

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

TOWN OF ST. LEON  
DEARBORN COUNTY, INDIANA

January 1, 2011 to December 31, 2012



**FILED**  
02/26/2014



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Independent Auditor's Report .....	3-5
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance With Government Auditing Standards .....	6-7
Financial Statement: Statement of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis .....	11
Notes to Financial Statement .....	12-15
Supplementary Information - Unaudited: Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis .....	18-19
Schedule of Leases and Debt .....	21
Audit Results and Comments: Delinquent Wastewater Accounts .....	22
Appropriations .....	22
Ordinances and Resolutions .....	23
Supplemental Audit of Federal Awards: Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance .....	26-27
Schedule of Expenditures of Federal Awards .....	31
Note to Schedule of Expenditures of Federal Awards .....	32
Schedule of Findings and Questioned Costs .....	33-38
Auditee Prepared Schedule: Corrective Action Plan .....	39-40
Exit Conference .....	41

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	01-01-11 to 12-31-11 01-01-12 to 12-31-14



**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](http://www.in.gov/sboa)

INDEPENDENT AUDITOR'S REPORT

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

***Report on the Financial Statement***

We have audited the accompanying financial statement of the Town of St. Leon (Town), which comprises the financial position and results of operations for the period of January 1, 2011 to December 31, 2012, and the related notes to the financial statement.

***Management's Responsibility for the Financial Statement***

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As discussed in Note 1 of the financial statement, 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 basis of accounting other than accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. The basis of accounting noted above is a different basis than that used in the prior period.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the Town for the period of January 1, 2011 to December 31, 2012.

***Opinion on Regulatory Basis of Accounting***

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 period of January 1, 2011 to December 31, 2012, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated January 20, 2014, 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* in considering the Town's internal control over financial reporting and compliance.

***Accompanying Information***

*Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the Town's financial statement. 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 financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

Our audit was conducted for the purpose of forming an opinion on the Town's financial statement. The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis and Schedule of Leases and Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

  
Paul D. Joyce, CPA  
State Examiner

January 20, 2014



**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](http://www.in.gov/sboa)

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the Town of St. Leon (Town), which comprises the financial position and results of operations for the period of January 1, 2011 to December 31, 2012, and the related notes to the financial statement, and have issued our report thereon dated January 20, 2014, wherein we noted the Town followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statement, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control 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 and correct, misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2012-1 and 2012-2 to be material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS  
(Continued)

***Compliance and Other Matters***

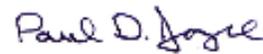
As part of obtaining reasonable assurance about whether the Town's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 2012-2.

***Town of St. Leon's Response to Findings***

The Town's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

***Purpose of This Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Paul D. Joyce, CPA  
State Examiner

January 20, 2014

(This page intentionally left blank.)

## 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.

(This page intentionally left blank.)

TOWN OF ST. LEON  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For The Years Ended December 31, 2011 And 2012

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11	Receipts	Disbursements	Cash and Investments 12-31-12
General Fund	\$ 2,099	\$ 183,860	\$ 175,499	\$ 10,460	\$ 9,358	\$ 3,031	\$ 16,787
Motor Vehicle Highway	10,038	13,434	23,472	-	16,619	10,850	5,769
Local Road And Street	-	8,698	8,698	-	8,893	4,861	4,032
General Fund/Law Enf Cont Ed	341	500	-	841	-	156	685
Revenue Sharing/Riverboat	593,976	267,409	234,171	627,214	238,200	258,511	606,903
Parks & Recreation Fund	-	-	-	-	81,048	80,296	752
Sewer Expansion Project	341,256	1,064,050	1,401,426	3,880	246,398	246,393	3,885
Sewer Operating Fund	63,010	799,534	750,110	112,434	733,270	790,867	54,837
Sewer Capital Improvement	36,005	326,076	94,307	267,774	36,286	57,810	246,250
Sewer Bond Reserve	253,850	206,761	230,833	229,778	302,178	246,150	285,806
Totals	<u>\$ 1,300,575</u>	<u>\$ 2,870,322</u>	<u>\$ 2,918,516</u>	<u>\$ 1,252,381</u>	<u>\$ 1,672,250</u>	<u>\$ 1,698,925</u>	<u>\$ 1,225,706</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, culture and recreation, 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, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, food and beverage tax, county economic development income 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, 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)

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

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.

