

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

AUDIT REPORT

OF

TOWN OF LEESBURG

KOSCIUSKO COUNTY, INDIANA

January 1, 2008 to December 31, 2009



FILED
09/30/2010

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report on Financial Statements and Supplementary Schedule of Expenditures of Federal Awards	3-4
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	5-6
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Activities and Net Assets – Cash and Investment Basis	7, 11
Fund Financial Statements:	
Governmental Funds:	
Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Governmental Funds	8, 12
Proprietary Funds:	
Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Proprietary Funds.....	9, 13
Fiduciary Funds:	
Statement of Additions, Deductions, and Changes in Cash and Investment Balances – Fiduciary Funds	10, 14
Notes to Financial Statements	15-20
Supplementary Information:	
Combining Schedule of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Other Governmental Funds.....	21, 23
Combining Schedule of Additions, Deductions, and Changes in Cash and Investment Balances – Agency Funds.....	22, 24
Schedule of Long-Term Debt	25
Audit Results and Comments:	
Condition of Records and Bank Account Reconciliations	26
Annual Report.....	26
Lack of Supporting Documentation	26-27
Compensation and Benefits	27-28
Service and Time Records	28
Payroll Deductions.....	28
Credit Cards.....	28-29
Finance Charges and Late Fees	29
Petty Cash	29-30
Capital Asset Records	30
Appropriations.....	30
Overdrawn Fund Balances	30
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133.....	32-33
Schedule of Expenditures of Federal Awards	34
Note to Schedule of Expenditures of Federal Awards.....	35
Schedule of Findings and Questioned Costs	36
Auditee Prepared Schedules:	
Summary Schedule of Prior Audit Findings	37
Corrective Action Plan.....	38
Exit Conference.....	39

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Melissa Robinson	06-13-10 to 04-01-10
	Vacant	04-02-10 to 05-08-10
	Jan Carter	05-09-10 to 12-31-11
President of the Town Council	Rick Stookey	01-01-07 to 12-31-09
	Ryan Robinson	01-01-10 to 03-09-10
	Vacant	03-10-10 to 05-09-10
	Rick Stookey	05-10-10 to 12-31-10



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 AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

We were engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Leesburg (Town), as of and for the years ended December 31, 2008 and 2009, which collectively comprise the Town's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Town's management.

The Town did not maintain adequate accounting records to provide sufficient information for the preparation of the basic financial statements, which leads to significant scope limitations, whether intentional or not, which hinders the auditor's work in obtaining evidence and performing procedures.

Because of the significance of the matters discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion of the financial statements referred to in the first paragraph.

As discussed in Note I, the Town prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated June 16, 2010, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Town has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The Combining Schedules, as listed in the Table of Contents, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, and the Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

June 22, 2010



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

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Leesburg (Town), as of and for the years ended December 31, 2008 and 2009, which collectively comprise the Town's basic financial statements and have issued our report thereon dated June 16, 2010. Because the Town did not maintain adequate accounting records to provide sufficient information for the preparation of the basic financial statements, which leads to a significant scope limitation, whether intentional or not, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion of the financial statements.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we considered to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in item 2009-1 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, of the significant deficiencies described above, we consider item 2009-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2009-1.

The Town's response to the findings identified in our audit is described in the accompanying section of the report entitled Corrective Action Plan. We did not audit 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, Town Council, and federal awarding agencies and pass-through entities 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

June 22, 2010

TOWN OF LEESBURG
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2008

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Capital Grants and Contributions</u>	Net (Disbursement) Receipt and Changes in Net Assets		
			Primary Government		
			<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
Primary government:					
Governmental activities:					
General government	\$ 177,209	\$ -	\$ (177,209)	\$ -	\$ (177,209)
Highways and streets	74,265	-	(74,265)	-	(74,265)
Economic development	7,000	-	(7,000)	-	(7,000)
Total governmental activities	258,474	-	(258,474)	-	(258,474)
Business-type activities:					
Wastewater	1,536,796	1,596,165	-	59,369	59,369
Total business-type activities	1,536,796	1,596,165	-	59,369	59,369
Total primary government	\$ 1,795,270	\$ 1,596,165	(258,474)	59,369	(199,105)
General receipts:					
Other local sources			630,977	-	630,977
Change in net assets			372,503	59,369	431,872
Net assets - beginning			87,335	-	87,335
Net assets - ending			\$ 459,838	\$ 59,369	\$ 519,207
<u>Assets</u>					
Cash and investments			\$ 377,764	\$ 59,369	\$ 437,133
Restricted assets:					
Cash and investments			82,074	-	82,074
Total assets			\$ 459,838	\$ 59,369	\$ 519,207
<u>Net Assets</u>					
Restricted for:					
Highways and streets			\$ (2,481)	\$ -	\$ (2,481)
Capital outlay			84,555	-	84,555
Unrestricted			377,764	59,369	437,133
Total net assets			\$ 459,838	\$ 59,369	\$ 519,207

