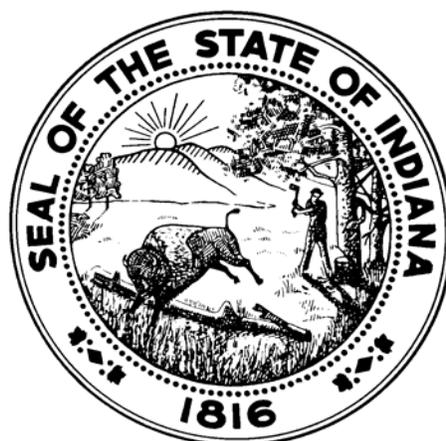


**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

EXAMINATION REPORT  
OF  
TOWN OF FOWLER  
BENTON COUNTY, INDIANA  
January 1, 2004 to December 31, 2005



**FILED**  
12/27/2006



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OFFICIALS

Office

Official

Term

Clerk-Treasurer

Kathleen Schwartz

01-01-04 to 12-31-07

President of the Town Council

Thomas Collins  
Stephen B. Rettig

01-01-04 to 08-31-04  
09-01-04 to 12-31-06



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF FOWLER, BENTON COUNTY, INDIANA

We have examined the schedules of receipts, disbursements, and cash and investment balances of the Town of Fowler (Town), for the period of January 1, 2004 to December 31, 2005. The Town's management is responsible for the schedules. Our responsibility is to express an opinion 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 schedule of receipts, disbursements, and cash and investment balances and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

Our tests indicate the Town records do not properly reflect the receipts, disbursements, and balances of the Payroll Fund. The negative Payroll Fund balances at each year end are a result of the failure to post transfers to the fund or payments made from the Payroll Fund that should have been made from other Funds.

In our opinion, subject to the effects, if any, of the improperly recorded payroll transactions, the schedules referred to above present fairly, in all material respects, the cash transactions of the Town for the years ended December 31, 2004 and 2005, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

November 16, 2006

TOWN OF FOWLER  
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES  
As Of And For The Years Ended December 31, 2004 And 2005

	Cash and Investments 01-01-04	Receipts	Disbursements	Cash and Investments 12-31-04
<b>Governmental Funds:</b>				
General Fund	\$ 363,791	\$ 835,382	\$ 649,983	\$ 549,190
Motor Vehicle Highway	(2,481)	266,647	282,514	(18,348)
Local Roads and Streets	13,896	8,953	10,435	12,414
Park and Recreation	53,502	47,225	75,793	24,934
Park Concessions	2,744	10,447	8,017	5,174
Pool Restoration	27,206	5,536	6,861	25,881
Rainy Day	-	14,770	-	14,770
Park Donations	1,872	8,902	6,313	4,461
Focus	12,902	-	-	12,902
LECE	1,710	18,859	6,840	13,729
Fire Grant	-	11,018	11,018	-
Arbor Day 2003	1,556	-	242	1,314
Recycled Furniture	4,896	-	-	4,896
Police Grant	-	10,000	10,000	-
Playground 2003	2,274	2,505	1,749	3,030
Pool Construction	-	24,176	73,336	(49,160)
Cumulative Capital Improvement	44,718	9,012	-	53,730
Cumulative Capital Development	98,244	28,147	128,623	(2,232)
Riverboat Gaming	15,327	16,120	737	30,710
Industrial Development	9,489	-	-	9,489
EDIT	199,155	60,541	79,969	179,727
<b>Proprietary Funds:</b>				
Water Operating	55,916	400,337	454,708	1,545
Water Bond and Interest	-	290,101	290,101	-
Water Meter Deposit	24,123	9,132	3,999	29,256
Sewer Operating	597,763	544,118	715,407	426,474
Sewer Bond and Interest	-	268,515	268,515	-
Sewer Construction Fund	-	9,268	9,268	-
<b>Fiduciary Fund:</b>				
Payroll	-	598,334	616,748	(18,414)
<b>Totals</b>	<b>\$ 1,528,603</b>	<b>\$ 3,498,045</b>	<b>\$ 3,711,176</b>	<b>\$ 1,315,472</b>

