

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

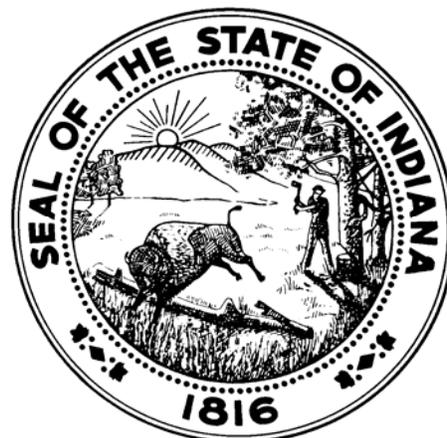
AUDIT REPORT

OF

TOWN OF FORTVILLE

HANCOCK COUNTY, INDIANA

January 1, 2005 to December 31, 2006



FILED
09/20/2007

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Margie I. Manship	01-01-04 to 12-31-07
Town Manager	Joe Renner	02-01-05 to 12-31-07
President of the Town Council	Stephen Gipson Terry Treon Phillip K. Scrogam	01-01-05 to 12-31-05 01-01-06 to 12-31-06 01-01-07 to 12-31-07
Superintendent of Utilities	Joe Renner	02-01-05 to 12-31-07
Utility Office Managers: Water and Wastewater Utilities Storm Water Utility	Rebecca Davis Tammy Gilbert	01-01-05 to 12-31-07 01-01-05 to 12-31-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF THE TOWN OF FORTVILLE, HANCOCK COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Fortville (Town), as of and for the years ended December 31, 2005 and 2006, which collectively comprise the Town's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements 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 statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the Town prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of December 31, 2005 and 2006, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated July 23, 2007, 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 and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Town taken as a whole. 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

The Schedule of Funding Progress, as listed in the Table of Contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Town has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The Combining Schedules, as listed in the Table of Contents, are presented for additional analysis and are not a required part of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

STATE BOARD OF ACCOUNTS

July 23, 2007



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE TOWN OF FORTVILLE, HANCOCK COUNTY, INDIANA

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Fortville (Town), as of and for the years ended December 31, 2005 and 2006, which collectively comprise the Town's basic financial statements and have issued our report thereon dated July 23, 2007. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies or material weaknesses, as defined above.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are 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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management in a separate letter dated July 23, 2007.

The Town's response to the findings identified in our audit are described in the accompanying section of the report entitled Official Response and Corrective Action Plan. We did not audit the Town's response and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Town's management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

July 23, 2007

TOWN OF FORTVILLE
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2005

Functions/Programs	Disbursements	Program Receipts			Net (Disbursement) Receipt and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 390,619	\$ 72,845	\$ 383,760	\$ -	\$ 65,986	\$ -	\$ 65,986
Public safety	440,797	24,637	1,650	-	(414,510)	-	(414,510)
Highways and streets	232,710	1,148	243,527	-	11,965	-	11,965
Sanitation	123,557	-	-	-	(123,557)	-	(123,557)
Economic development	6,739	-	-	-	(6,739)	-	(6,739)
Culture and recreation	117,775	-	12,261	-	(105,514)	-	(105,514)
Interest on long-term debt	167,638	-	-	-	(167,638)	-	(167,638)
Capital outlay	367,840	-	10,646	-	(357,194)	-	(357,194)
Total governmental activities	1,847,675	98,630	651,844	-	(1,097,201)	-	(1,097,201)
Business-type activities:							
Water	563,552	552,327	-	-	-	(11,225)	(11,225)
Wastewater	956,360	705,463	-	38,736	-	(212,161)	(212,161)
Storm Water	72,401	248,890	-	-	-	176,489	176,489
Total business-type activities	1,592,313	1,506,680	-	38,736	-	(46,897)	(46,897)
Total primary government	\$ 3,439,988	\$ 1,605,310	\$ 651,844	\$ 38,736	(1,097,201)	(46,897)	(1,144,098)
General receipts:							
Property taxes					754,303	-	754,303
Other local sources					86,820	-	86,820
Bonds and loans					290,694	-	290,694
Grants and contributions not restricted to specific programs					-	90,856	90,856
Unrestricted investment earnings					-	3,581	3,581
Transfers					38,880	-	38,880
Total general receipts and transfers					1,170,697	94,437	1,265,134
Change in net assets					73,496	47,540	121,036
Net assets - beginning					949,762	860,158	1,809,920
Net assets - ending					\$ 1,023,258	\$ 907,698	\$ 1,930,956
<u>Assets</u>							
Cash and investments					\$ 1,023,258	\$ 172,912	\$ 1,196,170
Cash with fiscal agent					-	244,933	244,933
Restricted assets:							
Cash and investments					-	489,853	489,853
Total assets					\$ 1,023,258	\$ 907,698	\$ 1,930,956
<u>Net Assets</u>							
Restricted for:							
Culture and recreation					\$ 63,582	\$ -	\$ 63,582
Debt service					20,314	416,299	436,613
Other purposes					820,101	318,487	1,138,588
Unrestricted					119,261	172,912	292,173
Total net assets					\$ 1,023,258	\$ 907,698	\$ 1,930,956

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

TOWN OF FORTVILLE
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2005

	General	Motor Vehicle Highway	Local Road and Street	Tax Increment Financing	Other Governmental Funds	Totals
Receipts:						
Taxes	\$ 482,509	\$ 164,180	\$ -	\$ 19,262	\$ 88,352	\$ 754,303
Licenses and permits	-	-	-	-	400	400
Intergovernmental	383,760	203,571	39,956	-	24,557	651,844
Charges for services	72,845	1,148	-	-	24,637	98,630
Fines and forfeits	750	-	-	-	4,699	5,449
Other	43,199	7,085	-	-	30,687	80,971
Total receipts	983,063	375,984	39,956	19,262	173,332	1,591,597
Disbursements:						
General government	390,619	-	-	-	-	390,619
Public safety	434,414	-	-	-	6,383	440,797
Highways and streets	-	232,710	-	-	-	232,710
Sanitation	119,876	-	-	-	-	119,876
Health and welfare	3,681	-	-	-	-	3,681
Culture and recreation	-	-	-	-	117,775	117,775
Urban redevelopment and housing	6,348	-	-	-	391	6,739
Debt service:						
Principal	-	-	-	150,000	-	150,000
Interest	-	-	-	17,638	-	17,638
Capital outlay	212,747	-	-	130,793	24,300	367,840
Total disbursements	1,167,685	232,710	-	298,431	148,849	1,847,675
Excess (deficiency) of receipts over disbursements	(184,622)	143,274	39,956	(279,169)	24,483	(256,078)
Other financing sources (uses):						
Bond proceeds	-	-	-	290,694	-	290,694
Transfers in	-	-	-	60,000	-	60,000
Transfers out	(7,133)	(9,418)	-	-	(4,569)	(21,120)
Total other financing sources (uses)	(7,133)	(9,418)	-	350,694	(4,569)	329,574
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(191,755)	133,856	39,956	71,525	19,914	73,496
Cash and investment fund balance - beginning	245,220	396,222	88,949	(51,211)	270,582	949,762
Cash and investment fund balance - ending	\$ 53,465	\$ 530,078	\$ 128,905	\$ 20,314	\$ 290,496	\$ 1,023,258
Cash and Investment Assets - December 31						
Cash and investments	\$ 53,465	\$ 530,078	\$ 128,905	\$ 20,314	\$ 290,496	\$ 1,023,258
Total cash and investment assets - December 31	\$ 53,465	\$ 530,078	\$ 128,905	\$ 20,314	\$ 290,496	\$ 1,023,258
Cash and Investment Fund Balance - December 31						
Restricted for:						
Culture and recreation	\$ -	\$ -	\$ -	\$ -	\$ 63,582	\$ 63,582
Debt service	-	-	-	20,314	-	20,314
Other purposes	-	530,078	128,905	-	161,118	820,101
Unrestricted	53,465	-	-	-	65,796	119,261
Total cash and investment fund balance - December 31	\$ 53,465	\$ 530,078	\$ 128,905	\$ 20,314	\$ 290,496	\$ 1,023,258

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

TOWN OF FORTVILLE
STATEMENT OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUNDS
As of and for the Year Ended December 31, 2005