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

TOWN OF LEESBURG
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2008

	General	Smart Money	County Economic Development Income Tax	Other Governmental Funds	Totals
Receipts:					
Other	\$ 98,388	\$ 418,178	\$ 64,635	\$ 49,776	\$ 630,977
Disbursements:					
General government	104,346	59,358	-	13,505	177,209
Highways and streets	-	-	-	74,265	74,265
Economic development	-	-	7,000	-	7,000
Total disbursements	<u>104,346</u>	<u>59,358</u>	<u>7,000</u>	<u>87,770</u>	<u>258,474</u>
Excess (deficiency) of receipts over disbursements	<u>(5,958)</u>	<u>358,820</u>	<u>57,635</u>	<u>(37,994)</u>	<u>372,503</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(5,958)	358,820	57,635	(37,994)	372,503
Cash and investment fund balance - beginning	<u>34,282</u>	<u>-</u>	<u>23,634</u>	<u>29,419</u>	<u>87,335</u>
Cash and investment fund balance - ending	<u>\$ 28,324</u>	<u>\$ 358,820</u>	<u>\$ 81,269</u>	<u>\$ (8,575)</u>	<u>\$ 459,838</u>
<u>Cash and Investment Assets - Ending</u>					
Cash and investments	\$ 28,324	\$ 358,820	\$ -	\$ (11,861)	\$ 375,283
Restricted assets:					
Cash and investments	-	-	81,269	3,286	84,555
Total cash and investment assets - ending	<u>\$ 28,324</u>	<u>\$ 358,820</u>	<u>\$ 81,269</u>	<u>\$ (8,575)</u>	<u>\$ 459,838</u>
<u>Cash and Investment Fund Balance - Ending</u>					
Restricted for:					
Capital outlay	\$ -	\$ -	\$ 81,269	\$ 3,286	\$ 84,555
Unrestricted	<u>28,324</u>	<u>358,820</u>	<u>-</u>	<u>(11,861)</u>	<u>375,283</u>
Total cash and investment fund balance - ending	<u>\$ 28,324</u>	<u>\$ 358,820</u>	<u>\$ 81,269</u>	<u>\$ (8,575)</u>	<u>\$ 459,838</u>

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

TOWN OF LEESBURG
STATEMENT OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUNDS
As Of And For The Year Ended December 31, 2008

	Wastewater Utility
Operating disbursements:	
Equipment and capital improvements	\$ 712,879
Miscellaneous	11,175
Total operating disbursements	1,536,796
Capital contributions	1,596,165
Excess of receipts, contributions and transfers in over disbursements and transfers out	59,369
Cash and investment fund balance - beginning	-
Cash and investment fund balance - ending	\$ 59,369
<u>Cash and Investment Assets - December 31</u>	
Cash and investments	\$ 59,369
<u>Cash and Investment Fund Balance - December 31</u>	
Unrestricted	\$ 59,369

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

TOWN OF LEESBURG
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For The Year Ended December 31, 2008

