

**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, 2008 to December 31, 2009



**FILED**  
11/18/2010



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
Notes to Financial Information .....	5-6
Supplementary Information:	
Schedule of Long-Term Debt .....	7
Examination Results and Comments:	
Transaction Recording .....	8
Supporting Documentation .....	8
Employee Attendance Records .....	8
Ordinances and Resolutions .....	8
Delinquent Wastewater Accounts.....	9
Capital Asset Records .....	9
Official Bond .....	10
Exit Conference.....	11

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Jason A. Ford	01-01-08 to 12-31-11
President of the Town Council	Melba M. Root	01-01-08 to 12-31-10



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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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, 2008 to December 31, 2009. 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, 2008 and 2009, 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

September 21, 2010

TOWN OF FAIRMOUNT  
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES  
As Of And For The Years Ended December 31, 2008 And 2009

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 371,446	\$ 651,375	\$ 623,969	\$ 398,852
Motor Vehicle Highway	103,099	187,284	161,870	128,513
Local Road and Street	83,903	33,876	44,684	73,095
Park and Recreation	106,097	73,577	67,998	111,676
Law Enforcement Continuing Education	2,480	1,660	124	4,016
Riverboat	21,236	18,769	-	40,005
Trash	15,265	116,134	110,147	21,252
Fairmount Youth Council	159	-	-	159
Park Special Needs Area	10,641	2,256	2,588	10,309
Playacres Tree Foundation	969	6,895	5,782	2,082
Library Grant	-	335,000	335,000	-
Police Special Equipment	-	1,226	709	517
Rainy Day	14,905	34	-	14,939
Cumulative Capital Improvement	92,267	11,287	2,985	100,569
Cumulative Building and Fire Fighting Equipment	17,051	13,216	12,646	17,621
Park Nonreverting Capital	14,344	3,100	-	17,444
Proprietary Funds:				
Water Utility - Operating	45,542	396,249	417,385	24,406
Water Utility - Bond and Interest	82,245	93,541	97,365	78,421
Water Utility - Debt Service Reserve	104,718	-	3,750	100,968
Water Utility - Depreciation	95,683	39,786	49,512	85,957
Water Utility - Customer Deposit	47,453	5,850	5,003	48,300
Water Utility - Improvement	18,026	-	18,026	-
Wastewater Utility - Operating	29,621	350,829	377,825	2,625
Wastewater Utility - Depreciation	113,613	33,742	45,280	102,075
Wastewater Utility - Planning	344,503	80,755	36,615	388,643
Fiduciary Fund:				
Payroll	-	740,253	740,253	-
Totals	<u>\$ 1,735,266</u>	<u>\$ 3,196,694</u>	<u>\$ 3,159,516</u>	<u>\$ 1,772,444</u>

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ 398,852	\$ 691,788	\$ 744,205	\$ 346,435
Motor Vehicle Highway	128,513	178,833	149,535	157,811
Local Road and Street	73,095	25,554	38,000	60,649
Park and Recreation	111,676	43,768	74,968	80,476
Law Enforcement Continuing Education	4,016	2,220	871	5,365
Riverboat	40,005	18,724	40,000	18,729
Trash	21,252	117,514	119,667	19,099
Fairmount Youth Council	159	-	-	159
Park Special Needs Area	10,309	183	-	10,492
Playacres Tree Foundation	2,082	8,347	6,704	3,725
Police Special Equipment	517	649	1,166	-
Operation Pullover	-	1,500	1,080	420
Sidewalk	-	4,785	4,785	-
Rainy Day	14,939	2,412	-	17,351
Cumulative Capital Improvement	100,569	9,928	7,295	103,202
Cumulative Building and Fire Fighting Equipment	17,621	10,311	10,000	17,932
Park Nonreverting Capital	17,444	3,525	4,000	16,969
Proprietary Funds:				
Water Utility - Operating	24,406	397,202	389,983	31,625
Water Utility - Bond and Interest	78,421	103,245	99,128	82,538
Water Utility - Debt Service Reserve	100,968	-	-	100,968
Water Utility - Depreciation	85,957	21,361	38,373	68,945
Water Utility - Customer Deposit	48,300	6,127	4,991	49,436
Wastewater Utility - Operating	2,625	352,426	321,630	33,421
Wastewater Utility - Depreciation	102,075	35,834	40,918	96,991
Wastewater Utility - Planning	388,643	25,504	60,354	353,793
Fiduciary Fund:				
Payroll	-	737,287	737,287	-
Totals	<u>\$ 1,772,444</u>	<u>\$ 2,799,027</u>	<u>\$ 2,894,940</u>	<u>\$ 1,676,531</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.