	Water Utility	Wastewater Utility	Storm Water Utility	Total
Operating receipts:				
Residential sales	\$ 418,010	\$ 673,173	\$ 248,890	\$ 1,340,073
Fire protection receipts	89,770	-	-	89,770
Other water receipts	4,800	6,475	-	11,275
Flat rate receipts	34,091	23,545	-	57,636
Other	5,656	2,270	-	7,926
Total operating receipts	552,327	705,463	248,890	1,506,680
Operating disbursements:				
Equipment and capital improvements	-	25,546	11,629	37,175
Water - operations and maintenance	173,621	-	-	173,621
Operations and maintenance	69,249	-	-	69,249
Customer accounts	4,216	5,985	-	10,201
Administration and general	-	-	772	772
Other	26,468	-	-	26,468
Salaries and wages	-	238,537	-	238,537
Purchased power	24,073	27,218	-	51,291
Chemicals	24,541	20,619	-	45,160
Material and supplies	-	68,868	-	68,868
Contractual services	48,676	285,713	-	334,389
Transportation disbursements	1,095	890	-	1,985
Insurance disbursements	16,648	16,094	-	32,742
Miscellaneous disbursements	41,465	28,740	-	70,205
Total operating disbursements	430,052	718,210	12,401	1,160,663
Excess (deficiency) of operating receipts over operating disbursements	122,275	(12,747)	236,489	346,017
Nonoperating receipts (disbursements):				
Interest and investment receipts	755	2,826	-	3,581
Miscellaneous receipts	-	90,856	-	90,856
Debt service of principal	(90,000)	(157,231)	-	(247,231)
Interest and investment disbursement	(43,500)	(80,919)	-	(124,419)
Total nonoperating receipts (disbursements)	(132,745)	(144,468)	-	(277,213)
Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements)	(10,470)	(157,215)	236,489	68,804
Capital contributions	-	38,736	-	38,736
Transfers out	-	-	(60,000)	(60,000)
Excess (deficiency) of receipts, contributions and transfers in over disbursements and transfers out	(10,470)	(118,479)	176,489	47,540
Cash and investment fund balance - beginning	214,830	546,204	99,124	860,158
Cash and investment fund balance - ending	<u>\$ 204,360</u>	<u>\$ 427,725</u>	<u>\$ 275,613</u>	<u>\$ 907,698</u>
Cash and Investment Assets - December 31				
Cash and investments	\$ 3,680	\$ (106,381)	\$ 275,613	\$ 172,912
Restricted assets:				
Cash and investments	200,680	289,173	-	489,853
Cash with fiscal agent	-	244,933	-	244,933
Total cash and investment assets - December 31	<u>\$ 204,360</u>	<u>\$ 427,725</u>	<u>\$ 275,613</u>	<u>\$ 907,698</u>
Cash and Investment Fund Balance - December 31				
Restricted for:				
Debt service	\$ 161,404	\$ 254,895	\$ -	\$ 416,299
Other purposes	39,276	279,211	-	318,487
Unrestricted	3,680	(106,381)	275,613	172,912
Total cash and investment fund balance - December 31	<u>\$ 204,360</u>	<u>\$ 427,725</u>	<u>\$ 275,613</u>	<u>\$ 907,698</u>

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

TOWN OF FORTVILLE
 STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 FIDUCIARY FUNDS
 For The Year Ended December 31, 2005

	<u>Agency Funds</u>
Additions:	
Agency fund additions	<u>\$ 1,147,237</u>
Deductions:	
Agency fund deductions	<u>1,139,387</u>
Excess of total additions over total deductions	7,850
Cash and investment fund balance - beginning	<u>4,467</u>
Cash and investment fund balance - ending	<u><u>\$ 12,317</u></u>

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

TOWN OF FORTVILLE
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2006

Functions/Programs	Program Receipts				Net (Disbursement) Receipt and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 406,312	\$ 66,964	\$ 475,310	\$ -	\$ 135,962	\$ -	\$ 135,962
Public safety	573,439	361	1,750	-	(571,328)	-	(571,328)
Highways and streets	469,673	1,320	278,465	-	(189,888)	-	(189,888)
Sanitation	114,726	-	-	-	(114,726)	-	(114,726)
Economic development	5,500	-	-	-	(5,500)	-	(5,500)
Culture and recreation	91,558	-	10,535	-	(81,023)	-	(81,023)
Interest on long-term debt	74,710	-	-	-	(74,710)	-	(74,710)
Capital outlay	81,353	-	33,976	-	(47,377)	-	(47,377)
Total governmental activities	<u>1,817,271</u>	<u>68,645</u>	<u>800,036</u>	<u>-</u>	<u>(948,590)</u>	<u>-</u>	<u>(948,590)</u>
Business-type activities:							
Water	540,381	561,030	-	-	-	20,649	20,649
Wastewater	949,829	841,914	-	57,868	-	(50,047)	(50,047)
Storm Water	74,603	251,733	-	-	-	177,130	177,130
Total business-type activities	<u>1,564,813</u>	<u>1,654,677</u>	<u>-</u>	<u>57,868</u>	<u>-</u>	<u>147,732</u>	<u>147,732</u>
Total primary government	<u>\$ 3,382,084</u>	<u>\$ 1,723,322</u>	<u>\$ 800,036</u>	<u>\$ 57,868</u>	<u>(948,590)</u>	<u>147,732</u>	<u>(800,858)</u>
General receipts:							
Property taxes					669,490	-	669,490
Other local sources					57,926	-	57,926
Bonds and loans					450,000	-	450,000
Grants and contributions not restricted to specific programs					-	39,456	39,456
Unrestricted investment earnings					-	5,978	5,978
Total general receipts					<u>1,177,416</u>	<u>45,434</u>	<u>1,222,850</u>
Change in net assets					228,826	193,166	421,992
Net assets - beginning					<u>1,023,258</u>	<u>907,698</u>	<u>1,930,956</u>
Net assets - ending					<u>\$ 1,252,084</u>	<u>\$ 1,100,864</u>	<u>\$ 2,352,948</u>
<u>Assets</u>							
Cash and investments					\$ 1,275,669	\$ 281,759	\$ 1,557,428
Cash with fiscal agent					-	284,389	284,389
Restricted assets:							
Cash and investments					<u>(23,585)</u>	<u>534,716</u>	<u>511,131</u>
Total assets					<u>\$ 1,252,084</u>	<u>\$ 1,100,864</u>	<u>\$ 2,352,948</u>
<u>Net Assets</u>							
Restricted for:							
Culture and recreation					\$ 53,253	\$ -	\$ 53,253
Debt service					(28,966)	753,626	724,660
Other purposes					1,108,488	65,479	1,173,967
Unrestricted					<u>119,309</u>	<u>281,759</u>	<u>401,068</u>
Total net assets					<u>\$ 1,252,084</u>	<u>\$ 1,100,864</u>	<u>\$ 2,352,948</u>

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

TOWN OF FORTVILLE
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2006

	General	Motor Vehicle Highway	Local Road and Street	Tax Increment Financing	Other Governmental Funds	Totals
Receipts:						
Taxes	\$ 516,469	\$ 74,301	\$ -	\$ 13,038	\$ 65,682	\$ 669,490
Licenses and permits	-	-	-	-	1,000	1,000
Intergovernmental	462,918	238,553	39,912	12,392	46,261	800,036
Charges for services	66,964	1,320	-	-	361	68,645
Fines and forfeits	445	-	-	-	2,922	3,367
Other	48,421	126	-	-	5,012	53,559
Total receipts	1,095,217	314,300	39,912	25,430	121,238	1,596,097
Disbursements:						
General government	403,633	-	-	-	2,679	406,312
Public safety	568,631	-	-	-	4,808	573,439
Highways and streets	-	429,878	39,795	-	-	469,673
Sanitation	114,536	-	-	-	-	114,536
Health and welfare	190	-	-	-	-	190
Culture and recreation	-	-	-	-	91,558	91,558
Urban redevelopment and housing	5,500	-	-	-	-	5,500
Debt service:						
Principal	-	-	-	10,000	-	10,000
Interest	-	-	-	37,313	-	37,313
Bond issuance costs	-	-	-	3,812	23,585	27,397
Capital outlay	-	-	-	-	81,353	81,353
Total disbursements	1,092,490	429,878	39,795	51,125	203,983	1,817,271
Excess (deficiency) of receipts over disbursements	2,727	(115,578)	117	(25,695)	(82,745)	(221,174)
Other financing sources						
Bond proceeds	-	-	-	-	450,000	450,000
Total other financing sources (uses)	-	-	-	-	450,000	450,000
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	2,727	(115,578)	117	(25,695)	367,255	228,826
Cash and investment fund balance - beginning	53,465	530,078	128,905	20,314	290,496	1,023,258
Cash and investment fund balance - ending	<u>\$ 56,192</u>	<u>\$ 414,500</u>	<u>\$ 129,022</u>	<u>\$ (5,381)</u>	<u>\$ 657,751</u>	<u>\$ 1,252,084</u>
Cash and Investment Assets - December 31						
Cash and investments	\$ 56,192	\$ 414,500	\$ 129,022	\$ (5,381)	\$ 681,336	\$ 1,275,669
Restricted assets:						
Cash and investments	-	-	-	-	(23,585)	(23,585)
Total cash and investment assets - December 31	<u>\$ 56,192</u>	<u>\$ 414,500</u>	<u>\$ 129,022</u>	<u>\$ (5,381)</u>	<u>\$ 657,751</u>	<u>\$ 1,252,084</u>
Cash and Investment Fund Balance - December 31						
Restricted for:						
Culture and recreation	\$ -	\$ -	\$ -	\$ -	\$ 53,253	\$ 53,253
Debt service	-	-	-	(5,381)	(23,585)	(28,966)
Other purposes	-	414,500	129,022	-	564,966	1,108,488
Unrestricted	56,192	-	-	-	63,117	119,309
Total cash and investment fund balance - December 31	<u>\$ 56,192</u>	<u>\$ 414,500</u>	<u>\$ 129,022</u>	<u>\$ (5,381)</u>	<u>\$ 657,751</u>	<u>\$ 1,252,084</u>

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

TOWN OF FORTVILLE
STATEMENT OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUNDS
As of and for the Year Ended December 31, 2006