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
<b>Governmental Funds:</b>				
General Fund	\$ 549,190	\$ 796,671	\$ 859,178	\$ 486,683
Levy Excess	-	5,734	-	5,734
Motor Vehicle Highway	(18,348)	402,737	320,497	63,892
Local Roads and Streets	12,414	9,498	11,505	10,407
Park and Recreation	24,934	99,061	81,595	42,400
Park Concessions	5,174	10,766	11,548	4,392
Pool Restoration	25,881	2,168	-	28,049
Rainy Day	14,770	-	-	14,770
Park Donations	4,461	5,492	5,026	4,927
Focus	12,902	-	-	12,902
LECE	13,729	23,089	22,418	14,400
Arbor Day 2003	1,314	2,700	200	3,814
Recycled Furniture	4,896	-	-	4,896
Playground 2003	3,030	-	-	3,030
Pool Construction	(49,160)	117,970	24,176	44,634
CDBG	-	165,375	18,794	146,581
Cumulative Capital Improvement	53,730	7,465	-	61,195
Cumulative Capital Development	(2,232)	28,031	202	25,597
Riverboat Gaming	30,710	15,441	-	46,151
Skateboard Park	-	13,614	7,253	6,361
Industrial Development	9,489	-	-	9,489
EDIT	179,727	54,350	170,123	63,954
<b>Proprietary Funds:</b>				
Water Operating	1,545	344,429	368,168	(22,194)
Water Bond and Interest	-	138,464	138,464	-
Water Meter Deposit	29,256	9,075	5,535	32,796
Sewer Operating	426,474	586,333	559,292	453,515
Sewer Bond and Interest	-	290,159	312,479	(22,320)
<b>Fiduciary Fund:</b>				
Payroll	(18,414)	687,406	694,173	(25,181)
<b>Totals</b>	<b>\$ 1,315,472</b>	<b>\$ 3,816,028</b>	<b>\$ 3,610,626</b>	<b>\$ 1,520,874</b>

The accompanying notes are an integral part of the schedules.

TOWN OF FOWLER  
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, health and social services, culture and recreation, and general administrative services.

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 in December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. 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. However, due to reassessment, 2004 taxes were due June 21, 2004, and November 10, 2004. All property taxes collected by the County Treasurer and available for distribution were distributed to the Town on or prior to December 31 of the year collected.

Note 5. Deposits and Investments

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

State statute (IC 5-13-9) authorizes the Town to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Note 6. Long-Term Debt

The Town has entered into various debts such as the 1996 Water Bond, the 1996 Sewer Bond A, the 1996 Sewer Bond B, and the Water SRF Loan. The outstanding principal at December 31, 2005, was \$320,000, \$740,000, \$1,485,000, and \$1,243,980, respectively.

TOWN OF FOWLER  
EXAMINATION RESULTS AND COMMENTS

GUARANTEE DEPOSIT REGISTER

The Guarantee Deposit Register was not in balance with the Utility Meter Deposit Fund's cash balance.

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

CAPITAL ASSET RECORDS

As previously noted in the Reports B16432, B22263, and B24213, the Town does not have an inventory of all the capital assets owned which reflects their acquisition values. The Town is not recording all current capital asset additions and disposals, and the Town has no prior estimated or historical records for some capital assets.

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)

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances had not been performing for the examination period, when our examination of records commenced on September 28, 2006. Reconciliations were performed while our examiner was onsite performing the examination. Reconciliations for 2004 were presented for examination on October 30, 2006, and reconciliations for 2005 were presented for examination on November 6, 2006. The payroll fund remains unreconciled as of November 16, 2006.

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."

