

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

EXAMINATION REPORT

OF

TOWN OF FAIRMOUNT

GRANT COUNTY, INDIANA

January 1, 2006 to December 31, 2007



FILED
10/16/2008

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Accountant's Report.....	3
Financial Information:	
Schedules of Receipts, Disbursements, and Cash and Investment Balances	4-5
Notes to Financial Information	6-7
Supplementary Information:	
Schedule of Capital Assets.....	8
Schedule of Long-Term Debt	9
Examination Results and Comments:	
Employee Attendance Records	10
Public Purchases Law	10
Accountable Items	10-11
Board Minutes.....	11
Exit Conference.....	12

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Jason A. Ford	01-01-04 to 12-31-11
President of the Town Council	Melba M. Root	01-01-06 to 12-31-08



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF FAIRMOUNT, GRANT COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Fairmount (Town), for the period of January 1, 2006 to December 31, 2007. The Town's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the Town for the years ended December 31, 2006 and 2007, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

September 3, 2008

TOWN OF FAIRMOUNT
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
As Of And For The Year Ended December 31, 2006

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 352,752	\$ 704,489	\$ 661,976	\$ 395,265
Motor Vehicle Highway	149,033	151,215	167,775	132,473
Local Road and Street	57,840	29,235	20,883	66,192
Park and Recreation	83,291	57,956	70,806	70,441
Law Enforcement Continuing Education	2,028	1,111	1,395	1,744
Riverboat	37,733	18,829	32,794	23,768
Trash	11,275	94,156	95,535	9,896
Fairmount Youth Council	159	-	-	159
Library Grant	-	42,945	42,945	-
Cumulative Capital Improvement	95,519	12,395	20,505	87,409
Cumulative Building and Firefighting Equipment	34,768	73,968	93,434	15,302
Park Nonreverting Capital	15,547	5,325	3,778	17,094
Proprietary Funds:				
Water Utility - Operating	52,736	387,442	389,639	50,539
Water Utility - Bond and Interest	75,893	103,345	98,475	80,763
Water Utility - Debt Service Reserve	101,841	2,606	-	104,447
Water Utility - Depreciation	55,353	43,882	22,730	76,505
Water Utility - Customer Deposit	46,957	8,163	7,220	47,900
Water Utility - Improvement	18,026	-	-	18,026
Wastewater Utility - Operating	51,780	358,366	385,261	24,885
Wastewater Utility - Depreciation	131,965	37,842	26,027	143,780
Wastewater Utility - Planning	177,769	81,790	-	259,559
Fiduciary Fund:				
Payroll	-	737,306	737,306	-
Totals	<u>\$ 1,552,265</u>	<u>\$ 2,952,366</u>	<u>\$ 2,878,484</u>	<u>\$ 1,626,147</u>

The accompanying notes are an integral part of the financial information.

TOWN OF FAIRMOUNT
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
As Of And For The Year Ended December 31, 2007

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 395,265	\$ 648,589	\$ 672,408	\$ 371,446
Motor Vehicle Highway	132,473	178,253	207,627	103,099
Local Road and Street	66,192	42,726	25,015	83,903
Park and Recreation	70,441	104,826	69,170	106,097
Law Enforcement Continuing Education	1,744	1,220	484	2,480
Riverboat	23,768	18,867	21,399	21,236
Trash	9,896	105,368	99,999	15,265
Fairmount Youth Council	159	-	-	159
Park Special Needs Area	-	41,670	31,029	10,641
Playacres Tree Foundation	-	2,360	1,391	969
Rainy Day	-	14,905	-	14,905
Cumulative Capital Improvement	87,409	12,568	7,710	92,267
Cumulative Building and Firefighting Equipment	15,302	14,388	12,639	17,051
Park Nonreverting Capital	17,094	2,250	5,000	14,344
Proprietary Funds:				
Water Utility - Operating	50,539	403,394	408,391	45,542
Water Utility - Bond and Interest	80,763	102,045	100,563	82,245
Water Utility - Debt Service Reserve	104,447	271	-	104,718
Water Utility - Depreciation	76,505	48,292	29,114	95,683
Water Utility - Customer Deposit	47,900	6,750	7,197	47,453
Water Utility - Improvement	18,026	-	-	18,026
Wastewater Utility - Operating	24,885	363,065	358,329	29,621
Wastewater Utility - Depreciation	143,780	39,429	69,596	113,613
Wastewater Utility - Planning	259,559	86,669	1,725	344,503
Fiduciary Fund:				
Payroll	-	712,710	712,710	-
Totals	<u>\$ 1,626,147</u>	<u>\$ 2,950,615</u>	<u>\$ 2,841,496</u>	<u>\$ 1,735,266</u>

The accompanying notes are an integral part of the financial information.