	<u>Agency Fund</u>
Cash and investment fund balance - ending	\$ <u>9,093</u>

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

TOWN OF LEESBURG
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2009

Functions/Programs	Disbursements	Program Receipts Operating Grants and Contributions	Net (Disbursement) Receipt and Changes in Net Assets		
			Primary Government		
			Governmental Activities	Business-Type Activities	Totals
Primary government:					
Governmental activities:					
General government	\$ 193,867	\$ -	\$ (193,867)	\$ -	\$ (193,867)
Highways and streets	5,716	-	(5,716)	-	(5,716)
Total governmental activities	199,583	-	(199,583)	-	(199,583)
Business-type activities:					
Wastewater	2,011,294	2,198,421	-	187,127	187,127
Total primary government	<u>\$ 2,210,877</u>	<u>\$ 2,198,421</u>	<u>(199,583)</u>	<u>187,127</u>	<u>(12,456)</u>
General receipts:					
Other			42,202	-	42,202
Change in net assets			(157,381)	187,127	29,746
Net assets - beginning			459,838	59,369	519,207
Net assets - ending			<u>\$ 302,457</u>	<u>\$ 246,496</u>	<u>\$ 548,953</u>
Assets					
Cash and investments			\$ 214,090	\$ 246,496	\$ 460,586
Restricted assets:					
Cash and investments			88,367	-	88,367
Total assets			<u>\$ 302,457</u>	<u>\$ 246,496</u>	<u>\$ 548,953</u>
Net Assets					
Restricted for:					
Capital outlay			\$ 88,367	\$ -	\$ 88,367
Unrestricted			214,090	246,496	460,586
Total net assets			<u>\$ 302,457</u>	<u>\$ 246,496</u>	<u>\$ 548,953</u>

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

TOWN OF LEESBURG
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2009

	General	Smart Money	Economic Dev Income Tax	Other Governmental Funds	Totals
Receipts:					
Other	\$ -	\$ 25,000	\$ 4,980	\$ 12,222	\$ 42,202
Disbursements:					
General government	192,699	-	-	1,168	193,867
Highways and streets	-	-	-	3,450	3,450
Capital outlay:					
Highways and streets	-	-	-	2,266	2,266
Total disbursements	<u>192,699</u>	<u>-</u>	<u>-</u>	<u>6,884</u>	<u>199,583</u>
Excess (deficiency) of receipts over disbursements	(192,699)	25,000	4,980	5,338	(157,381)
Cash and investment fund balance - beginning	<u>28,324</u>	<u>358,820</u>	<u>81,269</u>	<u>(8,575)</u>	<u>459,838</u>
Cash and investment fund balance - ending	<u>\$ (164,375)</u>	<u>\$ 383,820</u>	<u>\$ 86,249</u>	<u>\$ (3,237)</u>	<u>\$ 302,457</u>
<u>Cash and Investment Assets - Ending</u>					
Cash and investments	\$ (164,375)	\$ 383,820	\$ -	\$ (5,355)	\$ 214,090
Restricted assets:					
Cash and investments	-	-	86,249	2,118	88,367
Total cash and investment assets - ending	<u>\$ (164,375)</u>	<u>\$ 383,820</u>	<u>\$ 86,249</u>	<u>\$ (3,237)</u>	<u>\$ 302,457</u>
<u>Cash and Investment Fund Balance - Ending</u>					
Restricted for:					
Capital outlay	\$ -	\$ -	\$ 86,249	\$ 2,118	\$ 88,367
Unrestricted	<u>(164,375)</u>	<u>383,820</u>	<u>-</u>	<u>(5,355)</u>	<u>214,090</u>
Total cash and investment fund balance - ending	<u>\$ (164,375)</u>	<u>\$ 383,820</u>	<u>\$ 86,249</u>	<u>\$ (3,237)</u>	<u>\$ 302,457</u>

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

TOWN OF LEESBURG
STATEMENT OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUNDS
As Of And For The Year Ended December 31, 2009

	<u>Wastewater Utility</u>
Operating receipts:	
Unmetered/flat rate	\$ 275,293
Miscellaneous	<u>1,489,414</u>
Total operating receipts	<u>1,764,707</u>
Operating disbursements:	
Equipment and capital improvements	1,772,193
Miscellaneous	<u>168,524</u>
Total operating disbursements	<u>1,940,717</u>
Deficiency of operating receipts under operating disbursements	<u>(176,010)</u>
Nonoperating receipts (disbursements):	
Grants	433,714
Interest disbursements	<u>(70,577)</u>
Total nonoperating receipts (disbursements)	<u>363,137</u>
Excess of receipts over disbursements and nonoperating receipts (disbursements)	<u>187,127</u>
Cash and investment fund balance - beginning	<u>59,369</u>
Cash and investment fund balance - ending	<u>\$ 246,496</u>
<u>Cash and Investment Assets - December 31</u>	
Cash and investments	<u>\$ 246,496</u>
<u>Cash and Investment Fund Balance - December 31</u>	
Unrestricted	<u>\$ 246,496</u>

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

TOWN OF LEESBURG
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For The Year Ended December 31, 2009

	<u>Agency Funds</u>
Cash and investment fund balance - ending	<u>\$ (25,595)</u>

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

TOWN OF LEESBURG
NOTES TO FINANCIAL STATEMENTS

I. 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 the following services: Highways and streets, culture and recreation, public improvements, planning and zoning, general administrative services, and wastewater services.

