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**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2765**

EXAMINATION REPORT

OF

TOWN OF ST. LEON

DEARBORN COUNTY, INDIANA

January 1, 2003 to December 31, 2005



**FILED**  
09/22/2006



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OFFICIALS

Office

Official

Term

Clerk-Treasurer

Kevin Alig

01-01-00 to 12-31-07

President of the Town Council

Charles Andres  
Carl D. Farrow

01-01-03 to 12-31-03  
01-01-04 to 12-31-06



**STATE OF INDIANA**  
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INDEPENDENT ACCOUNTANT'S REPORT

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

We were engaged to examine the schedules of receipts, disbursements, and cash and investment balances of the Town of St. Leon (Town), for the period of January 1, 2003 to December 31, 2005. These schedules are the responsibility of the Town's management.

Financial records for the years ended 2003, 2004, and 2005, did not provide sufficient information to examine or establish receipts, disbursements, ending balances, or the accuracy or correctness of the transactions. Accordingly, schedules of receipts and disbursements for the Town's Wastewater Utility funds are not presented for 2003 and 2004. The schedules of receipts, disbursements, and cash and investment balances of the Town presented are based on annual reports prepared by the Town's management. The validity and accountability of the cash transactions of the Town could not be established.

Since the officials of the Town did not maintain adequate financial records as discussed in the preceding paragraph, the scope of our examination work was not sufficient to enable us to express, and we do not express, an opinion on the financial schedule.

However, we did examine records to the extent possible for compliance with State statutes and the Accounting and Uniform Compliance Guidelines Manual for Cities and Towns published by the State Board of Accounts. The results of this examination are stated in the Examination Results and Comments.

STATE BOARD OF ACCOUNTS

August 3, 2006

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, 2003, 2004, And 2005

	Cash and Investments 01-01-03	Receipts	Disbursements	Cash and Investments 12-31-03
Governmental Funds:				
General	\$ 4,445	\$ 25,101	\$ 22,066	\$ 7,480
Motor Vehicle Highway	4,612	13,623	8,888	9,347
Local Road and Street	19,592	9,958	10,490	19,060
Law Enforcement Continuing Education	(352)	381	197	(168)
Riverboat	<u>472,328</u>	<u>249,208</u>	<u>193,184</u>	<u>528,352</u>
Total Governmental Funds	<u>\$ 500,625</u>	<u>\$ 298,271</u>	<u>\$ 234,825</u>	<u>564,071</u>
Proprietary Funds:				
Wastewater Operating				23,340
Wastewater Bond and Interest				229,498
Wastewater Capital Improvement				100,863
Wastewater Debt Service Reserve				<u>228,000</u>
Total Proprietary Funds				<u>581,701</u>
Totals				<u>\$ 1,145,772</u>
	Cash and Investments 01-01-04	Receipts	Disbursements	Cash and Investments 12-31-04
Governmental Funds:				
General	\$ 7,480	\$ 21,018	\$ 27,346	\$ 1,152
Motor Vehicle Highway	9,347	14,358	13,010	10,695
Local Road and Street	19,060	8,885	9,283	18,662
Law Enforcement Continuing Education	(168)	215	-	47
Riverboat	<u>528,352</u>	<u>249,147</u>	<u>104,657</u>	<u>672,842</u>
Total Governmental Funds	<u>\$ 564,071</u>	<u>\$ 293,623</u>	<u>\$ 154,296</u>	<u>703,398</u>
Proprietary Funds:				
Wastewater Operating				165,490
Wastewater Bond and Interest				317,420
Wastewater Capital Improvement				122,758
Wastewater Debt Service Reserve				<u>230,000</u>
Total Proprietary Funds				<u>835,668</u>
Totals				<u>\$ 1,539,066</u>
	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General	\$ 1,152	\$ 29,701	\$ 29,263	\$ 1,590
Motor Vehicle Highway	10,695	15,273	13,880	12,088
Local Road and Street	18,662	9,743	10,000	18,405
Law Enforcement Continuing Education	47	658	-	705
Riverboat	672,842	320,883	116,366	877,359
Police	-	100	-	100
Proprietary Funds:				
Wastewater Operating	165,490	870,354	957,082	78,762
Wastewater Bond and Interest	317,420	278,109	370,375	225,154
Wastewater Capital Improvement	122,758	247,714	18,493	351,979
Wastewater Debt Service Reserve	<u>230,000</u>	<u>-</u>	<u>-</u>	<u>230,000</u>
Totals	<u>\$ 1,539,066</u>	<u>\$ 1,772,535</u>	<u>\$ 1,515,459</u>	<u>\$ 1,796,142</u>

The accompanying notes are an integral part of the schedules.