TOWN OF FAIRMOUNT
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The Town was established under the laws of the State of Indiana. The Town provides the following services: public safety, highways and streets, culture and recreation, general administrative services, water and wastewater.

Note 2. Fund Accounting

The Town uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Town in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the Town on or prior to December 31 of the year collected.

Note 5. Deposits and Investments

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

TOWN OF FAIRMOUNT
NOTES TO FINANCIAL INFORMATION
(Continued)

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

Note 6. 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 this 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 members' 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. That 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 the plan members for PERF are established by the Board of Trustees of PERF.

TOWN OF FAIRMOUNT
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 December 31, 2007

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

General infrastructure assets completed in the current examination period have been reported. Retroactive reporting of general infrastructure assets is not required.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 111,780
Infrastructure	52,701
Buildings	445,707
Improvements other than buildings	177,394
Machinery and equipment	<u>757,824</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 1,545,406</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 33,360
Buildings	74,000
Improvements other than buildings	2,126,966
Machinery and equipment	<u>40,694</u>
Total Water Utility capital assets	<u>2,275,020</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	10,200
Buildings	51,000
Improvements other than buildings	2,033,515
Machinery and equipment	<u>166,407</u>
Total Wastewater Utility capital assets	<u>2,261,122</u>
Total business-type activities capital assets	<u>\$ 4,536,142</u>

TOWN OF FAIRMOUNT
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2007

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital leases:		
Street sweeper	\$ 75,498	\$ 15,110
Notes and loans payable:		
Fire rescue truck	36,402	10,000
Total governmental activities debt	\$ 111,900	\$ 25,110
Business-type Activities:		
Water Utility		
Revenue bonds:		
1996 Waterworks Revenue	\$ 695,000	\$ 96,950
Wastewater Utility		
Capital leases:		
Sewer vacuum truck	29,254	15,685
Notes and loans payable:		
Utility truck	2,324	2,363
Total Wastewater Utility	31,578	18,048
Total business-type activities debt	\$ 726,578	\$ 114,998

TOWN OF FAIRMOUNT
EXAMINATION RESULTS AND COMMENTS

EMPLOYEE ATTENDANCE RECORDS

Town of Fairmount employees use a daily time sheet to record their hours worked and leave time used. This form requires an employee signature and their supervisor's signature. The following deficiencies were noted in regards to the employee daily time sheets.

- a. Numerous daily time sheets lacked employee's signature.
- b. The Town Marshal Deputies' and dispatch employees' daily time sheets were submitted with a computer-generated supervisor's signature. No evidence of any actual review was noted.
- c. The Clerk-Treasurer does not approve Utility office employees' daily time sheets.

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)

PUBLIC PURCHASES LAW

The Town purchased a rescue truck in 2006 at a cost of \$117,283. Fairmount Township paid \$25,000 of this cost. There is no evidence that bids were taken.

Indiana Code 5-22-7-8 states: "A contract must be awarded with reasonable promptness by written notice to the lowest responsible and responsive bidder."

ACCOUNTABLE ITEMS

We noted a loss in excess of 30% in the amount of water pumped by the Water Utility as compared to water consumption billed for the years 2006 and 2007. Wastewater Utility charges are computed on water consumption; therefore, the Wastewater Utility is also losing revenue.

TOWN OF FAIRMOUNT
EXAMINATION RESULTS AND COMMENTS
(Continued)

Tickets, goods for sale, billings, and other collections are considered accountable items for which a corresponding deposit must be made in the bank accounts of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

BOARD MINUTES

During the examination it was noted that minutes of meetings of the Town Council were not readily available for review. Also, minutes for several meetings were not signed by the attending Town Council members.

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) Any additional information required under IC 5-1.5-2-2.5 or IC 20-12-63-7.

(c) The memoranda are to be available within a reasonable period of time after the meeting for the purpose of informing the public of the governing body's proceedings. The minutes, if any, are to be open for public inspection and copying."

TOWN OF FAIRMOUNT
EXIT CONFERENCE

The contents of this report were discussed on September 3, 2008, with Jason A. Ford, Clerk-Treasurer; Melba M. Root, President of the Town Council; and Elaine R. Underwood, Deputy Clerk-Treasurer. The officials concurred with our findings.