

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

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



FILED
01/06/2011

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Kevin Alig	01-01-08 to 12-31-11
President of the Town Council	Carl D. Farrow	01-01-08 to 12-31-10



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF ST. LEON, DEARBORN COUNTY, INDIANA

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

Except as discussed in the following paragraph, 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.

The Town did not present records for examination to support the cash and investment balances of the individual funds reported on the Town's financial schedule at January 1, 2008.

In our opinion, except for cash and investments reported at January 1, 2008, the financial information referred to above present fairly, in all material respects, the financial information of the Town for the years ended December 31, 2008 and 2009, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

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

STATE BOARD OF ACCOUNTS

December 1, 2010

TOWN OF TOWN OF ST. LEON
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL AND PROPRIETARY FUND TYPES
As Of And For The Years Ended December 31, 2008 And 2009

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 15,964	\$ 247,255	\$ 241,591	\$ 21,628
Motor Vehicle Highway	-	13,646	13,646	-
Local Road and Street	-	9,058	9,058	-
Law Enforcement Continuing Education	-	296	-	296
Riverboat	1,025,232	273,790	629,616	669,406
Police	2,043	65,000	67,043	-
Proprietary Funds:				
Wastewater Utility - Operating	169,288	677,844	771,721	75,411
Wastewater Utility - Bond and Interest	220,990	244,409	347,700	117,699
Wastewater Utility - Capital Improvement	90,587	218,260	181,561	127,286
Wastewater Utility - Debt Service Reserve	235,840	6,087	11,927	230,000
Totals	<u>\$ 1,759,944</u>	<u>\$ 1,755,645</u>	<u>\$ 2,273,863</u>	<u>\$ 1,241,726</u>

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ 21,628	\$ 327,905	\$ 336,554	\$ 12,979
Motor Vehicle Highway	-	13,466	250	13,216
Local Road and Street	-	8,694	480	8,214
Law Enforcement Continuing Education	296	194	289	201
Riverboat	669,406	418,393	577,634	510,165
Proprietary Funds:				
Wastewater Utility - Operating	75,411	661,203	644,374	92,240
Wastewater Utility - Bond and Interest	117,699	379,569	228,300	268,968
Wastewater Utility - Capital Improvement	127,286	88,426	177,160	38,552
Wastewater Utility-Debt Service Reserve	230,000	7,838	237,838	-
Totals	<u>\$ 1,241,726</u>	<u>\$ 1,905,688</u>	<u>\$ 2,202,879</u>	<u>\$ 944,535</u>

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

TOWN OF ST. LEON
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, highways and streets, general administrative services, and wastewater.

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.

TOWN OF ST. LEON
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Town contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the Town authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF 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. That report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

Note 7. Subsequent Events

Construction Contract

In 2010, the Town began construction of a Wastewater Improvement Project. The total cost of the project is estimated to be \$1,719,250 which is funded by loans from the State Revolving Loan Fund totaling \$1,004,000 and a grant from the Indiana Office of Community and Rural Affairs in the amount of \$715,250. The Town anticipates repayment of the loans from the State Revolving Loan Fund in the amount of \$385,000 with the remainder of the loan anticipated to be forgiven at maturity.

TOWN OF ST. LEON
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2009

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Loans payable:		
Mhz Radios	\$ 42,720	\$ 2,990
Wastewater Utility:		
Revenue bonds:		
Wastewater System Construction	\$ 3,411,000	\$ 228,550
Loans payable:		
Lift Station	23,548	9,744
Sewer Line Construction	750,000	55,625
Total Wastewater Utility	\$ 4,184,548	\$ 293,919

TOWN OF ST. LEON
EXAMINATION RESULTS AND COMMENTS

FINANCIAL REPORT OPINION MODIFICATIONS

In the prior examination (Report B33686) records were not presented for examination to support the cash and investment balances of the individual funds reported on the Town's financial schedule at December 31, 2007. This condition also applied to the cash and investment balances reported on the financial schedule at January 1, 2008. As a result, we were unable to issue an unqualified opinion on the Independent Accountant's Report on the financial schedules.

Accounting records and other public records must be maintained in a manner that will support accurate financial schedules. Anything other than an unqualified opinion on the Independent Accountant's Report on the financial schedules may have adverse financial consequences with the possibility of an increase in interest rate cost to the taxpayers of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

NON-USE OF PRESCRIBED FORMS (Applies to Clerk-Treasurer)

We noted the following regarding the non-use of prescribed accounting forms:

1. The Town uses a computerized accounting software program. The records and forms generated from the accounting software program have not been approved by the State Board of Accounts to be used in lieu of the following prescribed forms:
 - a. Clerk-Treasurer's Receipt (City and Town Form 217)
 - b. Clerk-Treasurer's Warrant (Town Form 219)
 - c. Employee's Service Record (General Form 99A)
 - d. Employee's Earning Record (General Form 99B)
 - e. Payroll Schedule and Voucher (General Form 99)
2. The Town does not use the following prescribed forms:
 - a. Ledger of Appropriations, Encumbrances, Disbursements, and Balances (City and Town Form 209) or computerized equivalent (See Examination Result and Comment titled "Appropriations")
 - b. Accounts Receivable Control (General Form 315) (See Examination Result and Comment titled "Accounts Receivable Control")
3. The Town uses an "Excel" spreadsheet in lieu of the Simplified Cash Journal-Wastewater Utility (Utility Form 323)

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)

A similar comment was included in prior Report B33686.