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.

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

*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 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.

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

**Note 5. Risk Management**

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

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

(This page intentionally left blank.)

## SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Town's Annual Report information 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 Reports of the Town which are referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor'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, 2011

	General Fund	Motor Vehicle Highway	Local Road And Street	General Fund/Law Enf Cont Ed	Revenue Sharing/Riverboat	Parks & Recreation Fund	Sewer Expansion Project	Sewer Operating Fund	Sewer Capital Improvement	Sewer Bond Reserve	Totals
Cash and investments - beginning	\$ 2,099	\$ 10,038	\$ -	\$ 341	\$ 593,976	\$ -	\$ 341,256	\$ 63,010	\$ 36,005	\$ 253,850	\$ 1,300,575
Receipts:											
Taxes	879	-	-	-	-	-	-	-	-	-	879
Licenses and permits	790	-	-	-	-	-	-	-	-	-	790
Intergovernmental	3,834	13,434	8,698	-	248,715	-	-	-	-	-	274,681
Utility fees	-	-	-	-	-	-	-	670,949	58,200	-	729,149
Other receipts	178,357	-	-	500	18,694	-	1,064,050	128,585	267,876	206,761	1,864,823
Total receipts	183,860	13,434	8,698	500	267,409	-	1,064,050	799,534	326,076	206,761	2,870,322
Disbursements:											
Personal services	98,604	-	-	-	-	-	-	-	-	-	98,604
Supplies	10,619	952	192	-	124	-	-	-	-	-	11,887
Other services and charges	42,796	22,520	1,960	-	18,000	-	-	-	-	-	85,276
Capital outlay	2,206	-	6,546	-	-	-	-	119,915	-	-	128,667
Utility operating expenses	-	-	-	-	-	-	-	356,935	-	-	356,935
Other disbursements	21,274	-	-	-	216,047	-	1,401,426	273,260	94,307	230,833	2,237,147
Total disbursements	175,499	23,472	8,698	-	234,171	-	1,401,426	750,110	94,307	230,833	2,918,516
Excess (deficiency) of receipts over disbursements	8,361	(10,038)	-	500	33,238	-	(337,376)	49,424	231,769	(24,072)	(48,194)
Cash and investments - ending	\$ 10,460	\$ -	\$ -	\$ 841	\$ 627,214	\$ -	\$ 3,880	\$ 112,434	\$ 267,774	\$ 229,778	\$ 1,252,381

TOWN OF ST. LEON  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012

	General Fund	Motor Vehicle Highway	Local Road And Street	General Fund/Law Enf Cont Ed	Revenue Sharing/Riverboat	Parks & Recreation Fund	Sewer Expansion Project	Sewer Operating Fund	Sewer Capital Improvement	Sewer Bond Reserve	Totals
Cash and investments - beginning	\$ 10,460	\$ -	\$ -	\$ 841	\$ 627,214	\$ -	\$ 3,880	\$ 112,434	\$ 267,774	\$ 229,778	\$ 1,252,381
Receipts:											
Taxes	2,757	-	-	-	-	-	-	-	-	-	2,757
Licenses and permits	1,033	-	-	-	-	-	-	-	-	-	1,033
Intergovernmental	3,958	16,619	8,893	-	228,187	-	-	-	-	-	257,657
Charges for services	-	-	-	-	-	553	-	-	-	-	553
Utility fees	-	-	-	-	-	-	-	710,320	36,000	-	746,320
Other receipts	1,610	-	-	-	10,013	80,495	246,398	22,950	286	302,178	663,930
Total receipts	9,358	16,619	8,893	-	238,200	81,048	246,398	733,270	36,286	302,178	1,672,250
Disbursements:											
Personal services	1,610	-	-	-	117,920	-	-	-	-	-	119,530
Supplies	1,406	10,850	4,861	156	12,114	64	-	-	-	-	29,451
Other services and charges	15	-	-	-	96,511	-	-	-	-	-	96,526
Capital outlay	-	-	-	-	7,932	-	-	36,243	-	-	44,175
Utility operating expenses	-	-	-	-	-	-	-	433,376	-	-	433,376
Other disbursements	-	-	-	-	24,034	80,232	246,393	321,248	57,810	246,150	975,867
Total disbursements	3,031	10,850	4,861	156	258,511	80,296	246,393	790,867	57,810	246,150	1,698,925
Excess (deficiency) of receipts over disbursements	6,327	5,769	4,032	(156)	(20,311)	752	5	(57,597)	(21,524)	56,028	(26,675)
Cash and investments - ending	\$ 16,787	\$ 5,769	\$ 4,032	\$ 685	\$ 606,903	\$ 752	\$ 3,885	\$ 54,837	\$ 246,250	\$ 285,806	\$ 1,225,706

(This page intentionally left blank.)