	Water Utility	Wastewater Utility	Storm Water Utility	Total
Operating receipts:				
Residential sales	\$ 431,878	\$ 800,185	\$ 251,733	\$ 1,483,796
Fire protection receipts	89,770	-	-	89,770
Other water revenue	4,275	13,980	-	18,255
Flat rate receipts	31,683	18,700	-	50,383
Insurance proceeds	2,149	4,200	-	6,349
Other	1,275	4,849	-	6,124
	<u>561,030</u>	<u>841,914</u>	<u>251,733</u>	<u>1,654,677</u>
Total operating receipts				
Operating disbursements:				
Water - operations and maintenance	194,695	-	-	194,695
Customer accounts	3,735	6,000	-	9,735
Salaries and wages	-	233,655	50,019	283,674
Purchased power	24,060	36,338	-	60,398
Sludge removal	-	60,758	-	60,758
Chemicals	26,834	19,698	-	46,532
Material and supplies	36,005	32,248	2,078	70,331
Contractual services	36,155	137,653	22,506	196,314
Transportation disbursements	7,312	5,859	-	13,171
Insurance disbursements	17,117	16,120	-	33,237
Miscellaneous disbursements	60,468	29,402	-	89,870
	<u>406,381</u>	<u>577,731</u>	<u>74,603</u>	<u>1,058,715</u>
Total operating disbursements				
Excess of operating receipts over operating disbursements	<u>154,649</u>	<u>264,183</u>	<u>177,130</u>	<u>595,962</u>
Nonoperating receipts (disbursements):				
Interest and investment receipts	1,596	4,382	-	5,978
Miscellaneous receipts	-	39,456	-	39,456
Debt service of principal	(95,000)	(201,000)	-	(296,000)
Interest and investment disbursement	(39,000)	(138,077)	-	(177,077)
Miscellaneous disbursements	-	(33,021)	-	(33,021)
	<u>(132,404)</u>	<u>(328,260)</u>	<u>-</u>	<u>(460,664)</u>
Total nonoperating receipts (disbursements)				
Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements)	22,245	(64,077)	177,130	135,298
Capital contributions	-	57,868	-	57,868
Excess (deficiency) of receipts, contributions and transfers in over disbursements and transfers out	22,245	(6,209)	177,130	193,166
Cash and investment fund balance - beginning	<u>204,360</u>	<u>427,725</u>	<u>275,613</u>	<u>907,698</u>
Cash and investment fund balance - ending	<u>\$ 226,605</u>	<u>\$ 421,516</u>	<u>\$ 452,743</u>	<u>\$ 1,100,864</u>
<u>Cash and Investment Assets - December 31</u>				
Cash and investments	\$ (1,018)	\$ (169,966)	\$ 452,743	\$ 281,759
Restricted assets:				
Cash and investments	227,623	307,093	-	534,716
Cash with fiscal agent	-	284,389	-	284,389
Total cash and investment assets - December 31	<u>\$ 226,605</u>	<u>\$ 421,516</u>	<u>\$ 452,743</u>	<u>\$ 1,100,864</u>
<u>Cash and Investment Fund Balance - December 31</u>				
Restricted for:				
Debt service	\$ 187,808	\$ 565,818	\$ -	\$ 753,626
Other purposes	39,815	25,664	-	65,479
Unrestricted	<u>(1,018)</u>	<u>(169,966)</u>	<u>452,743</u>	<u>281,759</u>
Total cash and investment fund balance - December 31	<u>\$ 226,605</u>	<u>\$ 421,516</u>	<u>\$ 452,743</u>	<u>\$ 1,100,864</u>

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

TOWN OF FORTVILLE
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For The Year Ended December 31, 2006

	Agency Funds
Additions:	
Contributions:	
Agency fund additions	\$ <u>1,233,295</u>
Deductions:	
Agency fund deductions	<u>1,243,636</u>
Deficiency of total additions over total deductions	(10,341)
Cash and investment fund balance - beginning	<u>12,317</u>
Cash and investment fund balance - ending	<u>\$ 1,976</u>

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

TOWN OF FORTVILLE
NOTES TO FINANCIAL STATEMENTS

I. 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 the following services: public safety (police and fire), highways and streets, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater and storm water, and urban redevelopment and housing.

The Town's financial reporting entity is present the Town as the Primary Government. There are no significant component units which require inclusion.

In determining the financial reporting entity, the Town complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The Town reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The motor vehicle highway fund is the Town's special revenue fund which is used to account for the proceeds of specific motor vehicle highway tax distributions that are legally restricted to expenditures for specified purposes.

The local road and street fund is the Town's special revenue fund which is used to account for the proceeds of specific local road and street distributions that are legally restricted to expenditures for specified purposes.

The tax increment financing fund is the Town's debt service/construction fund used to account for the accumulation of resources for capital expenditures and the payment of general long term debt and related costs associated with the restrictions contained in the debt covenants.

TOWN OF FORTVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

The Town reports the following major proprietary funds:

The water utility fund accounts for the operation of the water distribution system.

The wastewater utility fund accounts for the operation of the wastewater treatment plant, pumping stations and collection systems.

The storm water utility fund accounts for the operation of the storm water collection system.

Additionally, the Town reports the following fund types:

Agency funds account for assets held by the Town as an agent for payroll related withholdings and control accounts for certain cash transactions during the time they are a liability to the Town; that is from the time they are disbursed by the government or withheld from the employee's wages until they are transmitted to the proper payee for the purpose withheld.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, 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 cash and investment 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. Investment transactions are not presented on the financial statements.

If the Town utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the Town's governmental funds and its Water, Wastewater, and Storm Water Utilities. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating receipts of the enterprise funds are charges to customers for sales and services. Operating disbursements for enterprise funds include the cost of sales and services and administrative costs.

TOWN OF FORTVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements. Internal service funds are used to account for activities provided to other departments or agencies primarily with the government. The Town does not have any internal service funds.

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

2. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

3. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

4. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the Town's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

TOWN OF FORTVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities and Net Assets – Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

Prior to the first required publication, the fiscal officer of the Town submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the

TOWN OF FORTVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the Town receives approval of the Indiana Department of Local Government Finance.

The Town's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

B. Cash and Investment Balance Deficits

At December 31, 2005 and 2006, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines and state statute:

Fund	2005	2006
Traffic Safety Equipment	\$ 89	\$ 89
Payroll	8,803	19,144
Wastewater Operating	106,381	169,966
Tax Increment Financing	-	5,381
General Obligation Bonds	-	23,585
Water Operating	-	1,018
Water Bond and Interest	-	500

Cash and investment deficits arose primarily from disbursements exceeding receipts due to the underestimate of current requirements; these deficits are to be repaid from future receipts.

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

2. Investments

Authorization for investment activity is stated in Indiana Code 5-13. As of December 31, 2006, the Town had no investments.

TOWN OF FORTVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Interfund Transfers

Interfund transfers for the years ended December 31, 2005 and 2006, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>2005</u>
General Fund	All others - Levy Excess	\$ 7,133
Motor Vehicle Highway	All others - Levy Excess	9,418
Other governmental - Park	All others - Levy Excess	4,569
Storm Water Utility	Tax Increment Financing	<u>60,000</u>
 Total		 <u>\$ 81,120</u>

The Town typically uses transfers to fund ongoing operating subsidies and to transfer the portion of state-shared revenues from the General Fund to the debt service fund for current-year debt service requirements.

C. Segment Information

The Town issued revenue bonds to finance water facilities, wastewater upgrades and separation of wastewater and storm water sewers. Investors in the revenue bonds rely solely on the revenue generated by the individual activities for repayment. Summary financial information for the Water, Wastewater and Storm Water Utilities is presented below.

<u>Condensed Statement of Cash and Investment Net Assets</u>						
	<u>2005</u>			<u>2006</u>		
	<u>Water</u>	<u>Wastewater</u>	<u>Storm Water</u>	<u>Water</u>	<u>Wastewater</u>	<u>Storm Water</u>
Cash and investment assets:						
Cash and investments	\$ 3,680	\$ (106,381)	\$ 275,613	\$ (1,018)	\$ (169,966)	\$ 452,743
Cash with fiscal agent	-	244,933	-	-	284,389	-
Restricted assets	<u>200,680</u>	<u>289,173</u>	<u>-</u>	<u>227,623</u>	<u>307,093</u>	<u>-</u>
Total cash and investment assets	<u>\$ 204,360</u>	<u>\$ 427,725</u>	<u>\$ 275,613</u>	<u>\$ 226,605</u>	<u>\$ 421,516</u>	<u>\$ 452,743</u>
Cash and investment net assets:						
Restricted for:						
Debt service	\$ 161,404	\$ 254,895	\$ -	\$ 187,808	\$ 565,818	\$ -
Other purposes	39,276	279,211	-	39,815	25,664	-
Unrestricted	<u>3,680</u>	<u>(106,381)</u>	<u>275,613</u>	<u>(1,018)</u>	<u>(169,966)</u>	<u>452,743</u>
Total cash and investment net assets	<u>\$ 204,360</u>	<u>\$ 427,725</u>	<u>\$ 275,613</u>	<u>\$ 226,605</u>	<u>\$ 421,516</u>	<u>\$ 452,743</u>