TOWN OF ST. LEON  
NOTES TO SCHEDULES

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 administration 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.

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.

Note 6. Long-Term Debt

The Town has entered into bonds for wastewater facility expansion and improvement. The outstanding principal at December 31, 2005, was \$4,087,750.

TOWN OF ST. LEON  
EXAMINATION RESULTS AND COMMENTS

FINANCIAL REPORT OPINION MODIFICATION (Applies to Clerk-Treasurer)

The financial records presented for examination did not provide sufficient information to support the Town's financial schedules resulting in the scope of our examination work not being sufficient to enable us to express an opinion on the Town's financial schedules. The following is a summary of the condition of the Town's financial records:

1. The Town uses an accounting service to post its financial ledgers. Hard copies of monthly financial postings were maintained, however, the Accountant was not able to print out a ledger showing yearly transactions for the years 2003 and 2004. In addition several monthly financial ledgers for 2003 and two months for 2004 were not available for examination. Due to this condition, we were unable to verify financial information reported on the Town's Annual Financial Reports.
2. A ledger was printed out for the year 2005. However, the Town's general ledger was posted by bank account, and not by fund. In addition, some expense accounts on the ledger did not specify a fund. We inquired of the Accountant, Laura Ankeman, if there was a different report available that would provide fund totals. Laura Ankeman stated that the system is capable of doing it, but she did not post the transactions by fund. Due to this condition, we were unable to verify financial information reported on the Town's Annual Financial Report.
3. The beginning cash and investment balances for the Wastewater Utility Funds for the 2003 Annual Report did not agree with the ending cash and investment balances on the 2002 Annual Report and we were not able to trace or verify the 2003 Annual Report financial activity to the ledger. As a result, the 2003 financial activity for the Wastewater Utility Funds could not be reported in the Financial Schedule.
4. The Town did not report the receipts disbursements and balances of its Wastewater Utility funds in the 2004 Annual Report. The ledger for the Wastewater Utility Funds did not provide information in a manner so that financial information could be reported in the 2004 Annual Report. As a result, the 2004 financial activity of the Wastewater Utility Funds could not be reported in the Financial Schedule.
5. The Town did not present time sheets to support payments to hourly employees and did not make available Employee Service Records to support payments of accrued compensated leave balances.
6. The Town did not have a process in place to document approval of disbursements.

Accounting records and other public records must be maintained in a manner that will support accurate financial statements. Anything other than an unqualified opinion on the Independent Auditors' Report on the financial statements 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)

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

NONUSE OF PRESCRIBED FORMS (Applies to Clerk-Treasurer)

The following prescribed or approved forms were not always in use:

1. Accounts Payable Voucher (Town Form 39)
2. Municipal Wastewater Utility Accounts Payable Voucher (Form 301S)
3. Accounts Payable Voucher Register (General Form 364)
4. Clerk-Treasurer's Receipt (City and Town Form 217)
5. Clerk-Treasurer's Warrant (Town Form 219)
6. Ledger of Receipts, Disbursements and Balances (City and Town Form 208)
7. Ledger of Appropriations, Encumbrances, Disbursements, and Balances (City and Town Form 209) or computerized equivalent
8. Employee's Service Record (General Form 99A)
9. Employee's Earning Record (General Form 99B)
10. Accounts Receivable Control (General Form 315)
11. Payroll Schedule and Voucher (General Form 99)
12. Simplified Cash Journal – Wastewater Utility (Utility Form 323) or computer equivalent

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)

Indiana Code 5-11-1-21 states: "All public officers shall adopt and use the books, forms, records, and systems of accounting and reporting adopted by the state board of accounts, when directed so to do by the board, and all forms, books, and records shall be purchased by those officers in the manner provided by law. An officer who refuses to provide such books, forms, or records, fails to use them, or fails to keep the accounts of his office as directed by the board commits a Class C infraction and forfeits his office."