The Town's financial reporting entity is composed of the following:

Primary Government: Town of Leesburg

In determining the financial reporting entity, the Town complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The Town reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The smart money fund is a savings fund for earning interest on excess monies.

The economic development income tax fund receives income taxes and is used for capital projects.

The Town reports the following major enterprise funds:

The wastewater utility fund is the operating fund of the wastewater utility. It accounts for the monthly utility receipts and operating related disbursements. This fund also accounts for the receipts of federal grants and bonds and disbursements related to construction of the utility.

TOWN OF LEESBURG
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund, and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, 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 cash and investment 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. Investment transactions are not presented on the financial statements.

If the Town utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the Town and its enterprise funds. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating receipts of the enterprise funds are charges to customers for sales and services. Operating disbursements for enterprise funds include the cost of sales and services and administrative costs. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements. Internal service funds are used to account for activities provided to other departments or agencies primarily with the government. The Town does not have any internal service funds.

When both restricted and unrestricted resources are available for use, the Town's policy is to use restricted resources first, then unrestricted resources as they are needed.

D. Assets and Cash and Investment Balances

1. Restricted Assets

All restricted assets, as presented in the accompanying financial statements, are restricted due to enabling legislation.

TOWN OF LEESBURG
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Cash and Investments

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

3. Property Taxes

Normally, property taxes levied are collected by the County Treasurer and are distributed to the Town in June and in 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. 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 may 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.

4. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

5. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as a liability in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

6. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

TOWN OF LEESBURG
NOTES TO FINANCIAL STATEMENTS
(Continued)

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include operating grants and contributions. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.
4. Interfund loans – Flow of assets from one fund to another where repayment is expected is reported as interfund loans.

Government-Wide Financial Statements

Interfund activity, if any, is eliminated or reclassified in the government-wide financial statements as follows:

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund loans and services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

TOWN OF LEESBURG
NOTES TO FINANCIAL STATEMENTS
(Continued)

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

Prior to the first required publication, the fiscal officer of the Town submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. Prior to November 1, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the Town receives approval of the Indiana Department of Local Government Finance.

The Town's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

B. Disbursements in Excess of Appropriations

For the years ended December 31, 2008 and 2009, disbursements exceeded budgeted appropriations in the following funds by the amounts below:

Fund	2008	2009
Local Road and Streets	\$ 2,129	\$ 823
General Fund	-	50,804
Totals	\$ 2,129	\$ 51,627

These disbursements were funded by from beginning cash balances.

III. Detailed Notes on All Funds

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. IC 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The Town does not have a deposit policy for custodial credit risk. At December 31, 2009, the Town had deposit balances in the amount of \$822,672.

TOWN OF LEESBURG
NOTES TO FINANCIAL STATEMENTS
(Continued)

The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

IV. Other Information

A. Risk Management

The Town is 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; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters are covered by commercial insurance from independent third parties.

Settled claims from risks covered by commercial insurance have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

Risk financing is not utilized for the other risks of loss.

B. Rate Structure – Enterprise Funds

Wastewater Utility

The current rate structure was approved by the Town Council on June 9, 2008.

TOWN OF LEESBURG
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2008

	Motor Vehicle Highway	Local Road And Street	Cumulative Capital Improvement	Totals
Receipts:				
Other	\$ 34,384	\$ 5,859	\$ 9,533	\$ 49,776
Disbursements:				
General government	-	-	13,505	13,505
Highways and streets	60,111	14,154	-	74,265
Total disbursements	60,111	14,154	13,505	87,770
Deficiency of receipts over disbursements	(25,727)	(8,295)	(3,972)	(37,994)
Cash and investment fund balance - beginning	16,347	5,814	7,258	29,419
Cash and investment fund balance - ending	<u>\$ (9,380)</u>	<u>\$ (2,481)</u>	<u>\$ 3,286</u>	<u>\$ (8,575)</u>
<u>Cash and Investment Assets - Ending</u>				
Cash and investments	\$ (9,380)	\$ (2,481)	\$ -	\$ (11,861)
Restricted assets:				
Cash and investments	-	-	3,286	3,286
Total cash and investment assets - ending	<u>\$ (9,380)</u>	<u>\$ (2,481)</u>	<u>\$ 3,286</u>	<u>\$ (8,575)</u>
<u>Cash and Investment Fund Balance - Ending</u>				
Restricted for:				
Capital outlay	\$ -	\$ -	\$ 3,286	\$ 3,286
Unrestricted	(9,380)	(2,481)	-	(11,861)
Total cash and investment fund balance - ending	<u>\$ (9,380)</u>	<u>\$ (2,481)</u>	<u>\$ 3,286</u>	<u>\$ (8,575)</u>