TOWN OF FORTVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Condensed Statement of Receipts, Disbursements and Changes in Cash and Investment Net Assets						
	2005			2006		
	Water	Wastewater	Storm Water	Water	Wastewater	Storm Water
Receipts (pledged against bond)	\$ 552,327	\$ 705,463	\$ 248,890	\$ 561,030	\$ 841,914	\$ 251,733
Operating disbursements	<u>(430,052)</u>	<u>(718,210)</u>	<u>(12,401)</u>	<u>(406,381)</u>	<u>(577,731)</u>	<u>(74,603)</u>
Excess (deficiency) of receipts over disbursements	<u>122,275</u>	<u>(12,747)</u>	<u>236,489</u>	<u>154,649</u>	<u>264,183</u>	<u>177,130</u>
Nonoperating receipts (disbursements):						
Interest received	755	2,826	-	1,596	4,382	-
Interest disbursed	(43,500)	-	-	(39,000)	(138,077)	-
Capital contributions	-	38,736	-	-	57,868	-
Special and extraordinary items	(90,000)	(147,294)	-	(95,000)	(194,565)	-
Transfers	-	-	(60,000)	-	-	-
Total nonoperating disbursements	<u>(132,745)</u>	<u>(105,732)</u>	<u>(60,000)</u>	<u>(132,404)</u>	<u>(270,392)</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements)	(10,470)	(118,479)	176,489	22,245	(6,209)	177,130
Beginning cash and investment net assets	<u>214,830</u>	<u>546,204</u>	<u>99,124</u>	<u>204,360</u>	<u>427,725</u>	<u>275,613</u>
Ending cash and investment net assets	<u>\$ 204,360</u>	<u>\$ 427,725</u>	<u>\$ 275,613</u>	<u>\$ 226,605</u>	<u>\$ 421,516</u>	<u>\$ 452,743</u>

IV. Other Information

A. Risk Management

The Town is 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; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees (excluding fire department personnel); and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

Job Related Illnesses or Injuries to Fire Department Personnel

During 1990, the Town joined with other governmental entities to form the Indiana Public Employer's Plan, Inc. (IPEP), a public entity risk pool currently operating as a common risk management and insurance program for member governmental entities. This risk pool was formed in 1989. The purpose of the risk pool is to provide a medium for the funding and administration of worker's compensation claims. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$1,000,000 per insured event. The risk pool obtains independent coverage for insured events in excess of the \$1,000,000 limit.

TOWN OF FORTVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Rate Structure – Enterprise Funds

Water Utility

The current rate structure was approved by the Indiana Utility Regulatory Commission on September 1, 2000.

Wastewater Utility

The current rate structure was approved by the Town Council on December 13, 2005.

Storm Water Utility

The current rate structure was approved by the Town Council on October 12, 2004.

C. Pension Plan

Public Employees' Retirement Fund

Plan Description

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

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The report may be obtained by contacting:

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

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The Town's annual pension cost and related information, as provided by the actuary, is presented in this note.

Information to segregate the assets/liabilities and the actuarial study figures between the Town and the Utilities is not available.

TOWN OF FORTVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 44,838
Interest on net pension obligation	(808)
Adjustment to annual required contribution	921
Annual pension cost	44,951
Contributions made	49,055
Decrease in net pension obligation	(4,104)
Net pension obligation, beginning of year	(11,145)
Net pension obligation, end of year	\$ (15,249)
Contribution rates:	
Town	6%
Plan members	3%
Actuarial valuation date	07-01-06
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	40 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

Actuarial Assumptions

Investment rate of return	7.25%
Projected future salary increases:	
Total	5%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	2%

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-04	\$ 37,978	111%	\$ (7,727)
	06-30-05	41,964	108%	(11,145)
	06-30-06	44,951	117%	(15,249)

TOWN OF FORTVILLE
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-04	\$ 515,480	\$ 649,114	\$ (133,634)	79%	\$ 690,173	(19%)
07-01-05	551,483	714,635	(163,152)	77%	689,317	(24%)
07-01-06	735,272	832,012	(96,740)	88%	815,242	(12%)

TOWN OF FORTVILLE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2005

	Park and Recreation	Local Law Enforcement Continuing Education	Riverboat	Special Certified Shares	Operation Pullover	Traffic Safety Equipment	Bonar Grant
Receipts:							
Taxes	\$ 88,352	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	400	-	-	-	-	-
Intergovernmental	12,261	-	-	-	1,650	-	-
Charges for services	-	337	-	-	-	-	24,300
Fines and forfeits	-	4,699	-	-	-	-	-
Other	7,510	-	21,717	-	-	-	-
Total receipts	108,123	5,436	21,717	-	1,650	-	24,300
Disbursements:							
Public safety	-	3,754	-	-	2,629	-	-
Culture and recreation	117,775	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	24,300
Total disbursements	117,775	3,754	-	-	2,629	-	24,300
Excess (deficiency) of receipts over disbursements	(9,652)	1,682	21,717	-	(979)	-	-
Other financing sources (uses):							
Transfers out	(4,569)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(14,221)	1,682	21,717	-	(979)	-	-
Cash and investment fund balance - beginning	46,002	9,731	43,495	64,756	1,082	(89)	-
Cash and investment fund balance - ending	<u>\$ 31,781</u>	<u>\$ 11,413</u>	<u>\$ 65,212</u>	<u>\$ 64,756</u>	<u>\$ 103</u>	<u>\$ (89)</u>	<u>\$ -</u>
<u>Cash and Investment Assets - December 31</u>							
Cash and investments	\$ 31,781	\$ 11,413	\$ 65,212	\$ 64,756	\$ 103	\$ (89)	\$ -
Total cash and investment assets - December 31	<u>\$ 31,781</u>	<u>\$ 11,413</u>	<u>\$ 65,212</u>	<u>\$ 64,756</u>	<u>\$ 103</u>	<u>\$ (89)</u>	<u>\$ -</u>
<u>Cash and Investment Fund Balance - December 31</u>							
Restricted for:							
Culture and recreation	\$ 31,781	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other purposes	-	11,413	65,212	-	103	(89)	-
Unrestricted	-	-	-	64,756	-	-	-
Total cash and investment fund balance - December 31	<u>\$ 31,781</u>	<u>\$ 11,413</u>	<u>\$ 65,212</u>	<u>\$ 64,756</u>	<u>\$ 103</u>	<u>\$ (89)</u>	<u>\$ -</u>

TOWN OF FORTVILLE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2005
 (Continued)

	Donations	K-9	Park Donations (Nonreverting)	Police Drug Seizure	Cumulative Capital Improvement	Totals
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 88,352
Licenses and permits	-	-	-	-	-	400
Intergovernmental	-	-	-	-	10,646	24,557
Charges for services	-	-	-	-	-	24,637
Fines and forfeits	-	-	-	-	-	4,699
Other	-	-	460	1,000	-	30,687
Total receipts	-	-	460	1,000	10,646	173,332
Disbursements:						
Public safety	-	-	-	-	-	6,383
Culture and recreation	-	-	-	-	-	117,775
Urban redevelopment and housing	-	-	-	-	391	391
Capital outlay	-	-	-	-	-	24,300
Total disbursements	-	-	-	-	391	148,849
Excess (deficiency) of receipts over disbursements	-	-	460	1,000	10,255	24,483
Other financing sources (uses):						
Transfers out	-	-	-	-	-	(4,569)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	460	1,000	10,255	19,914
Cash and investment fund balance - beginning	1,040	250	31,341	-	72,974	270,582
Cash and investment fund balance - ending	\$ 1,040	\$ 250	\$ 31,801	\$ 1,000	\$ 83,229	\$ 290,496
<u>Cash and Investment Assets - December 31</u>						
Cash and investments	\$ 1,040	\$ 250	\$ 31,801	\$ 1,000	\$ 83,229	\$ 290,496
Total cash and investment assets - December 31	\$ 1,040	\$ 250	\$ 31,801	\$ 1,000	\$ 83,229	\$ 290,496
<u>Cash and Investment Fund Balance - December 31</u>						
Restricted for:						
Culture and recreation	\$ -	\$ -	\$ 31,801	\$ -	\$ -	\$ 63,582
Other purposes	-	250	-	1,000	83,229	161,118
Unrestricted	1,040	-	-	-	-	65,796
Total cash and investment fund balance - December 31	\$ 1,040	\$ 250	\$ 31,801	\$ 1,000	\$ 83,229	\$ 290,496

TOWN OF FORTVILLE
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For The Year Ended December 31, 2005

	Payroll	Levy Excess	Total
Additions:			
Agency fund additions	\$ 1,126,117	\$ 21,120	\$ 1,147,237
Deductions:			
Agency fund deductions	1,139,387	-	1,139,387
Excess (deficiency) of total additions over total deductions	(13,270)	21,120	7,850
Cash and investment fund balance - beginning	4,467	-	4,467
Cash and investment fund balance - ending	\$ (8,803)	\$ 21,120	\$ 12,317