DISBURSMENTS NOT APPROVED (Applies to Clerk-Treasurer)

The Town did use any of the prescribed Accounts Payable Vouchers for disbursements paid to vendors and did not use the prescribed Payroll Schedule and Voucher for payroll disbursements. As a result, the following certifications and approvals were not obtained:

1. The Clerk-Treasurer did not certify that a claim was true and correct.
2. Claims did not have evidence of Board approval.

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

3. Claims or invoices did not have evidence to support receipt of goods or services.

4. Payroll was not certified as to time worked and compensated leave taken.

Indiana Code 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services."

"(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

NO SERVICE AND TIME RECORDS (Applies to Town Board, Clerk-Treasurer and Wastewater Utility)

The following payroll records were not available for our examination:

1. The Town uses an accounting service to process its payroll. For each pay period, time-sheets for hourly employees were faxed to the accounting service. The faxed copy was not retained by the accounting service and the Town did not retain the original time sheets.
2. No attendance or Employee Service Records were maintained or presented for examination. Due to this condition, terminated employees were paid accrued vacation and sick leave with no supporting documentation showing how leave balances were determined.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

COMPUTER FORMS NOT APPROVED (Applies to Town and Wastewater Utility)

The accounting forms or reports generated by the Town's computer system have not been approved by the Indiana State Board of Accounts.

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

All governmental units are required by law to use the forms prescribed by this department; however, if it is desirable to use a different form or to have a prescribed form modified to conform for computer applications, a letter and three copies of the proposed form may be submitted to the State Board of Accounts for approval. No form should be printed and placed into use, other than a prescribed form, without prior approval. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

BANK ACCOUNT RECONCILIATIONS (Applies to Clerk-Treasurer)

Depository reconciliations of the fund balances to the bank account balances were not presented for audit or were incorrect. As of December 31, 2005, the bank reconciliations showed the following:

The balance of the Sewage Capital Improvement bank account was \$5,422 more than the fund balance. The balance of the Town's Riverboat Revenue Sharing checking account was \$838 less than the balance of the Town's Riverboat Fund. The net difference was \$4,584 more in the bank accounts than shown on the record balances.

Indiana Code 5-13-6-1(e) states in part: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

DEPOSITS (Applies to Clerk-Treasurer)

In numerous instances, receipts were deposited later than the next business day.

Indiana Code 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."

APPROPRIATIONS (Applies to Town Council and Clerk-Treasurer)

The Town did not obtain appropriations for the following funds: General, Motor Vehicle Highway, and Local Road and Street for the years 2003, 2004, and 2005. In addition, the records presented for audit do not show a local appropriation for the Riverboat Fund.

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."

In regards to the Riverboat Fund, 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  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

NO CAPITAL ASSET RECORDS (Applies to Clerk-Treasurer)

The Town has no detailed capital asset records for assets purchased from its governmental funds or from its proprietary funds.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded in the Capital Assets Ledger. 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)

DELINQUENT WASTEWATER ACCOUNTS (Applies to Wastewater Utility)

Delinquent wastewater fees and penalties had not been recorded with the County Recorder since July 30, 2004, nor were they certified to the County Auditor which would result in a lien against the property.

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; 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. . . ."

OFFICIAL BOND (Applies to Clerk-Treasurer)

The Clerk-Treasurer's official bond has not been filed in the Office of the County Recorder since January 1, 2003.

Indiana Code 5-4-1-5.1(b) states in part: "Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder. . . ."

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

CERTIFIED REPORT NOT FILED (Applies to Clerk-Treasurer)

The Town did not file a certified report of compensation of officers and employees (Form 100-R or its equivalent) with the State Board of Accounts for the years 2003, 2004, or 2005.

Indiana Code 5-11-13-1 states in part: "Every state, county, city, town, township, or school official . . . shall during the month of January of each year prepare, make, and sign a written or printed certified report, correctly and completely showing the names and addresses of each and all officers, employees, and agents . . . and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts."

TOWN OF ST. LEON  
EXIT CONFERENCE

The contents of this report were discussed on August 3, 2006, with Carl D. Farrow, President of the Town Council.

The contents of this report were discussed on August 16, 2006, with Kevin Alig, Clerk-Treasurer.