

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

EXAMINATION REPORT
OF
TOWN OF LEESBURG
KOSCIUSKO COUNTY, INDIANA
January 1, 2005 to December 31, 2006



FILED
10/10/2007

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OFFICIALS

Office

Official

Term

Clerk-Treasurer

Carolyn Beatty
Melissa Robinson

01-01-04 to 06-12-06
06-13-06 to 12-31-07

President of the Town Council

Rick L. Stookey

01-01-05 to 12-31-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF LEESBURG, KOSCIUSKO COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Leesburg (Town), for the period of January 1, 2005 to December 31, 2006. 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, 2005 and 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of 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

August 14, 2007

TOWN OF LEESBURG
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL AND PROPRIETARY FUND TYPES
As Of And For The Years Ended December 31, 2005 And 2006

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General	\$ 35,747	\$ 86,035	\$ 92,156	\$ 29,626
Motor Vehicle Highway	17,423	45,570	53,817	9,176
Local Road and Street	5,801	6,385	2,510	9,676
Cumulative Capital Improvement	189,153	5,705	38,169	156,689
Economic Development Income Tax	8,299	33,194	23,063	18,430
Totals	<u>\$ 256,423</u>	<u>\$ 176,889</u>	<u>\$ 209,715</u>	<u>\$ 223,597</u>

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 29,626	\$ 93,155	\$ 90,577	\$ 32,204
Motor Vehicle Highway	9,176	49,531	8,911	49,796
Local Road and Street	9,676	6,261	213	15,724
Cumulative Capital Improvement	156,689	8,554	115,826	49,417
Economic Development Income Tax	18,430	40,266	38,000	20,696
Proprietary Fund:				
Wastewater Utility - Construction	-	390,000	193,400	196,600
Totals	<u>\$ 223,597</u>	<u>\$ 587,767</u>	<u>\$ 446,927</u>	<u>\$ 364,437</u>

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

TOWN OF LEESBURG
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, health and social services, 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.

State statute (IC 5-13-9) authorizes the Town to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Note 6. Subsequent Event

The Town has contracted with a firm to prepare an engineering plan for a Wastewater Utility. A cost estimate, for the Utility, of \$5,850,000 has been determined.

TOWN OF LEESBURG
SUPPLEMENTARY INFORMATION
SCHEDULE OF DEBT

For The Year Ended December 31, 2006

<u>Description of Asset</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Wastewater Utility		
Bond anticipation note:		
Construction of wastewater treatment plant	<u>\$ 390,000</u>	<u>\$ 390,000</u>

TOWN OF LEESBURG
EXAMINATION RESULTS AND COMMENTS

ANNUAL REPORT

Annual reports for the years 2005 and 2006 were not presented for examination. Similar comments appeared in prior Report B10554, B17251, B21713, and B25885. Forms for preparing the report were sent to the Town by the State Board of Accounts.

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

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>
Economic Development Income Tax	2005	\$ 23,063
Economic Development Income Tax	2006	38,000
Cumulative Capital Improvement	2006	55,826

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."

PAYROLL DEDUCTIONS

Payments were made to the Clerk-Treasurer and Town Council members without payroll deductions for taxes. No W-2 forms or 1099 forms were filed for these employees.

The Clerk-Treasurer has not established a procedure for withholding taxes from these employees.

Not withholding payroll taxes could result in a liability for the Town in the form of unpaid FICA taxes, penalties, and interest for not complying with regulations.

Internal Revenue Service Circular E states that employers "will be liable for social security and medicare taxes and withheld income tax if you do not deduct and withhold them because you treat an employee as a nonemployee."

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF LEESBURG
EXAMINATION RESULTS AND COMMENTS
(Continued)

ACCOUNTS PAYABLE VOUCHERS

Accounts payable vouchers or attached invoices were not accompanied by evidence in support of the receipt of goods or services.

The Town has not implemented a process to document that goods or services were received.

Without evidence that goods or services were received, payments could be made in error.

All accounts payable vouchers should be signed by the person receiving any goods or services prior to checks being written.

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 LEESBURG
EXIT CONFERENCE

The contents of this report were discussed on August 14, 2007, with Melissa Robinson, Clerk-Treasurer; and Rick L. Stookey, President of the Town Council. The officials concurred with our findings.