TOWN OF FORTVILLE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2006

	Park and Recreation	Local Law Enforcement Continuing Education	Riverboat	Special Certified Shares	Operation Pullover	Traffic Safety Equipment	Donations
Receipts:							
Taxes	\$ 65,682	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	1,000	-	-	-	-	-
Intergovernmental	10,535	-	21,672	-	1,750	-	-
Charges for services	-	361	-	-	-	-	-
Fines and forfeits	-	2,922	-	-	-	-	-
Other	4,498	-	-	-	-	-	-
Total receipts	80,715	4,283	21,672	-	1,750	-	-
Disbursements:							
General government	-	-	-	2,679	-	-	-
Public safety	-	2,535	-	-	1,273	-	-
Culture and recreation	91,558	-	-	-	-	-	-
Debt service:							
Bond issuance costs	-	-	-	-	-	-	-
Capital outlay	-	-	63,144	-	-	-	-
Total disbursements	91,558	2,535	63,144	2,679	1,273	-	-
Excess (deficiency) of receipts over disbursements	(10,843)	1,748	(41,472)	(2,679)	477	-	-
Other financing sources (uses):							
Bond proceeds	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(10,843)	1,748	(41,472)	(2,679)	477	-	-
Cash and investment fund balance - beginning	31,781	11,413	65,212	64,756	103	(89)	1,040
Cash and investment fund balance - ending	<u>\$ 20,938</u>	<u>\$ 13,161</u>	<u>\$ 23,740</u>	<u>\$ 62,077</u>	<u>\$ 580</u>	<u>\$ (89)</u>	<u>\$ 1,040</u>
Cash and Investment Assets - December 31							
Cash and investments	\$ 20,938	\$ 13,161	\$ 23,740	\$ 62,077	\$ 580	\$ (89)	\$ 1,040
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - December 31	<u>\$ 20,938</u>	<u>\$ 13,161</u>	<u>\$ 23,740</u>	<u>\$ 62,077</u>	<u>\$ 580</u>	<u>\$ (89)</u>	<u>\$ 1,040</u>
Cash and Investment Fund Balance - December 31							
Restricted for:							
Culture and recreation	\$ 20,938	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt service	-	-	-	-	-	-	-
Other purposes	-	13,161	23,740	-	580	(89)	-
Unrestricted	-	-	-	62,077	-	-	1,040
Total cash and investment fund balance - December 31	<u>\$ 20,938</u>	<u>\$ 13,161</u>	<u>\$ 23,740</u>	<u>\$ 62,077</u>	<u>\$ 580</u>	<u>\$ (89)</u>	<u>\$ 1,040</u>

TOWN OF FORTVILLE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2006
 (Continued)

	K-9	Park Donations (Non Reverting)	Police Drug Seizure	General Obligation Bonds	Cumulative Capital Improvement	Cumulative Capital Development	Totals
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 65,682
Licenses and permits	-	-	-	-	-	-	1,000
Intergovernmental	-	-	-	-	12,304	-	46,261
Charges for services	-	-	-	-	-	-	361
Fines and forfeits	-	-	-	-	-	-	2,922
Other	-	514	-	-	-	-	5,012
Total receipts	-	514	-	-	12,304	-	121,238
Disbursements:							
General government	-	-	-	-	-	-	2,679
Public safety	-	-	1,000	-	-	-	4,808
Culture and recreation	-	-	-	-	-	-	91,558
Debt service:							
Bond issuance costs	-	-	-	23,585	-	-	23,585
Capital outlay	-	-	-	-	18,209	-	81,353
Total disbursements	-	-	1,000	23,585	18,209	-	203,983
Excess (deficiency) of receipts over disbursements	-	514	(1,000)	(23,585)	(5,905)	-	(82,745)
Other financing sources (uses):							
Bond proceeds	-	-	-	-	-	450,000	450,000
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	514	(1,000)	(23,585)	(5,905)	450,000	367,255
Cash and investment fund balance - beginning	250	31,801	1,000	-	83,229	-	290,496
Cash and investment fund balance - ending	<u>\$ 250</u>	<u>\$ 32,315</u>	<u>\$ -</u>	<u>\$ (23,585)</u>	<u>\$ 77,324</u>	<u>\$ 450,000</u>	<u>\$ 657,751</u>
Cash and Investment Assets - December 31							
Cash and investments	\$ 250	\$ 32,315	\$ -	\$ -	\$ 77,324	\$ 450,000	\$ 681,336
Restricted assets:							
Cash and investments	-	-	-	(23,585)	-	-	(23,585)
Total cash and investment assets - December 31	<u>\$ 250</u>	<u>\$ 32,315</u>	<u>\$ -</u>	<u>\$ (23,585)</u>	<u>\$ 77,324</u>	<u>\$ 450,000</u>	<u>\$ 657,751</u>
Cash and Investment Fund Balance - December 31							
Restricted for:							
Culture and recreation	\$ -	\$ 32,315	\$ -	\$ -	\$ -	\$ -	\$ 53,253
Debt service	-	-	-	(23,585)	-	-	(23,585)
Other purposes	250	-	-	-	77,324	450,000	564,966
Unrestricted	-	-	-	-	-	-	63,117
Total cash and investment fund balance - December 31	<u>\$ 250</u>	<u>\$ 32,315</u>	<u>\$ -</u>	<u>\$ (23,585)</u>	<u>\$ 77,324</u>	<u>\$ 450,000</u>	<u>\$ 657,751</u>

TOWN OF FORTVILLE
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For The Year Ended December 31, 2006

	Payroll	Levy Excess	Total
Additions:			
Agency fund additions	\$ 1,233,295	\$ -	\$ 1,233,295
Deductions:			
Agency fund deductions	1,243,636	-	1,243,636
Excess (deficiency) of total additions over total deductions	(10,341)	-	(10,341)
Cash and investment fund balance - beginning	(8,803)	21,120	12,317
Cash and investment fund balance - ending	\$ (19,144)	\$ 21,120	\$ 1,976

OTHER REPORT

The annual audit report presented herein was prepared in addition to another official report prepared for the individual Town office listed below:

Clerk-Treasurer

TOWN OF FORTVILLE
AUDIT RESULTS AND COMMENTS

APPROVAL OF PAYROLL CLAIMS

For 2005 and 2006, Payroll vouchers (General Form 99) were not prepared for each payroll and therefore, did not obtain approval by the department head or Town Council was not indicated prior to payroll checks being issued to all employees.

Payroll Schedule and Voucher Form (General Form 99) should be used for all payrolls. Each claim should be certified to by the department head and the Clerk-Treasurer in the appropriate sections provided thereon. The Clerk-Treasurer may elect to certify on the Accounts Payable Voucher Register, General Form 64, in lieu of certifying each Payroll Schedule and Voucher. Payroll claims should be numbered along with other claims. Approval signatures by a majority of the board are required in the appropriate section unless the Accounts Payable Voucher Register, General Form 364, is signed. Posting from this form will be to the Ledger of Appropriations, Encumbrances, Disbursements and Balances, City and Town Form 209, for the gross amount of the pay and to the Employee's Earnings Record, General Form 99B. Payroll claims should be filed with other claims in numerical order. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 4)

Indiana Code 5-11-10-2(a) states: "Claims against a political subdivision of the state must be approved by the officer or person receiving the goods or services, be audited for correctness and approved by the disbursing officer of the political subdivision, and, where applicable, be allowed by the governing body having jurisdiction over allowance of such claims before they are paid. If the claim is against a governmental entity (as defined in section 1.6 of this chapter), the claim must be certified by the fiscal officer."

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

The Town's personnel policy, as it pertains to overtime compensation, may not comply with directives of the Fair Labor Standards Act.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ANNUAL REPORT

Complete annual reports for 2005 and 2006, were not presented for audit. Transactions for the Drug Seizure and Buy Money and a reserve account for the State Revolving Loan were not included as funds in the annual reports. Additionally, the proper format for the annual reports was not followed. For 2005, the detail of receipts and disbursements resembled ledgers and not the annual report format. For 2006, a breakdown of disbursements for the General Fund was not included.

TOWN OF FORTVILLE
AUDIT RESULTS AND COMMENTS
(Continued)

Activity for the Water, Wastewater, and Storm Water Utilities were presented on the accrual basis and the records of the Utilities were on the cash basis. The information for the Utilities was submitted by the Town's consultant.

A similar comment appeared in prior Report B26060.

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 . . ."

CONDITION OF RECORDS

Financial records presented for audit were incomplete and not reflective of the activity of the Drug Seizure Account, the Buy Money Account, and the State Revolving Loan Reserve Account. Additionally, when performing other audit procedures, it was clear that not all of the transactions of the Town were properly accounted for in the records (i.e. missing receipts, double payments, etc.). Reconcilements between records maintained by the Utilities (i.e. Cash Book, Customer Deposit ledgers) and the Town's records were not always performed. Balances on some of the Payroll Clearing Fund sub accounts continued to be negative balances. An outside vendor is contracted to perform the payroll functions and it is unclear why the balances continue to be negative.

A similar comment appeared in prior Reports B21783 and B26060.

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)

CAPITAL ASSET RECORDS

Information presented for audit indicates that neither the Town, Water Utility, Wastewater Utility, nor Storm Water Utility maintains sufficient detailed records of capital assets acquired or retired and the corresponding accumulated depreciation. A capitalization policy was not presented for audit. A partial asset inventory listing was maintained by the Town but did not include all significant capital assets held by the Town. A similar comment appeared in several prior audit reports.

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)

TOWN OF FORTVILLE
AUDIT RESULTS AND COMMENTS
(Continued)

BOARD MINUTES

Not all meeting minutes of the governing body were properly signed and approved by the Town Council and/or the Clerk-Treasurer. In addition, the meeting minutes do not reflect a true picture of the actions carried out by the Council. For example, transfers, salary ordinances, establishment of funds, and various other resolutions and ordinances were not approved in the minutes.

Indiana Code 5-14-1.5-4 states in part:

"(b) As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes taken, by individual members if there is a roll call.
- (5) An additional information required under IC 5-1.5-2-2.5 or IC 20-12-63-7."

DEPOSITS NOT MADE TIMELY

As stated in the prior Reports B21783 and B26060, we noted several instances where Town 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."

RECEIPT ISSUANCE

A receipt was not issued for funds deposited directly into the Town's bank accounts, such as local distributions.