INTERNAL CONTROLS

Billing Stubs

Controls for receipts generated by utility collections are insufficient. It was noted during review of daily utility deposits that many remittance stubs did not have the actual amount remitted written in when the amount was different than what appeared on the stub.

Computer Output

The following deficiencies were noted in relation to the computer system output:

1. Related data items in different files (modules) were not compared and reported as out-of-balance conditions.

TOWN OF FOWLER  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

2. Transactions can be posted across funds (i.e., cash posted to Water Fund but the revenue posted to the Wastewater Fund) resulting in out of balance accounting.
3. Transactions can be back-dated or forward dated without system warnings.
4. Receipt and check numbers are manually entered instead of system generated.

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)

ANNUAL REPORT

Annual reports for 2004 and 2005 were not presented for examination.

Indiana Code 5-3-1-3(a) states in part: "Within sixty (60) days after the expiration of each calendar year, the fiscal officer of each civil city and town in Indiana shall publish an annual report of the receipts and expenditures of the city or town . . ."

RECEIPT ISSUANCE

Receipts were only issued during the audit period if the person requested a receipt. A prescribed receipt form was not in use.

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

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)

LOAN FROM SEWER UTILITY

A loan of \$30,000 was made in 2005 from the Sewer Utility to the Water Utility and has not been repaid. The Board minutes indicated the board approved a short term loan; however, did not give a time period for repayment. There was no ordinance authorizing an emergency extension of this loan.

Indiana Code 36-1-8-4 concerning temporary loans states in part:

"(a) . . . (3) Except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs; (4) The amount transferred must be returned to the other fund at the end of the prescribed period . . ."

TOWN OF FOWLER  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

"(b) If the fiscal body of a political subdivision determines that an emergency exists that requires an extension of the prescribed period of a transfer under this section, the prescribed period may be extended for not more than six (6) months beyond the budget year of the year in which the transfer occurs if the fiscal body does the following:

- (1) Passes an ordinance or a resolution that contains the following:
  - (A) A statement that the fiscal body has determined that an emergency exists.
  - (B) A brief description of the grounds for the emergency.
  - (C) The date the loan will be repaid that is not more than six (6) months beyond the budget year in which the transfer occurs.
- (2) Immediately forwards the ordinance or resolution to the state board of accounts and department of local government finance."

OVERDRAWN FUND BALANCES

The Motor Vehicle Highway, Pool Construction, Cumulative Capital Development, and Payroll Funds were overdrawn in 2004. The Water Operating, Sewer Bond and Interest, and Payroll Funds were overdrawn in 2005.

The fund balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CONDITION OF RECORDS

Financial records presented for audit were incomplete and not reflective of the activity of the Payroll Fund. The records presented did not provide sufficient information to audit or establish beginning balances, receipts, disbursements, ending balances, or the accuracy or correctness of the transactions.

The December 2004 FIT and CVET distributions from the county were posted and deposited in the Payroll Fund and bank account. These amounts should have been posted as follows:

FUND	FIT	CVET
General	\$ 2,999	\$ 1,646
MVH	981	539
Park	143	78
CCD	150	83

The Payroll Fund has unidentified negative balances at December 31, 2004 and 2005, indicating the payroll fund ledger has not been reconciled as suggested in order to see that no unidentified balance is allowed to accumulate in the payroll fund.

TOWN OF FOWLER  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

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

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

Payroll deductions will be accumulated in the payroll fund, and then disbursed from this fund at the proper time to the various receiving agencies by payroll warrants. It is suggested the payroll fund ledger sheet be supported by subsidiary ledger sheets for each type of payroll deduction in order to see that no unidentified balance is allowed to accumulate in the payroll fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 3)

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 FOWLER  
EXIT CONFERENCE

The contents of this report were discussed on November 16, 2006, with Kathleen Schwartz, Clerk-Treasurer; and Stephen B. Rettig, President of the Town Council. The officials concurred with our findings.