TOWN OF ST. LEON
EXAMINATION RESULTS AND COMMENTS
(Continued)

ACCOUNTING FOR RECEIPTS (Applies to Clerk-Treasurer)

We noted the following deficiencies regarding monies received through the mail (i.e., local tax distributions or state distributions):

1. No receipts were written for monies received.

The risk of funds being misplaced, stolen, or not being recorded is increased when receipts are not prepared.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

2. These monies were not being deposited by the next business day. We identified numerous instances of these monies being held for several weeks before being deposited.

IC 5-13-6-1(d) states:

"A city (other than a consolidated city) or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and (2) approved as depositories of state funds."

A similar comment was included in prior Report B33686.

APPROPRIATIONS (Applies to Clerk-Treasurer)

No approved budget order was presented for examination for the following funds: General, Motor Vehicle Highway, and Local Road and Street for the years 2008 and 2009 and no record was presented for examination showing any procedures were in place to monitor compliance with approved budgets and appropriations.

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 the year do not exceed its budget for that year as finally determined under this article."

IC 36-4-8-2 states in part:

". . . Unless a statute provides otherwise, the fiscal officer may draw a warrant against a fund of the city only if:

- (1) an appropriation has been made for that purpose and the appropriation is not exhausted . . ."

A similar comment was included in prior Report B33686.

TOWN OF ST. LEON
EXAMINATION RESULTS AND COMMENTS
(Continued)

NONCOMPLIANCE WITH BOND ORDINANCE (Applies to Clerk-Treasurer)

The Town did not make the required transfers to the Debt Reserve Fund for the years 2008 or 2009. As a result, the Debt Reserve Fund was underfunded by \$229,150 as of December 31, 2009.

Section 12 of the Wastewater Revenue Bond Ordinance 1996-7, dated February 3, 1997, states in part:

"(c) . . . On the first day of each calendar month, after making credits to the Bond Account, there shall be credited from available Net Revenues to the Debt Service Reserve Account the sum of One Thousand Nine Hundred Twenty Dollars (\$1,920.00), or such higher amount as may be fixed from time to time by the Board. Said credits to the Debt Service Reserve Account shall continue until the balance therein shall equal not less than one average annual payment of principal and interest."

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

UNDOCUMENTED CREDIT CARD CHARGES (Applies to Clerk-Treasurer)

We reviewed two months of payments made on the Town's credit card and found two charges to Intuit Payroll totaling \$648 that were not supported by adequate supporting documentation such as invoices and receipts. Darlene Newkirk, Bookkeeper, stated that these charges were payment for the annual renewal of the Town's payroll software.

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

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; . . ."

Supporting documentation such as receipts, cancelled 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. Payment without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF ST. LEON
EXAMINATION RESULTS AND COMMENTS
(Continued)

DELINQUENT WASTEWATER ACCOUNTS (Applies to Clerk-Treasurer)

Delinquent wastewater fees and penalties had not been recorded with the County Recorder nor were they certified to the County Auditor which would result in a lien against the property.

IC 36-9-23-33 states in part:

"(b) Except as provided in subsection (l), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:

(1) a list of the delinquent fees and penalties that are enforceable under this section, which must include the following:

(A) the name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent;

(B) a description of the premises, as shown by the records of the county auditor; and

(C) the amount of the delinquent fees, together with the penalty; or

(2) an individual instrument for each lot or parcel of real property on which the fees are delinquent.

(c) The officer shall record a copy of each list or each individual instrument with the county recorder. . . .

(e) Using the lists and instruments prepared under subsection (b) and recorded under subsection (c), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (c), certify to the county auditor a list of the liens that remain unpaid for collection in the next May . . ."

A similar comment was included in prior Report B33686.

ACCOUNTS RECEIVABLE CONTROL (Applies to Clerk-Treasurer and Wastewater Utility)

A cash basis accounting system is used by the Wastewater Utility. The Clerk-Treasurer did not maintain a control account (General Ledger Sheet - Form 315) for accounts receivable. The control account is to be used to record monthly billings and collections and show the total accounts receivable balance at any point in time. The balance of accounts receivable recorded on the control account should be reconciled at least monthly with the individual customer accounts receivable listed on the accounts receivable trial balance.

When utility records are kept on a cash or single-entry basis, a separate control account should be carried on General Ledger Sheet, General Form No. 315, in the front of the Consumer's Ledger. This account will be debited with the total monthly billing to all customers for utility services including penalties and sales tax. This account will be credited with the total accounts receivable collections, penalties and sales tax shown by the Register of Daily Cash Receipts-Consumers. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 4)

A similar comment was included in prior Report B33686.

TOWN OF ST. LEON
EXAMINATION RESULTS AND COMMENTS
(Continued)

CAPITAL ASSET RECORDS (Applies to Clerk-Treasurer)

A capital asset record was not maintained for assets purchased from the Town's governmental and proprietary funds.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded in the Capital Assets Ledger form. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

A similar comment was included in prior Report B33686.

TOWN OF ST. LEON
EXIT CONFERENCE

The contents of this report were discussed on December 1, 2010, with Kevin Alig, Clerk-Treasurer; Carl D. Farrow, President of the Town Council; Andy Bischoff, Town Council member; Darlene Newkirk, Bookkeeper; and John Watson, Town Attorney.