TOWN OF ST. LEON  
SCHEDULE OF LEASES AND DEBT  
December 31, 2012

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Wastewater:			
General obligation bonds	Loan received for the installation of a rural sewer system	\$ 1,569,000	\$ 108,950
General obligation bonds	Loan received for the installation of a rural sewer system	1,723,000	119,450
General obligation bonds	Loan received for the expansion of the sewer plant	379,000	17,370
Loan payable	Sewer line construction	<u>600,000</u>	<u>55,625</u>
Total Wastewater		<u>4,271,000</u>	<u>301,395</u>
Governmental activities:			
Loans payable	Mhz Radios	<u>34,710</u>	<u>2,990</u>
Totals		<u>\$ 4,305,710</u>	<u>\$ 301,395</u>

TOWN OF ST. LEON  
AUDIT RESULTS AND COMMENTS

**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 reports.

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."

**APPROPRIATIONS**

Expenditures from the General Fund exceeded appropriations approved by the Town Council in the amount of \$1,731 for the year 2012.

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

Indiana Code 36-5-4-2 states:

"Unless a statute provides otherwise, town monies may be disbursed only after an appropriation made by ordinance of the town legislative body and recorded in a book kept for that purpose by the legislative body. Each appropriation must be made from the fund against which the expenses arose."

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

**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 2011 and 2012 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 \$153,004 at December 31, 2012.

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 reports.

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)

(This page intentionally left blank.)

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](http://www.in.gov/sboa)

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

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

***Report on Compliance for Each Major Federal Program***

We have audited the Town of St. Leon's (Town) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of January 1, 2011 to December 31, 2012. 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.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Town's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Town's compliance.

***Unmodified Opinion on Each of the Other Major Federal Programs***

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the period of January 1, 2011 to December 31, 2012.

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2012-5 and 2012-6. Our opinion on each major federal program is not modified with respect to these matters.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
(Continued)

The Town's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. The Town's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

***Report on Internal Control Over Compliance***

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the type of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2012-3 and 2012-4 to be material weaknesses.

The Town's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The Town's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

  
Paul D. Joyce, CPA  
State Examiner

January 20, 2014

(This page intentionally left blank.)

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Schedule of Expenditures of Federal Awards and accompanying note presented were approved by management of the Town. The schedule and note are presented as intended by the Town.

(This page intentionally left blank.)

TOWN OF ST. LEON  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For The Years Ended December 31, 2011 and 2012

Federal Grantor Agency/ Cluster Title/Program Title/Project Title	Pass-Through or Direct	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 12-31-11	Total Federal Awards Expended 12-31-12
<u>DEPARTMENT OF AGRICULTURE</u>					
Water and Waste Program Cluster					
ARRA - Water and Waste Disposal Systems for Rural Communities	Direct Grant	10.781			
WWTP - Grant			IN-702-92-02Leon	\$ 497,089	\$ 48,445
<u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>					
CDBG - State-Administered CDBG Cluster					
Community Development Block Grants/State's Program and					
Non-Entitlement Grants in Hawaii	Indiana Office of Community and Rural Affairs	14.228			
Disaster Recovery Assistance Grant			B-08-DI-18-0001	566,900	148,350
Total federal awards expended				<u>\$ 1,063,989</u>	<u>\$ 196,795</u>

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

TOWN OF ST. LEON  
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 St. Leon and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. 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 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 ST. LEON  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Section I – Summary of Auditor's Results**

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	yes

Identification of Major Programs:

\_\_\_\_\_ Name of Federal Program or Cluster \_\_\_\_\_  
CDBG - State-Administered CDBG Cluster  
Water and Waste 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 2012-1 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

We noted several deficiencies in the internal control system of the Town related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the Town to reduce risks to the achievement of financial reporting objectives. The Town has not separated incompatible activities related to receipts, utility billings and collections, disbursements, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.

