Recreation and formally disbanded the Park Board. All Park Board members received their final pay in March, and the remaining balance of the Park and Recreation fund was transferred to the General fund. The Council then adopted Resolution 07-2020 on May 19, 2020, which transferred the remaining appropriations of the Park and Recreation fund to the General fund to allow for park operations.

TOWN OF ROSELAND
REVIEW RESULTS AND COMMENTS

INTERNAL CONTROLS

A similar comment also appeared in the immediately prior Report B49432, entitled *INTERNAL CONTROLS*.

Condition and Context

There were deficiencies in the internal control system of the Town related to financial transactions and reporting. The Town had not separated incompatible activities related to payroll related disbursements and financial close and reporting. The failure to establish these internal controls could have enabled material misstatements to occur and remain undetected.

Financial Close and Reporting

The Clerk-Treasurer entered the Town's financial information into the Indiana Gateway for Government Units financial reporting system, which was the source for the Annual Financial Report and financial statements; however, this process was completed without a documented oversight, review, or approval process in place to ensure its accuracy.

Payroll Related Disbursements

Internal controls had not been properly designed or implemented to ensure that the record of hours worked (timesheets) for Police Department employees were reviewed and approved by a supervisor or the Town Council. This was a systemic issue both during and subsequent to the review period.

All 7 Police Department employees' timesheets tested from 2017 did not contain supervisor approval of hours worked; in addition, 3 Town Marshal timesheets tested from the review period did not contain a signature or approval by anyone other than the employee. Additionally, 1 Police Department timesheet requested from the review period was not presented for review.

Also, of the 16 Police Department employees' timesheets examined from subsequent to the review period, 5 lacked documented approval of hours worked by the employees' supervisor or by the Town Council.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

TOWN OF ROSELAND
REVIEW RESULTS AND COMMENTS
(Continued)

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

Indiana Code 5-11-9-4(b) states in part:

"The state board of accounts shall require that records be maintained showing which hours are worked each day by officers and employees:

(1) Covered by section 1 or 2 of this chapter; and . . ."

The federal Fair Labor Standards Act (FLSA) requires that records of wages paid, daily and weekly hours of work, and the time of day and day of week on which the employee's work week begins be kept for all employees. These requirements can be met by use of the following prescribed general forms:

General Form 99A, Employee's Service Record
General Form 99B, Employee's Earnings Record
General Form 99C, Employee's Weekly Earnings Record

General Form 99C is required only for employees who are not exempt from FLSA, are not on a fixed work schedule, and are not paid weekly.

Additional information regarding FLSA rules and regulations may be obtained from the Department of Labor. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

OVERDRAWN CASH BALANCES

The same comment also appeared in the prior Reports B37402, B39135, B43219, and B49432.

Condition and Context

The Redevelopment Commission fund had an overdrawn cash balance of \$10,135 at December 31, 2017, 2018, and 2019.

The Payroll fund had overdrawn cash balances of \$59,304, \$59,356, and \$59,355 at December 31, 2017, 2018, and 2019, respectively.

Criteria

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 unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

ERRORS ON CLAIMS

Condition and Context

Throughout the review period, claims were approved by the Town Council after checks were drawn against the funds. Per inquiry of the Clerk-Treasurer and inspection of the October and November 2019 claim dockets and ledgers, we determined that this was a systemic issue throughout the review period.

TOWN OF ROSELAND
REVIEW RESULTS AND COMMENTS
(Continued)

Criteria

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. . . ."

TOWN OF ROSELAND
EXIT CONFERENCE

The contents of this report were discussed on January 21, 2021, with Robin Ackerson, Clerk-Treasurer, and Elizabeth McCombs, President of the Town Council.