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.

TOWN OF FAIRMOUNT  
NOTES TO FINANCIAL INFORMATION  
(Continued)

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 LONG-TERM DEBT  
 December 31, 2009

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	\$ 52,971	\$ 15,110
Notes and loans payable:		
Fire rescue truck	18,286	10,000
Police cars	<u>38,000</u>	<u>8,550</u>
Total governmental activities debt	<u>\$ 109,257</u>	<u>\$ 33,660</u>
Business-type activities:		
Water Utility:		
Revenue bonds:		
1996 Waterworks Revenue	<u>\$ 570,000</u>	<u>\$ 99,956</u>
Wastewater Utility:		
Notes and loans payable:		
Utility truck	<u>13,231</u>	<u>4,741</u>
Total business-type activities debt	<u>\$ 583,231</u>	<u>\$ 104,697</u>

TOWN OF FAIRMOUNT  
EXAMINATION RESULTS AND COMMENTS

TRANSACTION RECORDING

Not all financial transactions were recorded in the records of the Town. Several investment purchases and investment sales were not recorded. On two occasions, loan proceeds were paid directly to the vendors for the purchase of vehicles.

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)

SUPPORTING DOCUMENTATION

Several payments were observed which did not contain adequate supporting documentation, such as receipts, invoices, and other public records. These purchases included a computer, room service charges, and construction for a park pavilion. Not all credit card purchases were supported by the original receipt. Due to the lack of supporting information, the validity and accountability for some money disbursed could not be established.

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)

EMPLOYEE ATTENDANCE RECORDS

Town employees use a daily time sheet to record their hours worked and leave time used. This form requires an employee's signature and their supervisor's signature. Time sheets for deputies and dispatchers are completed by the Town Marshal and a designated dispatcher. Time sheets were not always signed by the employees.

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)

ORDINANCES AND RESOLUTIONS

Ordinance 8-2001 established rates and charges for wastewater customers. Some customers were not charged according to the ordinance. The wastewater base minimum rate for 1" meters was entered incorrectly in the computerized billing program as \$17.10, but should have been \$14.10 resulting in an additional \$3 charge per month to customers with 1" meters. The incorrect billings were generated from April 2002 through August 2010. The wastewater utility currently has ten customers with 1" meters.

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 FAIRMOUNT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

DELINQUENT WASTEWATER ACCOUNTS

During 2009, delinquent wastewater fees and penalties had not been recorded with the County Recorder nor were they certified to the County Auditor which would result in a lien against the property.

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; and

(C) The amount of the delinquent fees, together with the penalty; or

(2) An individual instrument for each lot or parcel of real property on which the fees are delinquent.

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

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

CAPITAL ASSET RECORDS

Capital asset records were not properly maintained. Additions and disposals have not been recorded since 2006.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded on the applicable 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 FAIRMOUNT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

OFFICIAL BOND

The official bond of the Clerk-Treasurer was not filed in the Office of the County Recorder, nor was the bond coverage increased to \$30,000 on July 1, 2009, as required by Indiana Code.

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

IC 5-4-1-18(c) states in part:

"Except as provided in subsections (h) and (i), the fiscal bodies of the respective units shall fix the amount of the bond of city controllers, city clerk-treasurers, town clerk-treasurers, Barrett Law fund custodians, county treasurers, county sheriffs, circuit court clerks, township trustees, and conservancy district financial clerks as follows:

- (1) The amount of annual coverage must equal thirty thousand dollars (\$30,000) for each one million dollars (\$1,000,000) of receipts of the officer's office during the last complete fiscal year before the purchase of the bond, subject to subdivision (2).
- (2) The amount of annual coverage may not be less than thirty thousand dollars (\$30,000) nor more than three hundred thousand dollars (\$300,000) unless the fiscal body approves a greater amount of annual coverage for the officer or employee."

TOWN OF FAIRMOUNT  
EXIT CONFERENCE

The contents of this report were discussed on September 21, 2010, with Jason A. Ford, Clerk-Treasurer; Jo Ann Treon, Deputy Clerk-Treasurer; and Melba M. Root, President of the Town Council. The officials concurred with our findings.