TOWN OF ST. LEON  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

***FINDING 2012-2 - INTERNAL CONTROLS OVER THE PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***

The Town did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The Town should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA, we noted the following errors: non-federal grants were listed, Federal programs listed were not correct; incorrect CFDA numbers were reported and grant expenditures for CFDA No. 14.228 were understated by \$305,900 and overstated for CFDA No. 10.781 by \$238,362. Audit adjustments were proposed, accepted by the Town, and made to the SEFA presented in this report. These adjustments resulted in a presentation of the SEFA that is materially correct in relation to the financial statement.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OMB Circular A-133, Subpart C, section. 300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section.310."

OMB Circular A-133, Subpart C, section. 310(b) states:

"Schedule of expenditures of Federal awards: The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

TOWN OF ST. LEON  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision I the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and indentifying number assigned by the pass-through entity shall be included.
- (3) Provide the total Federal awards expended for each individual Federal program and the CFDA number or other indentifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

***Section III – Federal Award Findings and Questioned Costs***

***FINDING 2012-3 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO WATER AND WASTE DISPOSAL SYSTEMS FOR RURAL COMMUNITIES - ARRA***

Federal Agency: Department of Agriculture

Federal Program: ARRA - Water and Waste Disposal Systems for Rural Communities

CFDA Number: 10.781

Federal Award Number and Year: IN-702-92-02Leon

Management of the Town of St. Leon has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and some of the compliance requirements that have a direct and material effect to the program. This includes the following compliance requirements:

Special Tests and Provisions  
Reporting  
Davis-Bacon  
Matching

The failure to establish an effective internal control system places the Town at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the grant.

TOWN OF ST. LEON  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could enable material noncompliance to go undetected. Non-compliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the Town.

We recommended that the Town's management establish controls, including segregation of duties, related to the grant agreement and the compliance requirements noted above that have a direct and material effect to the program.

***FINDING 2012-4 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO COMMUNITY DEVELOPMENT BLOCK GRANTS/STATE'S PROGRAM AND NON-ENTITLEMENT GRANTS IN HAWAII***

Federal Agency: Department of Housing and Urban Development

Federal Program: Community Development Block Grants/State's  
Program and Non-Entitlement Grants in Hawaii

CFDA Number: 14.228

Federal Award Number and Year: B-08-DI-18-0001

Pass-Through Entity: Indiana Office of Community and Rural Affairs

Management of the Town of St. Leon has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and one of the compliance requirements that have a direct and material effect to the program. This includes the compliance requirement for Davis-Bacon Act.

The failure to establish an effective internal control system places the Town at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the grant.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This

TOWN OF ST. LEON  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the Town.

We recommended that the Town's management establish controls, including segregation of duties, related to the grant agreement and the compliance requirements related to the Davis-Bacon Act.

***FINDING 2012-5 - REPORTING***

Federal Agency: Department of Agriculture

Federal Program: ARRA - Water and Waste Disposal Systems for Rural Communities

CFDA Number: 10.781

Federal Award Number and Year: IN-702-92-02Leon

The Town did not properly comply with grant program compliance requirements associated with reporting. The Town did not file annual financial reporting forms RD 442-2 and RD 422-3 for the years of 2011 and 2012. Quarterly reports were submitted by the Town; however, the financial information reported in these reports was inaccurate and did not agree with the Town's financial ledger.

7 CFR 3016.20(b)(1) states:

"*Financial reporting.* Accurate, current, and complete disclosure of the financial results of financial assistance activities must be made in accordance with the financial reporting requirements of the grant or subgrant."

Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the Town.

We recommended the Town comply with all requirements related to Reporting.

TOWN OF ST. LEON  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

**FINDING 2012-6 - SPECIAL TESTS AND PROVISIONS**

Federal Agency: Department of Agriculture  
Federal Program: ARRA - Water and Waste Disposal Systems for Rural Communities  
CFDA Number: 10.781  
Federal Award Number and Year: IN 702-92-02Leon

The Town received American Reinvestment and Recovery Act (ARRA) awards through the Water and Waste Disposal Systems for Rural Communities program. One of the requirements for ARRA awards is that the accounting records for ARRA funds are to provide for the separate identification of and accounting for ARRA awards and activity. The Town did not maintain separate funds or accounts for the ARRA awards, but instead commingled them with other funding sources in a single fund.

