

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

TOWN OF FOWLERTON

GRANT COUNTY, INDIANA

January 1, 2009 to December 31, 2010



**FILED**  
11/28/2011



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Donna F.M. Davis	02-21-08 to 12-31-11
President of the Town Council	Joe T. Seward	01-01-09 to 12-31-11



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial statements of the Town of Fowlerton (Town), for the period of January 1, 2009 to December 31, 2010. The Town's management is responsible for the financial statements. 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 statements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

As discussed in Note 1, the Town prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis noted above is a different basis than that used in the prior year.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Town for the years ended December 31, 2009 and 2010, on the basis of accounting described in Note 1.

The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis for the year ended December 31, 2010, 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 financial statements. They have not been subjected to the examination procedures applied to the financial statements and, accordingly, we express no opinion on them. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis was not presented for the year ended December 31, 2009.

This report is intended solely for the information and use of the Town's management and Town Council, 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

October 6, 2011

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## FINANCIAL STATEMENTS

The financial statements and accompanying notes were approved by management of the Town. The financial statements and notes are presented as intended by the Town.

TOWN OF FOWLERTON  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For The Year Ended December 31, 2009

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
General	\$ 247,578	\$ 54,349	\$ 44,614	\$ 257,313
Motor Vehicle Highway	89,972	8,180	3,721	94,431
Local Road and Street	70,591	2,776	850	72,517
Sanitation	1,203	11,070	10,680	1,593
Firefighting	11,606	11	-	11,617
Rainy Day	39,363	20,381	2,500	57,244
Cumulative Capital Improvement	31,253	914	-	32,167
Wastewater Utility - Operating	96,514	67,409	40,873	123,050
Wastewater Utility - Bond and Interest	3,406	5,100	5,013	3,493
Wastewater Utility - Debt Reserve	2,279	516	-	2,795
Totals	<u>\$ 593,765</u>	<u>\$ 170,706</u>	<u>\$ 108,251</u>	<u>\$ 656,220</u>

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

TOWN OF FOWLERTON  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For The Year Ended December 31, 2010

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
General	\$ 257,313	\$ 52,370	\$ 51,619	\$ 258,064
Motor Vehicle Highway	94,431	8,060	1,488	101,003
Local Road and Street	72,517	2,847	-	75,364
Sanitation	1,593	11,516	11,880	1,229
Firefighting	11,617	8	-	11,625
Rainy Day	57,244	24,446	-	81,690
Cumulative Capital Improvement	32,167	873	-	33,040
Wastewater Utility - Operating	123,050	64,866	104,574	83,342
Wastewater Utility - Bond and Interest	3,493	5,100	3,976	4,617
Wastewater Utility - Debt Reserve	2,795	516	-	3,311
Totals	<u>\$ 656,220</u>	<u>\$ 170,602</u>	<u>\$ 173,537</u>	<u>\$ 653,285</u>

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

TOWN OF FOWLERTON  
NOTES TO FINANCIAL STATEMENTS

Note 1. 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 some or all of the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, trash, and urban redevelopment and housing.

The accompanying financial statements present the financial information for the Town (primary government), and does not include financial information for any of the Town's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of the Town (primary government).

B. Basis of Accounting

The financial statements are reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), 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 regulatory 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.

C. Cash and Investments

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

D. Receipts

Receipts are presented in the aggregate on the face of the financial statements. The aggregate receipts may include, but are not limited to, the following sources:

Taxes, which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the Town.

Special assessments which includes amounts levied against certain properties to defray all or part of the cost of a specific capital improvement or service deemed to benefit primarily those properties.

TOWN OF FOWLERTON  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

License and permits which includes amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the permit. Examples of license and permits include: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

Intergovernmental receipts which includes receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts includes, but is not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state, local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits which includes receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

Net proceeds from borrowings which includes receipts from general obligation bonds, notes and loans.

Intergovernmental loan activity which includes amounts received from other funds as loans on a temporary basis.

Transfers in which includes funds authorized by statute, ordinance, resolution or court order to be transferred in from another fund.

Utility receipts which are comprised mostly of charges for current services.

Internal service receipts which are comprised mostly of fees received for services performed for other funds.