TOWN OF LEESBURG
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUND
 For The Year Ended December 31, 2008

	Payroll
Additions:	
Agency fund additions	\$ 24,525
Deductions:	
Agency fund deductions	15,432
Excess (deficiency) of total additions over total deductions	9,093
Cash and investment fund balance - beginning	-
Cash and investment fund balance - ending	\$ 9,093

TOWN OF LEESBURG
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2009

	Motor Vehicle Highway	Local Road And Street	Cumulative Capital Improvement	Totals
Receipts:				
Other	\$ 12,222	\$ -	\$ -	\$ 12,222
Total receipts	<u>12,222</u>	<u>-</u>	<u>-</u>	<u>12,222</u>
Disbursements:				
General government	-	-	1,168	1,168
Highways and streets	-	3,450	-	3,450
Capital outlay:				
Highways and streets	2,266	-	-	2,266
Total disbursements	<u>2,266</u>	<u>3,450</u>	<u>1,168</u>	<u>6,884</u>
Excess (deficiency) of receipts over disbursements	9,956	(3,450)	(1,168)	5,338
Cash and investment fund balance - beginning	<u>(9,380)</u>	<u>(2,481)</u>	<u>3,286</u>	<u>(8,575)</u>
Cash and investment fund balance - ending	<u>\$ 576</u>	<u>\$ (5,931)</u>	<u>\$ 2,118</u>	<u>\$ (3,237)</u>
<u>Cash and Investment Assets - Ending</u>				
Cash and investments	\$ 576	\$ (5,931)	\$ -	\$ (5,355)
Restricted assets:				
Cash and investments	-	-	2,118	2,118
Total cash and investment assets - ending	<u>\$ 576</u>	<u>\$ (5,931)</u>	<u>\$ 2,118</u>	<u>\$ (3,237)</u>
<u>Cash and Investment Fund Balance - Ending</u>				
Restricted for:				
Capital outlay	\$ -	\$ -	\$ 2,118	\$ 2,118
Unrestricted	576	(5,931)	-	(5,355)
Total cash and investment fund balance - ending	<u>\$ 576</u>	<u>\$ (5,931)</u>	<u>\$ 2,118</u>	<u>\$ (3,237)</u>

TOWN OF LEESBURG
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For The Year Ended December 31, 2009

	Payroll
Additions:	
Agency fund additions	\$ -
Deductions:	
Agency fund deductions	34,688
Deficiency of total additions under total deductions	(34,688)
Cash and investment fund balance - beginning	9,093
Cash and investment fund balance - ending	\$ (25,595)

TOWN OF LEESBURG
 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
Business-type activities:		
Wastewater Utility		
Revenue bonds:		
Construction of Sewage Works	\$ 2,892,301	\$ 151,651
Total business-type activities debt	<u>\$ 2,892,301</u>	<u>\$ 151,651</u>

TOWN OF LEESBURG
AUDIT RESULTS AND COMMENTS

CONDITION OF RECORDS AND BANK ACCOUNT RECONCILIATIONS

Financial records presented for audit were incomplete, disorganized, and not reflective of the activity of the Town. The records for 2008 and 2009 were incomplete and disorganized. For both 2008 and 2009 a general ledger was not provided and several fund ledgers were missing. Of the computer-generated records provided for 2008 and 2009, the records show numerous postings of the same transaction in and out. The records presented did not provide sufficient information to audit or establish beginning balances, receipts, disbursements, ending balances, or the accuracy or correctness of the transactions. The following Audit Results and Comments discuss various conditions that exist with the Town records, including but not limited to not filing a correct annual report; lack of supporting documentation; errors in compensation and lack of tax withholdings; lack or required time records, payment of finance charges and/or late penalties, failure to maintain a capital assets record, overdrawn appropriations, and overdrawn fund balances.