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)

COLLECTION OF FINES FOR MOVING TRAFFIC VIOLATIONS

As stated in prior Reports B21783 and B26060, the Town collects fines and penalties for the violation of local ordinances through the Clerk-Treasurer's Office. On October 10, 2000, the Town Council adopted Ordinances 2000-10A and 2000-10B regulating the speed limit on Town streets and setting the fine for these moving violations at \$30. During 2005 and 2006, the Town receipted \$430 and \$125, respectively, to the General Fund from persons cited with violating the local speeding ordinances.

TOWN OF FORTVILLE
AUDIT RESULTS AND COMMENTS
(Continued)

An ordinance defining a moving traffic violation may not be enforced under IC 33-6-3 and must be enforced in accordance with IC 34-28-5 which requires such cases be heard in any circuit, superior, county, city, or town court or traffic violations bureau designated by these courts (IC 36-1-6-3). (Cities and Towns Bulletin and Uniform Compliance Guidelines, March 2002)

LOCAL ORDINANCE VIOLATIONS - RECEIPT ISSUANCE

As stated in prior Reports B21783 and B26060, fines for the violation of local ordinances were accepted at the Utility office during regular business hours. However, an official receipt was not issued to the person making the payment. The collections accepted by the Utility office were then remitted to the Clerk-Treasurer for subsequent deposit and posting in the Town's General Fund. Town officials believed they could legally collect these funds in order to keep more funds at the local level. These fines should be processed through a court system where the fines will be collected by the State or County.

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)

RECORDING OF MOTOR VEHICLE WHEEL TAX

In 2005, the Town received \$72,733 in Motor Vehicle Wheel Tax from the County Treasurer. These monies were receipted into the Motor Vehicle Wheel Tax Fund upon being received. The Clerk-Treasurer should have receipted the wheel tax into the Motor Vehicle Highway Fund. A similar comment appeared in the prior Report B26060.

The distributions of surtax and wheel tax to cities and towns should be receipted to the Motor Vehicle Highway Fund (Street Fund), since a city or Town may only use the money to construct, reconstruct, repair or maintain streets and roads under their jurisdiction. (Cities and Towns Bulletin and Uniform Compliance Guidelines, March 2004)

ERRORS ON CLAIMS

The following deficiency was noted on claims during the audit period:

Claims or invoices did not always have evidence to support receipt of goods or services. Several claims were noted in which supporting documentation, such as receipts, invoices, and other public records were not attached. Due to the lack of supporting information, the validity and accountability for some money disbursed could not be established.

A similar comment appeared in Reports B21783 and B26060.

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."

TOWN OF FORTVILLE
AUDIT RESULTS AND COMMENTS
(Continued)

"(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;
- (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."

MILEAGE REIMBURSEMENT

Employees were reimbursed for mileage without filing Mileage Claim, General Form 101.

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)

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)

PRESCRIBED FORMS

The prescribed or approved Town Form 217, Clerk-Treasurer's Receipt, was not in use. The Utility Clerks collect Park shelter rentals, local ordinance violations fees and copy fees. An official receipt is not provided to the individuals at the time of collection. The Utility Clerks collect the money; put it in an envelope for the Clerk-Treasurer who later issues the receipt.

Also, a Register of Investments, General Form 350, was not maintained for the Town's two investments that were held during the audit period.

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)

TOWN OF FORTVILLE
AUDIT RESULTS AND COMMENTS
(Continued)

OVERDRAWN CASH BALANCES

The following cash balances were overdrawn at December 31, 2005 and 2006:

Fund	Balance December 31, 2005	Balance December 31, 2006
Traffic Safety Equipment	\$ 89	\$ 89
General Obligation Bonds	-	23,585
Tax Increment Financing	-	5,381
Water Operating	-	1,018
Water Bond and Interest	-	500
Wastewater Operating	106,381	169,966
Payroll	8,803	19,144

The Traffic Safety Equipment Fund has been overdrawn \$89 since 2003, which was reported in prior Report B26060.

The cash 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)

OVERPAYMENT COLLECTIONS

The Clerk-Treasurer overpaid Fortis Benefits \$10,000 in July 2006. These insurance benefits were cancelled in August 2006. No refund was received or posted in the ledger as of December 31, 2006. A subsequent review noted a refund of the overpayment in 2007.

Governmental units should collect any overpayments made. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CONFLICT OF INTEREST

Benjamin Kiphart, a Police Officer, doing business as Kiphart Construction, had a contract for work on the Shelter House at the Town Park. A Uniform Conflict of Interest Disclosure Statement does not appear to have been filed.

Indiana Code 35-44-1-3 states in part:

"(a) A public servant who knowingly or intentionally: (1) has a pecuniary interest in; or (2) derives a profit from; a contract or purchase connected with an action by the governmental entity served by the public servant commits conflict of interest, a Class D felony. . . ."

"(c) This section does not prohibit a public servant from having a pecuniary interest in or deriving a profit from a contract or purchase connected with the governmental entity served . . . (3) if the public servant; (A) is an elected public servant. . . . and (B) makes a disclosure under subsection (d)(1) through (d)(6)."

"(d) A disclosure required by this section must: (1) be in writing; (2) describe the contract or purchase to be made by the governmental entity; (3) describe the pecuniary interest that the public servant has in the contract or purchase; (4) be affirmed under penalty of perjury; (5) be

TOWN OF FORTVILLE
AUDIT RESULTS AND COMMENTS
(Continued)

submitted to the governmental entity and be accepted by the governmental entity in a public meeting of the governmental entity prior to final action on the contract or purchase; (6) be filed within fifteen (15) days after final action on the contract or purchase with: (A) the state board of accounts; and (B) . . . the clerk of the circuit court in the county where the governmental entity takes final action on the contract or purchase. . . ."

"(g) A public servant has a pecuniary interest in a contract or purchase if the contract or purchase will result or is intended to result in an ascertainable increase in the income or net worth of: (1) the public servant; or (2) a dependent of the public servant who: (A) is under the direct or indirect administrative control of the public servant; or (B) receives a contract or purchase order that is reviewed, approved, or directly or indirectly administered by the public servant. . . ."

"(k) As used in this section, 'dependent' means any of the following: (1) The spouse of a public servant. (2) A child, stepchild, or adoptee (as defined in IC 31-9-2-2) of a public servant who is: (A) unemancipated; and (B) less than eighteen (18) years of age. (3) Any individual more than one-half (1/2) of whose support is provided during a year by the public servant."

PENALTIES, INTEREST AND OTHER CHARGES

Penalties totaling \$184 were paid to the Indiana Department of Revenue on the Indiana Utility Receipts Tax Return for the period ended December 31, 2005.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OPERATING FUNDS USED FOR TOWN EXPENSES

The officials of the Water Utility used operating funds to pay for \$2,400 in expenses related to the Town.

Indiana Code 8-1.5-3-11(d) states in part: ". . . transfers may not be made from any utility funds to the general fund except from the cash reserve fund."

Payments or transfers which are not authorized by statute, ordinance or resolution must be reimbursed or transferred to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF FORTVILLE
AUDIT RESULTS AND COMMENTS
(Continued)

LOANS BETWEEN UTILITY AND TOWN FUNDS

A temporary loan of \$60,000 was made on October 1, 2005, from the Wastewater Construction Fund to the Tax Increment Financing (TIF) Fund and not repaid by April 30, 2007. The loan called for one payment of principal and interest, \$62,100, due and payable within 12 months from the execution of the loan, at 3.5% interest, or October 1, 2006. Upon default, the entire unpaid balance of principal and interest shall become due and payable immediately, without notice.

As noted in Report B26060, transfers during 2003 totaled \$123,430 for the Water and Wastewater Utilities and in 2004 totaled \$61,085 for the Water and Wastewater Utilities to cover negative cash balances at year end. Additionally, on June 30, 2005, \$73,716 was transferred from the Wastewater Bond and Interest Fund to the Wastewater Reserve Fund to cover a transfer of \$206,197 to JP Morgan Chase to establish a reserve account for the Storm Water Utility State Revolving Loan. This amount is in a separate bank account and financially accounted for as Cash with Fiscal Agent, as JP Morgan Chase is the paying agent on the account. The Town Council did not approve these transfer amounts or set a prescribed period in which these amounts should be repaid.

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

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. . ."

"(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."

GUARANTEE DEPOSIT REGISTER

As stated in prior Reports B21783 and B26060, we noted the detailed Guarantee Deposit Registers for both Water and Wastewater Utilities do not balance with each respective Utility's Customer Deposit Fund cash balance. Furthermore, receipts and disbursements for the period do not agree between the Simplified Cash Journals for the Utilities and the Clerk-Treasurer's Ledger of Receipt, Disbursements and Balances.

TOWN OF FORTVILLE
AUDIT RESULTS AND COMMENTS
(Continued)

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)

BAD DEBTS AND UNCOLLECTIBLE ACCOUNTS

As stated in prior Reports B21783 and B26060, the Town Council has not adopted any written policies establishing procedures for the writing off of bad debts and uncollectible utility customer accounts, approval of adjustments to utility customer accounts or unclaimed utility meter deposits.

The governing body of a governmental unit should have a written policy concerning a procedure for the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balances.

Documentation should exist for all efforts made by the governmental unit to collect amounts owed prior to any write-offs.

