

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

TOWN OF ST. LEON

DEARBORN COUNTY, INDIANA

January 1, 2010 to December 31, 2010



FILED
02/26/2014

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Kevin Alig Randall Stenger	01-01-08 to 12-31-11 01-01-12 to 12-31-15
President of the Town Council	Carl Farrow Andrew Bischoff	01-01-10 to 12-31-11 01-01-12 to 12-31-14



STATE OF INDIANA
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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the accompanying financial statement of the Town of St. Leon (Town), for the year ended December 31, 2010. The financial statement is the responsibility of the Town's management. Our responsibility is to express an opinion on the financial statement 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 statement and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

As discussed in Note 1, the Town prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. The basis noted above is a different basis than that used in the prior year.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position and results of operations of the Town for the year ended December 31, 2010.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the Town for the year ended December 31, 2010, on the basis of accounting described in Note 1.

Our examination was conducted for the purpose of forming an opinion on the Town's financial statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the financial statement. It has not been subjected to the examination procedures applied to the financial statement and, accordingly, we express no opinion on it.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

January 20, 2014

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FINANCIAL STATEMENT

The financial statement and accompanying notes were approved by management of the Town. The financial statement and notes are presented as intended by the Town.

TOWN OF ST. LEON
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2010

Fund	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
General Fund	\$ 12,979	\$ 158,898	\$ 169,778	\$ 2,099
Motor Vehicle Highway	13,216	13,323	16,501	10,038
Local Road And Street	8,214	8,998	17,212	-
General Fund/Law Enf Cont Ed	201	140	-	341
Revenue Sharing/Riverboat	510,165	251,995	168,184	593,976
Sewer Expansion Project	-	426,172	84,916	341,256
Sewer Operating Fund	92,240	671,707	700,937	63,010
Sewer Capital Improvement	38,552	67,422	69,969	36,005
Sewer Bond Reserve	268,968	213,432	228,550	253,850
Totals	<u>\$ 944,535</u>	<u>\$ 1,812,087</u>	<u>\$ 1,456,047</u>	<u>\$ 1,300,575</u>

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

TOWN OF ST. LEON
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The Town was established under the laws of the State of Indiana. The Town operates under a Town Council form of government and provides some or all of the following services: public safety (police and fire), highways and streets, general administrative services, and wastewater.

The accompanying financial statement presents the financial information for the Town.

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the Indiana State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

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

C. Cash and Investments

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

D. Receipts

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

Taxes which can include one or more of the following: property taxes, county option income tax, wheel tax, innkeepers' tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the Town.

Licenses and permits which include amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

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

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

Utility fees which are comprised mostly of charges for current services.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution, or court order; internal service receipts; and fiduciary receipts.

E. Disbursements

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

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

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

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

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

Utility operating expenses which include all outflows for operating the utilities.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

F. Interfund Transfers

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

G. Fund Accounting

Separate funds are established, maintained, and reported by the Town. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are

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

internally restricted by the Town. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the Town in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the Town submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the Town in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

Note 4. Deposits and Investments

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

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

Note 5. Risk Management

The Town may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the Town to set aside

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

money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is 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 Indiana Public Retirement System (INPRS) 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 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS 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:

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy and Annual Pension Cost

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

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Town's Annual Reports for years prior to 2011 can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

For additional financial information, the Town's Annual Report information for years 2011 and later can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Annual Report of the Town which is referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the examination. This is a common occurrence in any financial statement examination. The financial information presented in this report is examined information, and the accuracy of such information can be determined by reading the opinion given in the Independent Accountant's Report.

The supplementary information presented was approved by management of the Town. It is presented as intended by the Town.