Monthly depository reconciliations of the Town fund balances to the bank account balances were either not presented for examination or when presented were incomplete. In 2008, the Clerk-Treasurer reported a book balance of \$528,298 and the Town bank accounts indicate a balance of \$528,720 for a difference of \$422. In 2009, the Clerk-Treasurer reported a book balance of \$822,672 and the Town bank accounts indicate a balance of \$454,653 for a difference of \$368,019.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ANNUAL REPORT

The annual report for 2008 was not presented for audit. Similar comments appeared in prior Reports B10554, B17251, B21713, B25885, and B30688. The annual report for 2007 did not appear to be accurate. The annual report for 2009 did not include any receipts.

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 . . ."

LACK OF SUPPORTING DOCUMENTATION

Some claims did not have evidence to support receipt of goods or services. Several payments were made for credit card purchases that did not have itemized receipts. Some claims were made without invoices attached. A similar comment appeared in the prior Report B30688.

TOWN OF LEESBURG
AUDIT RESULTS AND COMMENTS
(Continued)

IC 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."

COMPENSATION AND BENEFITS

The Clerk-Treasurer received \$8,100 in payments for 2008 and \$15,600 in 2009, which were not included in the salary ordinance for the Clerk-Treasurer. The ordinance included compensation for a wastewater clerk and compensation for such was made to the Clerk-Treasurer. In 2008, a Board member was paid \$90 in excess of the salary ordinance.

Town Officers and Employees IC 36-5-3-2 states:

"(a) As used in this section 'compensation' means the total of money paid to an elected town officer for performing duties as a town officer, regardless of the source of funds from which the money is paid.

(b) The town legislative body shall, by ordinance, fix the compensation of its own members, the town clerk-treasurer and the town marshal. The legislative body shall provide reasonable compensation for other town officers and employees.

(c) The compensation of an elected town officer may not be changed in the year for which it is fixed, nor may it be reduced below the amount fixed for the previous year.

(d) The legislative body may provide that town officers and employees receive additional compensation for services that: (1) are performed for the town; (2) are not governmental in nature; and (3) are connected with the operation of a municipally owned utility or function. Subject to the approval of the legislative body, the administrative agency operating the utility or function shall fix the amount of the additional compensation, which shall be paid from the revenues of the utility or function."

TOWN OF LEESBURG
AUDIT RESULTS AND COMMENTS
(Continued)

Compensation of all town officers and employees shall be fixed by an ordinance of the town council, and for other than elected town officials, this compensation may be changed by another ordinance of the town council at any time. There is no limitation upon the amount fixed, only to the extent of available appropriations where tax funds are involved. [IC 36-5-3-2] At the time such compensation is fixed, it may be prorated between the general fund or any other applicable funds of the town, as well as any available utility funds. The compensation of an elected town official may not be changed in the year for which it is fixed, nor may it be reduced below the amount fixed for the previous year.

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 and Towns, Chapter 7)

SERVICE AND TIME RECORDS

Employee time, attendance, or service records were not maintained and presented for audit.

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)

PAYROLL DEDUCTIONS

Payments were made to the Clerk-Treasurer without payroll deductions for taxes. No W-2 forms or 1099 reports for 2008, or 2009 were presented for audit. A similar comment appeared in the prior Report B30688. Payments to the Internal Revenue Service for both 2008 and 2009 do not agree with payroll records, and in 2008, the payroll for the fourth quarter was under reported by \$24,594. Form 941 for the fourth quarter of 2009 was not presented for audit.

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)

CREDIT CARDS

The Clerk-Treasurer and Street Superintendent were using several different credit cards to purchase items without an approved credit card policy. An ordinance or resolution was not presented during the audit authorizing such use.

The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed:

- (1) The governing board must authorize credit card use through an ordinance or resolution, which has been approved in the minutes.

TOWN OF LEESBURG
AUDIT RESULTS AND COMMENTS
(Continued)

- (2) Issuance and use should be handled by an official or employee designated by the board.
- (3) The purposes for which the credit card may be used must be specifically stated in the ordinance or resolution.
- (4) When the purpose for which the credit card has been issued has been accomplished, the card should be returned to the custody of the responsible person.
- (5) The designated responsible official or employee should maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.
- (6) Credit cards should not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system.
- (7) Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.
- (8) If properly authorized, an annual fee may be paid.