Officials and employees authorizing, directing or executing write-offs or adjustments to records which are not documented or warranted may be held personally responsible. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

DEPOSIT COMPOSITION (Applies to Police Department)

Police Department receipts, issued for gun permits and accident reports, did not always designate cash, check, or money order.

Public funds shall be deposited in the same form in which they were received. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Officials or 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)

ACCOUNTING FOR DRUG SEIZURE AND BUY MONEY (Applies to Police Department)

The Police Department, through arrests related to drugs, seized over \$16,000 in cash, as well as, various assets. The cash was maintained in a safe at the Police Department. Eventually, the funds were deposited by the Police Department into a checking account. The Town Council authorized the separate checking account. However, the accounting of the funds was not processed through the Town's fiscal body or the Clerk-Treasurer. While the Police Department was in possession of the separate checking account, the officers obtained a debit card for the account to obtain Buy Money. Multiple purchases for police equipment were made from the checking account. The balance in the account at February 26, 2007, was \$1,608.

The Drug Seizure money and Buy Money funds were both accounted for in the same checking account of the Police Department. The Buy Money was generated from funds seized in a drug bust. Once a component of the Town's fiscal records they should each be accounted for in separate funds.

TOWN OF FORTVILLE
AUDIT RESULTS AND COMMENTS
(Continued)

During 2007, the Police Department applied for and received a \$7,870 federal grant for a police dog. The proceeds of the grant were also deposited into this separate bank account.

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

The following procedures should be followed if a municipality wishes to obtain an appropriation and make expenditures for buy money or payments to informants:

- (1) Under IC 36-1-3 an ordinance should be passed allowing this type of program and associated expenditures;
- (2) An appropriation for such purpose must be obtained in the manner authorized by state statutes;
- (3) Petty cash fund procedures must be followed as authorized by IC 36-1-8-3; and
- (4) A minimum documentation procedure must be followed, similar to either:
 - a. "Guidelines for the Expenditures of Confidential Funds," published by the U.S. Department of Criminal Justice.
 - b. "Guidelines for Obtaining and Accounting For Confidential Funds Used in Support of Criminal Investigation" (Revised S.O.P. PR – INV-009), by the Indiana State Police Department.

(Cities and Towns Bulletin and Uniform Compliance Guidelines, September 2004)

BANK ACCOUNT RECONCILIATIONS (Applies to Police Department)

Depository reconciliations of the Police Department ledger balance to the bank account balance of the Drug Money account (which includes a combination of Drug Seizure and Buy Money) were not presented for audit. Bank statements that we requested to verify reconciliments and balances were observed unopened, and several months of bank statements were missing and had to be obtained from the bank.

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."

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS (Applies to the Police Department)

The Police Department offers individuals that are arrested for crimes involving drugs an opportunity to surrender to the Fortville Police Department all rights to own, possess or have any rights to the cash and assets in their possession. This is done at the time of the individuals' arrest, which is also prior to being processed by the Prosecuting Attorney or court system. The amounts collected during 2005 and 2006 included approximately \$16,000 in cash, a scanner, a safe, two Chevy Blazers, one Pontiac Grand Prix, five guns, four rings, one gold chain, a Play Station 2, a CD player, audio speakers and amplifier, and four 23 inch rims. None of the amounts in the custody of the Fortville Police Department have been through orders by the court. These assets are not accounted for by the fiscal officer of the Town; the cash is in a safe in the Police Department or a separate bank account.

TOWN OF FORTVILLE
AUDIT RESULTS AND COMMENTS
(Continued)

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

DEPOSITS (Applies to Police Department)

Accident report and handgun permit monies are collected by the Clerks in the Utilities office. At the time of collection a receipt is written. The money is then put aside for remittance to the Clerk-Treasurer. Once the Clerk-Treasurer receives the monies a Town receipt is issued and the deposit is made. However, several instances were noted in which 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."

APPROVAL OF CLAIMS (Applies to Police Department)

The Police Department opened a separate checking account for Drug Seizure and Buy Money. A debit card and checks were provided by the bank to make disbursements from the account. The Police Department spent approximately \$15,000 during 2006 and part of 2007. None of these payments went through the claims process.

Indiana Code 5-11-10-2(a) states: "Claims against a political subdivision of the state must be approved by the officer or person receiving the goods or services, be audited for correctness and approved by the disbursing officer of the political subdivision, and, where applicable, be allowed by the governing body having jurisdiction over allowance of such claims before they are paid. If the claim is against a governmental entity (as defined in section 1.6 of this chapter), the claim must be certified by the fiscal officer."

RECEIPT ISSUANCE (Applies to Park Department)

The Utility Clerks are the only individuals available to collect shelter rental monies. At the time money is received, no receipts are issued or recorded. Instead the monies are placed into an envelope and set aside to await a receipt and subsequent deposit by the Clerk-Treasurer.

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)

TOWN OF FORTVILLE
AUDIT RESULTS AND COMMENTS
(Continued)

TRANSACTION RECORDING (Applies to Park Department)

Park Shelter Rental Deposits are collected by the Utility Clerks. Official receipts are not issued at the time of collection. However, an agreement is completed and the rental date is noted in a calendar. If funds are collected they are placed in an envelope and then set in the Clerk-Treasurer's mailbox. In reviewing 2005 and 2006 rental agreements and a calendar, there were instances in which rentals were not receipted or posted to the Ledger of Receipts, Disbursements, and Balances of the Town. Additionally, \$75 in cash with Post-It notes on it was found in the Clerk-Treasurer's Office. These notes had shelter rental names on them, one indicating it was from December 24, 2002.

The Park Board adopted a Shelter Rental Agreement in September 2004. The rental agreement requires a \$50 deposit which is to be returned after the key for the restrooms is returned and as long as the Shelter is left in good condition. If neither of these conditions is met, the deposit is forfeited. Upon reviewing some of these agreements we noted that there were still checks attached to rental agreements from 2004. In one instance even \$50 cash. These rental deposits should be deposited into the Town's bank account, posted and subsequently returned to the renter after proper compliance with documented procedures.

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PUBLIC RECORDS RETENTION (Applies to Park Department)

The Park Board adopted a Shelter Rental Agreement policy and form in September 2004. This form is to be completed for all rentals. The Utility Clerks are the primary point of contact. They maintained a calendar to organize the rentals. For 2005, a Park Shelter Rental calendar was not presented for audit and only some of the 2005 and 2006 Park Shelter Rental agreements were presented for audit.

Indiana Code 5-15-6-3(f) concerning destruction of public records states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

Supporting documentation such as receipts, canceled checks, 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)

PART-TIME EMPLOYEE COMPENSATION

The Town Council authorized a Utility employee to work part-time for four to eight hours per week, during 2005. Time sheets indicated that the employee worked in excess of eight hours per week on many of the pay periods worked.

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

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE TOWN OF FORTVILLE, HANCOCK COUNTY, INDIANA

Compliance

We have audited the compliance of the Town of Fortville (Town) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended December 31, 2005 and 2006. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

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. Our audit does not provide a legal determination of the Town's compliance with those requirements.

As described in item Finding 2006-1 in the accompanying Schedule of Findings and Questioned Costs, the Town did not comply with requirements regarding Equipment and Real Property Management that are applicable to its Capitalization Grants for Clean Water State Revolving Funds. Compliance with such requirements is necessary, in our opinion, for the Town to comply with requirements applicable to that program.

In our opinion except for the noncompliance described in the preceding paragraph, the Town complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2005 and 2006

Internal Control Over Compliance

The management of the Town is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

auditing procedures for the purpose of expressing our opinion on compliance, 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 would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in a Town's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in item 2006-1 of the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs, we consider item Finding 2006-1, to be a material weakness.

The Town's response to the findings identified in our audit are described in the accompanying Official Response and Corrective Action Plan section of the report. We did not audit the Town's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Town's management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

July 23, 2007

TOWN OF FORTVILLE
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For The Years Ended December 31, 2005 and 2006

Federal Grantor Agency/Pass-Through Entity Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 12-31-05	Total Federal Awards Expended 12-31-06
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>				
Pass-Through Indiana Criminal Justice Institute Highway Safety Cluster Alcohol Traffic Safety and Drunk Driving Prevention Incentive Operation Pull Over	20.601		\$ 2,629	\$ 1,273
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>				
Pass-Through Indiana Department of Environmental Management Capitalization Grants for Clean Water State Revolving Funds State Revolving Fund State Revolving Fund	66.458	Project #3 Project #4	535,809 25,537	212,864 359,106
Total for federal grantor agency			<u>561,346</u>	<u>571,970</u>
Total federal awards expended			<u>\$ 563,975</u>	<u>\$ 573,243</u>

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

TOWN OF FORTVILLE
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 Fortville (Town) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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 the 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 FORTVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	No
Reportable conditions identified that are not considered to be material weaknesses?	None reported

Noncompliance material to financial statements noted? No

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	Yes
Reportable conditions identified that are not considered to be material weaknesses?	No

Type of auditor's report issued on compliance for major programs: Qualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	Yes
--	-----

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
66.458	Capitalization Grants for Clean Water State Revolving Funds

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

No matters are reportable.

TOWN OF FORTVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section III – Federal Award Findings and Questioned Costs

FINDING 2006-1, EQUIPMENT AND REAL PROPERTY MANAGEMENT/
INTERNAL CONTROL REPORTABLE CONDITION

Federal Agency: U.S. Environmental Protection Agency
Federal Program: Capitalization Grants for Clean Water State Revolving Funds
CFDA Number: 66.458
Pass-Through Agency: Indiana Department of Environmental Management
Award Number: WW0554303 and WW05543004

The Code of Federal Regulations 40 CFR 31.32(d) states in part:

- "(1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least every two years."

