

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

EXAMINATION REPORT
OF
TOWN OF FILLMORE
PUTNAM COUNTY, INDIANA
January 1, 2007 to December 31, 2008



FILED
12/31/2009

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Maxine Davies	01-01-04 to 12-31-07
	Wanda K. Seidler	01-01-08 to 12-31-11
President of the Town Council	Margaret Alexander	01-01-07 to 12-31-07
	Jeff Osborn	01-01-08 to 12-31-09



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF FILLMORE, PUTNAM COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Fillmore (Town), for the period of January 1, 2007 to December 31, 2008. 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, 2007 and 2008, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Long-Term Debt, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the basic financial information. It has not been subjected to the examination procedures applied to the basic financial information, and accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

November 18, 2009

TOWN OF FILLMORE
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL AND PROPRIETARY FUND TYPES
As Of And For The Years Ended December 31, 2007 And 2008

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 37,462	\$ 62,405	\$ 72,927	\$ 26,940
Motor Vehicle Highway	29,244	28,375	16,677	40,942
Local Road and Street	745	3,485	-	4,230
Park and Recreation Donation	498	-	-	498
Law Enforcement Continuing Education	430	1,009	10	1,429
Nuisance Fines	667	30	-	697
Rainy Day	2,596	-	-	2,596
Riverboat	-	3,437	-	3,437
Donation	115	-	-	115
Law Enforcement Block Grant	699	-	699	-
CEDIT Capital Projects	-	23,924	-	23,924
Cumulative Capital Improvement	7,177	1,914	-	9,091
Proprietary Funds:				
Water Utility - Operating	9,518	115,822	130,380	(5,040)
Water Utility - Bond and Interest	5,000	2,400	-	7,400
Water Utility - Depreciation	2,500	1,200	-	3,700
Water Utility - Customer Deposit	6,050	1,650	500	7,200
Wastewater Utility - Operating	89,162	197,720	239,600	47,282
Wastewater Utility - Bond and Interest	3,301	10,650	-	13,951
Wastewater Utility - Depreciation	9,324	7,000	-	16,324
Wastewater Utility - Customer Deposit	5,175	900	194	5,881
Totals	<u>\$ 209,663</u>	<u>\$ 461,921</u>	<u>\$ 460,987</u>	<u>\$ 210,597</u>

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 26,940	\$ 18,209	\$ 60,881	\$ (15,732)
Motor Vehicle Highway	40,942	23,051	15,068	48,925
Local Road and Street	4,230	3,293	2,825	4,698
Park and Recreation Donation	498	-	-	498
Law Enforcement Continuing Education	1,429	210	-	1,639
Nuisance Fines	697	-	-	697
Rainy Day	2,596	3,419	-	6,015
Riverboat	3,437	-	-	3,437
Donation	115	145	-	260
Law Enforcement Block Grant	-	-	-	-
CEDIT Capital Projects	23,924	4,745	-	28,669
Cumulative Capital Improvement	9,091	2,256	-	11,347
Proprietary Funds:				
Water Utility - Operating	(5,040)	101,325	91,276	5,009
Water Utility - Bond and Interest	7,400	-	7,000	400
Water Utility - Depreciation	3,700	-	3,000	700
Water Utility - Customer Deposit	7,200	1,800	-	9,000
Wastewater Utility - Operating	47,282	182,484	195,803	33,963
Wastewater Utility - Bond and Interest	13,951	-	-	13,951
Wastewater Utility - Depreciation	16,324	-	-	16,324
Wastewater Utility - Customer Deposit	5,881	1,275	-	7,156
Totals	<u>\$ 210,597</u>	<u>\$ 342,212</u>	<u>\$ 375,853</u>	<u>\$ 176,956</u>

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

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

Note 2. Fund Accounting

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

Note 3. Budgets

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

Note 4. Property Taxes

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

Note 5. Deposits and Investments

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

TOWN OF FILLMORE
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2008

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Business-type activities:		
Water Utility:		
Notes and loans payable:		
Rural Development Loan	\$ 264,000	\$ 15,970
Wastewater Utility:		
Notes and loans payable:		
Rural Development Loan	745,765	33,501
Total business-type activities long-term debt:	<u>\$ 1,009,765</u>	<u>\$ 49,471</u>

TOWN OF FILLMORE
EXAMINATION RESULTS AND COMMENTS

CONFLICT OF INTEREST - Water Utility

David L. Gilley, Water Utility Inspector, is owner of Gilley's Welding and Repair. In his capacity as Water Utility Inspector, he approved \$806 in Water Utility purchases from his business during the year 2007. A Uniform Conflict of Interest Disclosure Statement does not appear to have been filed for the year ending December 31, 2007.