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

FINANCE CHARGES AND LATE FEES

The Town incurred, and subsequently paid, financial charges for delinquent payment of vendor invoices and tax payments during 2008 and 2009. Of claims tested, a total of \$51.56 was paid which is comprised of \$18.06 for late payment to the Indiana Department of Revenue and \$2.68 and \$30.82 for late payment of two credit card statements.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. 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)

PETTY CASH

In 2008, a check for \$100 was written as petty cash. No supporting documentation, such as receipts, was presented for audit. No cash change was located at the Town.

TOWN OF LEESBURG
AUDIT RESULTS AND COMMENTS
(Continued)

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)

CAPITAL ASSET RECORDS

The Town did not maintain complete capital asset records. The prescribed City/Town Form 211, Capital Assets ledger was not presented for audit.

Every governmental unit should have a complete inventory of all capital assets owned which reflect 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)

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>
Local Road and Street	2008	\$ 2,129
Local Road and Street	2009	823
General Fund	2009	50,804

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 FUND BALANCES

In 2008, the Local Road and Street Fund and the Motor Vehicle Highway Fund were overdrawn \$2,418 and \$9,380, respectively. In 2009, the Motor Vehicle Highway Fund was overdrawn \$424.

The fund 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)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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 AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the Town of Leesburg (Town) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended December 31, 2008 and 2009. The Town's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town's compliance with those requirements.

In our opinion, the Town complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2008 and 2009.

Internal Control Over Compliance

The management of the Town is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

A control deficiency in a Town's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies or material weaknesses, as defined above.

The Town's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. We did not audit 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, Town Council, and federal awarding agencies and pass-through entities 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

June 22, 2010

TOWN OF LEESBURG
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended December 31, 2008 and 2009

Federal Grantor Agency/Pass-Through Entity Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 12-31-08	Total Federal Awards Expended 12-31-09
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Direct Grant				
Water and Waste Disposal Systems for Rual Communities	10.760		\$ 1,536,797	\$ 1,371,504
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
Pass-Through Indiana Office of Community and Rural Affairs				
Community Development Block Grant - State Administered				
Small Cities Program Cluster	14.228	CF-07-202	66,286	433,714
Total federal awards expended			\$ 1,603,083	\$ 1,805,218

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

TOWN OF LEESBURG
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town of Leesburg (Town) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statements. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with the Indiana Code (IC 5-11-1 et seq.), audits of Towns with populations under 5,000 shall be conducted biennially. Such audits shall include both years within the biennial period.

TOWN OF LEESBURG
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Disclaimer

Internal control over financial reporting:
 Material weaknesses identified? Yes
 Significant deficiencies identified that are not considered to be material weaknesses? None reported

Noncompliance material to financial statements noted? No

Federal Awards:

Internal control over major programs:
 Material weaknesses identified? No
 Significant deficiencies identified that are not considered to be material weaknesses? None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? No

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
10.760	Water and Waste Disposal Systems for Rural Communities
14.228	Community Development Block Grant – State Administered Small Cities Program Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? No

Section II – Financial Statement Findings

FINDING 2009-1, CONDITION OF RECORDS

Financial records presented for audit were incomplete, disorganized, and not reflective of the activity of the Town. A general ledger for 2008 was not provided and several of the fund ledgers were missing. For 2009, the general ledger included numerous posting of the same transaction in and out resulting in a book balance that was materially different than the bank balance. The records presented did not provide sufficient information to audit or establish beginning balances, receipts, disbursements, ending balances, or the accuracy or correctness of the transactions. The Town needs to prepared accurate and timely records that reflect the transactions of the Town.

TOWN OF LEESBURG
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.



Town of Leesburg
P.O. Box 372
Leesburg, IN 46538

June 15,2010

In order to maintain accurate and complete financial records for the Town of Leesburg, Indiana, the town will maintain accurate General Ledger and Fund Ledgers. All transactions will be maintained in a timely and accurate manner.

The Clerk/Treasurer will reconcile records and bank statements each month and provide the town council with a monthly report with fund balances and reconciliation to bank statements. Clerk/treasurer will continue to utilize in house training by a trained Keystone software clerk.

Jan carter

Clerk/Treasurer

Leesburg, Indiana

TOWN OF LEESBURG
EXIT CONFERENCE

The contents of this report were discussed on June 16, 2010, with Jan Carter, current Clerk-Treasurer; and Thomas Moore, Board member.

The contents of this report were discussed on June 22, 2010, with Melissa Robinson, former Clerk-Treasurer.