The Town does not maintain records for equipment and other property acquired with Federal monies. No system exists to provide separate identification for items acquired with Federal and non Federal funds. Without adequate accounting records, periodic physical inventories cannot be compared to property records.

Failure to maintain detailed and accurate equipment and property records and to reconcile physical inventory results to such records could result in assets being lost, stolen, misappropriated, or disposed of improperly and not detected within a reasonable time.

We recommended that the Town design and properly monitor procedures to ensure accurate detailed capital asset records are maintained and that inventories of property and equipment are conducted at least every two years and reconciled to the detailed capital asset ledger. Any significant differences should be investigated and appropriate adjustments made to the records. Also, any assets acquired with Federal funds must be designated as such so that they are disposed of properly.

TOWN OF FORTVILLE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.



TOWN OF FORTVILLE

714 East Broadway Street
Fortville, Indiana 46040-1557

Town Council
Mike Ferris
Stephen Gipson
Phillip K. Scrogam
Ron Stafford
Sean Simmons

Clerk-Treasurer
Margie Manship

Town Manager
Joe Renner

July 26, 2007

Re: Corrective Action Plan for fixed asset

To Whom It May Concern:

We are currently in the process of gathering asset information to complete our fixed asset report by the end of 2007.

Phillip K. Scrogam

Town Council President

Town Offices

Clerk/Treasurer Town Manager Town Marshal Fire Department Street Department Utility Treatment Fax
(317) 485-4044 (317) 485-4712 (317) 485-7483 (317) 485-5354 (317) 485-6931 (317) 485-5432 (317) 485-4241

TOWN OF FORTVILLE
EXIT CONFERENCE

The contents of this report were discussed on July 23, 2007, with Margie I. Manship, Clerk-Treasurer.

The contents of this report were discussed on July 23, 2007, with Phillip K. Scrogam, President of the Town Council; Stephen Gipson, former President of the Town Council; Sean Simmons and Ron Stafford, Town Council members; and Joe Renner, Town Manager. The official response has been made a part of this report and may be found on pages 55 through 59.

OFFICIAL RESPONSE
TO 2007 STATE BOARD OF ACCOUNTS AUDIT
TOWN OF FORTVILLE, IN

APPROVAL OF PAYROLL CLAIMS

The town will seek to work, with cooperation from the clerk-treasurer, to see that all the correct procedures and forms be complied with.

FEDERAL AND STATE AGENCIES-COMPLIANCE REQUIREMENTS

In January 2007, the town council approved a new policy and procedure, which was professionally done and should be in compliance with the Fair Labor Standards Act. It will be reviewed again to insure compliance.

ANNUAL REPORT

This is the clerk-treasurer's responsibility

CONDITION OF RECORDS

To my knowledge having been on the town council since 1996, this has been a constant problem. There is little anyone can do to force a Clerk-Treasurer to do her job correctly according to state law. The State Board of Accounts audits the town's records and points out problems to both the Town Officials and the Clerk-Treasurer. If the clerk-treasurer does not correct and comply, what can be done. This is what has happened. I know of no real action that can be taken by a Town Council to force a clerk-treasurer to correct and comply with SBA guidelines, we will need state board of accounts to assist with this problem correction.

CAPITAL ASSEST RECORDS

The town has worked to accomplish a capitol assets inventory for a number of years. This is actually a clerk-treasurer responsibility, the town has taken it on. It is a large project. I and the Town Manager located on 8/1/07 a Keystone computer software system that will do most of the capitol asset record keeping necessary and is said to be SBA approved. If this system proves to be what the town needs, I will request that funds be used to buy it and necessary work hours be made available to accomplish the asset inventory by 12/31/07. Hopefully the clerk-treasurer will fully assist in accomplishing this.

BOARD MINUTES

Board minutes again have a long history of not being completely and properly done by the clerk-treasurer. In 2001 the Town Council passed ordinance 2001-3B authorizing the electronic recording of town meetings to insure proper minutes are available and purchased a quality recording system. The board meeting is taped and the clerk-treasurer takes possession of the tapes to do minutes. I would like to have the tapes retained by the town for public review after the clerk-treasurer completes her written minutes and will request the clerk-treasurer allow us to do this.

It is still the responsibility of the clerk-treasurer to prepare written and accurate minutes in a timely manner and secure the appropriate signatures and keep them.

RECEIPT ISSUANCE

This procedure has already been corrected according to SBA auditor and a new receipt book Form 352 is now in use by all town employees involved.

COLLECTION OF FINES FOR MOVING TRAFFICE VIOLATIONS

Corrected

LOCAL ORDINANACE VOLATIONS-RECEIPT ISSUANCE

Corrected

RECORDING OF MOTOR VEHICLE WHEEL TAX

Clerk-Treasurer's responsibility.

ERRORS ON CLAIMS

Policies will be written as soon as possible to require all claims conform with SBA guidelines and all department heads be trained to follow guidelines and require all claims be reviewed by the Town Manager prior to being submitted to the clerk-treasurer for payment until such time that the Town Council and Town Manager agree that claims are being correctly done.

MILEAGE REIMBURSEMENT

The correct form is ordered and will be used and guidelines followed for supporting documents.

PRESCRIBED FORMS

Town employees are now using Form 352 as suggested by SBA for receipts for the park shelter house rental, ordinance violation and copy fees.

OVERDRAWN CASH BALANCES

Clerk-Treasurer responsibility.

OVERPAYMENT COLLECTIONS

Clerk-Treasurer responsibility.

CONFLICT OF INTEREST

All town employees will be instructed on conflict of interest and forms will be readily available.

A Conflict of Interest form in reference Ben Kiphart and his work on the parks shelter house is attached and on file.

PENALTIES, INTEREST AND OTHER CHARGES

The clerk-treasurer is responsible to pay claims and remit taxes in a timely fashion; if this is the failure of the clerk treasurer of paying in a timely manner, the \$184.00 in penalties should be repaid the town by the clerk-treasurer.

OPERATING FUNDS USED FOR TOWN EXPENSES

This was the responsibility of the clerk-treasurer

LOANS BETWEEN UTILITY AND TOWN FUNDS

The TIF loan was repaid to the town and given to the clerk-treasurer who was responsible for depositing it into the correct account. The town council asked that the money be paid back to the sewer account which apparently was not done.

GUARANTEED DEPOSIT REGISTER

Responsibility of clerk-treasurer.

BAD DEBTS AND UNCOLLECTABLE ACCOUNTS

On January 15, 2007, the town council agenda section VII 2 (e) showed utility right off for 2006 was discussed and should have been in minutes for that meeting. Resolution 2005-8A is attached.

DEPOSIT COMPOSITION (Applies to Police Department)

Receipts are now being used per SBA with designation by town employees. Clerk-treasurer is responsible for depositing in a timely manner.

ACCOUNTING FOR DRUG SEIZURE AND BUY MONEY (Applies to Police Department).

The Drug Fund was established after talking to different agencies, clerk-treasurer, town attorney, and was set up according to the information received. This will be corrected to SBA guidelines hopefully with the cooperation of the clerk-treasurer.

BANK ACCOUNT RECONCILIATIONS (Applies to Police Department)

This procedure was improper. Police Chief took responsibility.

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS (Applies to Police Department)

The form used by the Fortville Police Dept. (asset sign over agreement) is currently in use by other police departments and is approved with the Hancock County Prosecutor and courts. IC Code 34-24-1.

There is currently a detailed list now maintained by the Police Dept. on all properly seized, along with supporting documents.

As to the accounting for the Town's fiscal officer, this will be investigated and corrected. These procedures will be corrected per SBA guidelines.

The grant for the drug canine was a NASA Grant awarded out of the Local Drug Free Community Fund. This fund is from collections on drug and alcohol offenses in Hancock County. This fund referenced to IC 5-2-11. Copies of the grant application are on file with the Police Dept. along with the award document.

DEPOSITS (Applies to Police Department)

This procedure has been corrected by town employees by using SBA receipt forms. The clerk-treasurer requested the utility clerks keep receipts and money and only give them to her on Monday and Thursdays. These receipts are available on a daily basis from the utility clerks.

APPROVAL OF CLAIMS (Applies to Police Department)

This process was corrected and will be kept in compliance.

RECEIPT ISSUANCE (Applies to Park Department)

Utility clerks are now in compliance with receipts. They again were told by the clerk-treasurer to hold all receipts and other monies until given to her on Monday and Thursdays only.

TRANSACTION RECORDING (Applies to Park Department)

Utility clerks currently in compliance. All funds are collected by the utility clerks and are available daily to the clerk-treasurer.

PUBLIC RECORDS RETENTION (Applies to Park Department)

A new calendar book for rentals is now in use and will be kept up to date and on file by the utility clerks as required. Clerk-treasurer should also have had a calendar since she wrote receipts to people for 2005 and 2006 and mailed them to them.

The Clerk Treasurer was given all monies for the shelter house rental with an envelope to send a receipt to the renters. Therefore it was believed that the Clerk Treasurer would have been keeping record of these transactions.

PART TIME EMPLOYEE COMPENSATION

This should have shown 4 to 8 hours per day in the minutes, not per week. Clerk-treasurer error.


Phillip K. Scrogam, Council President
Town of Fortville