IC 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 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."

DELINQUENT ACCOUNTS RECEIVABLE - Water Utility

Ordinance 1998-4 established the water rates and penalties for delinquent payments and shutoffs for delinquent customers. The Utility did not always shut off delinquent customers as required by the ordinance until account balances were in arrears in excess of amounts between \$222 and \$518 allowing customers to receive services through five or more billing cycles.

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

TOWN OF FILLMORE
EXAMINATION RESULTS AND COMMENTS
(Continued)

DELINQUENT WASTEWATER ACCOUNTS - Wastewater Utility

Delinquent wastewater fees and penalties were recorded with the County Recorder and certified to the County Auditor; however, account balances were in arrears in excess of amounts between \$552 and \$2,474 allowing customers to receive services up to a year before the Clerk-Treasurer filed liens.

IC 36-9-23-33 states in part:

"(b) Except as provided in subsection (l), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:

- (1) A list of the delinquent fees and penalties that are enforceable under this section, which must include the following:
 - (A) The name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent.
 - (B) A description of the premises, as shown by the records of the county auditor.
 - (C) The amount of the delinquent fees, together with the penalty.
- (2) An individual instrument for each lot or parcel of real property on which the fees are delinquent."

"(c) The officer shall record a copy of each list or each individual instrument with the county recorder . . ."

"(e) Using the lists and instruments prepared under subsection (b) and recorded under subsection (c), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (c), certify to the county auditor a list of the liens that remain unpaid for collection in the next May. . . ."

ORDINANCES AND RESOLUTIONS - Water and Wastewater Utilities

The Town has ordinances concerning monthly transfers to Water and Wastewater Utilities Depreciation Fund, Debt Reserve Fund, and Bond and Interest Fund. However, for the years ended December 31, 2007 and 2008, these transfers were not made per ordinance. Payments made to meet debt obligations for the year 2007 reduced the Water Utility Operating Fund balance below zero.

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

OVERDRAWN FUND BALANCES - Town and Water Utility

The fund balance of the Water Operating Fund was overdrawn by \$5,040 at December 31, 2007, and the Town General Fund was overdrawn by \$15,732 at December 31, 2008.

TOWN OF FILLMORE
EXAMINATION RESULTS AND COMMENTS
(Continued)

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

PENALTIES AND INTEREST - Water Utility

Penalties and interest totaling \$220 were paid to the Indiana Department of Revenue Service during 2008.

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)

PERSONAL PROPERTY USE - Water Utility

During 2007, the former Water Utility Inspector initiated the purchase of Microsoft Works Suite 2006 by the Water Utility for \$106. The software was installed on his personal computer to be used to generate required Water Utility reports. Upon leaving the Water Utility's employment, he did not return the software or reimburse the Utility.

The Town Officials were advised to pursue the return of the software or to seek reimbursement from the former Water Utility Inspector.

Assets of the governmental unit may not be used in a manner unrelated to the functions and purposes of the governmental unit.

Whenever an item or other asset owned by the political subdivision is entrusted to an officer or employee, to be used at times outside the normal work time for business purposes, such as a cellular phone, or vehicle, a log should be maintained which clearly shows the business use. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PRESCRIBED FORMS - Town and Utilities

The following prescribed or approved forms were not in use:

- 99A - Employee Service Record
- 99 - Payroll Schedule and Voucher
- 208 - Ledger Receipts, Disbursements, and Balances
- 209 - Ledger of Appropriations, Encumbrances, Disbursements and Balances
- 319 - Simplified Cash Journal – Water Utility – Class C
- 323 - Simplified Cash Journal – Wastewater Utility – Class C

TOWN OF FILLMORE
EXAMINATION RESULTS AND COMMENTS
(Continued)

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)

STATE AGENCIES - COMPLIANCE REQUIREMENTS - Town

The Town did not comply with directives of State Board of Accounts by failing to submit the Annual Report for the years ending December 31, 2007 and 2008.

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)

TEMPORARY TRANSFER OF FUNDS - Water Utility

A temporary transfer of \$15,465 was made in 2006 from the Wastewater Utility Fund to the Water Utility Fund and was not repaid by December 31, 2006. The loan has not been repaid as of November 18, 2009.

IC 36-1-8-4 concerning temporary transfer 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 the department of local government finance."

TOWN OF FILLMORE
EXIT CONFERENCE

The contents of this report were discussed on November 18, 2009, with Maxine Davies, former Clerk-Treasurer.

The contents of this report were discussed on November 18, 2009, with Wanda K. Seidler, Clerk-Treasurer; and Jeff Osborn, President of the Town Council.