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

	General Fund	Motor Vehicle Highway	Local Road And Street	General Fund/Law Enf Cont Ed	Revenue Sharing/Riverboat
Cash and investments - beginning	\$ 12,979	\$ 13,216	\$ 8,214	\$ 201	\$ 510,165
Receipts:					
Taxes	2,952	-	-	-	-
Licenses and permits	-	-	-	140	-
Intergovernmental	3,066	13,323	8,998	-	240,127
Utility fees	-	-	-	-	-
Other receipts	152,880	-	-	-	11,868
Total receipts	<u>158,898</u>	<u>13,323</u>	<u>8,998</u>	<u>140</u>	<u>251,995</u>
Disbursements:					
Personal services	114,668	-	-	-	-
Supplies	5,413	7,287	8,212	-	-
Other services and charges	46,617	-	-	-	-
Debt service - principal and interest	-	-	-	-	-
Capital outlay	-	-	-	-	-
Utility operating expenses	-	-	-	-	-
Other disbursements	3,080	9,214	9,000	-	168,184
Total disbursements	<u>169,778</u>	<u>16,501</u>	<u>17,212</u>	<u>-</u>	<u>168,184</u>
Excess (deficiency) of receipts over disbursements	<u>(10,880)</u>	<u>(3,178)</u>	<u>(8,214)</u>	<u>140</u>	<u>83,811</u>
Cash and investments - ending	<u>\$ 2,099</u>	<u>\$ 10,038</u>	<u>\$ -</u>	<u>\$ 341</u>	<u>\$ 593,976</u>

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

	Sewer Expansion Project	Sewer Operating Fund	Sewer Capital Improvement	Sewer Bond Reserve	Totals
Cash and investments - beginning	\$ -	\$ 92,240	\$ 38,552	\$ 268,968	\$ 944,535
Receipts:					
Taxes	-	-	-	-	2,952
Licenses and permits	-	-	-	-	140
Intergovernmental	-	-	-	-	265,514
Utility fees	-	664,814	-	-	664,814
Other receipts	426,172	6,893	67,422	213,432	878,667
Total receipts	426,172	671,707	67,422	213,432	1,812,087
Disbursements:					
Personal services	-	-	-	-	114,668
Supplies	-	-	-	-	20,912
Other services and charges	-	-	-	-	46,617
Debt service - principal and interest	-	25,000	-	228,550	253,550
Capital outlay	-	47,846	34,197	-	82,043
Utility operating expenses	-	334,580	-	-	334,580
Other disbursements	84,916	293,511	35,772	-	603,677
Total disbursements	84,916	700,937	69,969	228,550	1,456,047
Excess (deficiency) of receipts over disbursements	341,256	(29,230)	(2,547)	(15,118)	356,040
Cash and investments - ending	\$ 341,256	\$ 63,010	\$ 36,005	\$ 253,850	\$ 1,300,575

TOWN OF ST. LEON
EXAMINATION RESULTS AND COMMENTS

ORDINANCES AND RESOLUTIONS

The Town did not create a Bond Account Fund as required by Ordinance 1996-7. The ordinance requires that transfers be made from available net revenues to the Bond Account sufficient to pay the principal and interest payable during the next calendar year. By not creating the Bond Account Fund, debt payments due and payable during 2010 had to be paid from other Town funds.

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

"(b) Within the Sewage Works Sinking Fund, there is hereby created a Bond Account. Beginning with the first calendar month following the beginning of the construction herein authorized, there shall be credited on the first day of each calendar month to the Bond Account an amount equal to the sum of one-twelfth of the principal and interest on all then outstanding Bonds payable during the next calendar year."

A Sewer Bond Reserve Fund was created; however, monthly transfers were not made to this fund as outlined in Ordinance 1996-7 and existing cash balances in the Sewer Bond Reserve Fund were used to pay current year principal and interest payments. As a result of the lack of monthly transfers and use of available funds to pay current debt payments, the Sewer Bond Reserve Fund was underfunded in the amount of \$204,070 at December 31, 2010.

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."

A similar comment appeared in prior Report B38258.

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)

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

DELINQUENT WASTEWATER ACCOUNTS

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.

A similar comment appeared in prior Report B38258.

Indiana Code 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.

(C) The amount of the delinquent fees, together with the penalty.

(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."

TOWN OF ST. LEON
EXIT CONFERENCE

The contents of this report were discussed on January 20, 2014, with Randall Stenger, Clerk-Treasurer; Kevin Alig, former Clerk-Treasurer; and Andrew Bischoff, President of the Town Council.