7 CFR 3016.20(b)(2) states:

*"Accounting records.* Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant for subgrant awards and authorizations . . ."

2 CFR 176.210(b) states in part:

". . . recipients agree to separately identify the expenditures for Federal awards under the Recovery Act on the Schedule of Federal Awards (SEFA) . . ."

Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the Town.

We recommended the Town comply with all requirements related to special tests and provisions.

**TOWN OF SAINT LEON  
7282 CHURCH LANE  
WEST HARRISON, INDIANA 47060**

**CORRECTIVE ACTION PLAN**

**FINDING 2012-1 INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS  
AND REPORTING**

TWO PEOPLE WILL CHECK VOUCHER AND SIGN AND DATE  
ALSO MUST BE REVIEWED BY ANOTHER BOARD MEMBER  
EFFECTIVE DATE 11-01-2013

**FINDING 2012-2 INTERNAL CONTROLS OVER PREPARATION OF SCHEDULE  
OF EXPENDITURES OF FEDERAL AWARDS**

TO BE REVIEWED BY THIRD PARTY TO CHECK ACCURACY OF  
REPORTING. JERRY STENGER WILL SIGN OFF WEEKLY  
EFFECTIVE DATE 11-01-2013

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

HAVE SEPERATE FUNDS FOR EACH GRANT RECEIVED

**FINDING 2012-3 INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS  
THAT HAVE A DIRECT AND MATERIAL EFFECT TO WATER AND WASTE  
DISPOSAL SYSTEMS FOR RURAL COMMUNITIES-ARRA**

BOARD TO RECEIVE MONTHLY REPORTS, CHECKING TO SEE IF  
IT WAS DONE ACCURATELY, AND ON TIME. AT THAT TIME TOWN

**TOWN OF SAINT LEON  
7282 CHURCH LANE  
WEST HARRISON, INDIANA 47060**

BOARD WILL SIGN OFF. JERRY STENGER WILL CHECK WEEKLY TO  
VERIFY REPORTS ARE DONE. EFFECTIVE DATE 11-01-2013

FINDING 2012-4 INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS  
THAT HAVE A DIRECT AND MATERIAL EFFECT TO COMMUNITY  
DEVELOPMENT BLOCK GRANTS/STATE'S PROGRAM AND NON-  
ENTITLEMENT GRANTS IN HAWAII DISASTER RECOVERY ASSISTANCE  
GRANT:

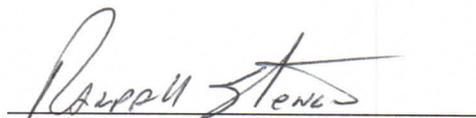
CHECK AND SIGN OFF THAT DAVIS BEACON REPORT IS DONE.  
WITH FEDERAL MATCHING FUND, KEEP SEPERATE CONTROLS  
ON FEDERAL FUNDS. JERRY STENGER WILL CHECK WEEKLY  
THAT WORK IS FINISHED. EFFECTIVE DATE 11-01-2013

FINDING 2012-5 REPORTING

REPORTS WILL BE REVIEWED BY THIRD PARTY TO CHECK ACCURACY OF  
REPORTING, JERRY STENGER WILL SIGN OFF MONTHLY/QUARTLEY  
EFFECTIVE DATE 11-01-2013.

FINDING 2012-6 SPECIAL TESTS AND PROVISIONS

JERRY STENGER WILL REVIEW TOWN FUNDS LEDGER  
PRIOR TO RECEIVING GRANT FUNDS TO VERIFY THAT SEPERATE  
FUNDS HAVE BEEN ESTIBISHED. NO EXPENDITURES RELATED  
TO THE GRANT PROJECT WILL BE APPROVED BY COUNCIL  
UNTILL FUNDS ARE ESTIBISHED. EFFICTIVE DATE 11-01-2013.



RANDALL STENGER  
CLERK TREASURER  
TOWN OF SAINT LEON  
812-576-5368

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 Bishoff, President of the Town Council.