Fiduciary receipts which are comprised mostly of contributions to the pensions funds from state and local sources.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statements. The aggregate disbursements may include, but are not limited to, the following uses:

TOWN OF FOWLERTON  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Personal services which includes outflows for salaries, wages and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which includes articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which includes, but is not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service principal and interest which includes fixed obligations resulting from financial transactions previously entered into by the Town. It includes all expenditures for the reduction of the principal and interest of the Town's general obligation indebtedness.

Capital outlay which includes all outflows for land, infrastructure, buildings, improvements, machinery and equipment having an appreciable and calculable period of usefulness.

Interfund loan payments and loans made which includes amounts that are owed to a particular fund by another fund.

Transfers out which includes funds authorized by statute, ordinance, resolution or court order to be transferred to another fund.

F. Interfund Transfers

The Town may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the Town. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the Town. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the Town in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the Town submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing

TOWN OF FOWLERTON  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the Town in June and December; however, situations can arise which would delay the distributions. 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 normally become delinquent if not paid by May 10 and November 10, respectively.

Note 4. Deposits and Investments

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

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

Note 5. Risk Management

The Town may be 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; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the Town to set aside money for claim settlements. The self-insurance fund would be included in the financial statements. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the Town by recording as a disbursement and replacement items purchased.

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## SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Town's 2010 Annual Report can be found on the Indiana Transparency Portal website: [www.in.gov/itp/annual\\_reports/](http://www.in.gov/itp/annual_reports/).

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Annual Report of the Town which is referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the examination. This is a common occurrence in any financial statement examination. The financial information presented in this report is examined information, and the accuracy of such information can be determined by reading the opinion given in the Independent Accountant's Report.

The supplementary information presented was prepared and/or approved by management of the Town. It is presented as intended by the Town.

TOWN OF FOWLERTON  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010

	General	Motor Vehicle Highway	Local Road and Street	Sanitation	Firefighting	Rainy Day	Cumulative Capital Improvement	Wastewater Utility - Operating	Wastewater Utility - Bond and Interest	Wastewater Utility - Debt Reserve	Totals
Cash and investments - beginning	\$ 257,313	\$ 94,431	\$ 72,517	\$ 1,593	\$ 11,617	\$ 57,244	\$ 32,167	\$ 123,050	\$ 3,493	\$ 2,795	\$ 656,220
Receipts:											
Taxes	25,928	-	-	-	-	-	-	-	-	-	25,928
Intergovernmental	15,925	8,060	2,847	-	-	-	873	-	-	-	27,705
Charges for services	425	-	-	11,516	-	-	-	-	-	-	11,941
Utility fees	-	-	-	-	-	-	-	64,866	-	-	64,866
Other receipts	10,092	-	-	-	8	24,446	-	-	5,100	516	40,162
Total receipts	52,370	8,060	2,847	11,516	8	24,446	873	64,866	5,100	516	170,602
Disbursements:											
Personal services	12,841	-	-	-	-	-	-	-	-	-	12,841
Supplies	1,423	147	-	-	-	-	-	-	-	-	1,570
Other services and charges	13,187	1,341	-	-	-	-	-	-	-	-	14,528
Debt service - principal and interest	-	-	-	-	-	-	-	60,000	3,976	-	63,976
Utility operating expenses	-	-	-	-	-	-	-	38,958	-	-	38,958
Other disbursements	24,168	-	-	11,880	-	-	-	5,616	-	-	41,664
Total disbursements	51,619	1,488	-	11,880	-	-	-	104,574	3,976	-	173,537
Excess (deficiency) of receipts over disbursements	751	6,572	2,847	(364)	8	24,446	873	(39,708)	1,124	516	(2,935)
Cash and investments - ending	\$ 258,064	\$ 101,003	\$ 75,364	\$ 1,229	\$ 11,625	\$ 81,690	\$ 33,040	\$ 83,342	\$ 4,617	\$ 3,311	\$ 653,285

TOWN OF FOWLERTON  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CAPITAL ASSETS  
 December 31, 2010

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 years 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	\$ 3,801
Infrastructure	26,519
Buildings	25,450
Machinery and equipment	<u>4,535</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 60,305</u>
 Business-type activities:	
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	\$ 55,060
Buildings	271,337
Improvements other than buildings	1,750,284
Machinery and equipment	<u>226,656</u>
 Total Wastewater Utility capital assets	 <u>\$ 2,303,337</u>

TOWN OF FOWLERTON  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 Decemeber 31, 2010

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year	Fund/ Department
Notes and loans payable:			
Construction loan	<u>\$ 27,000</u>	<u>\$ 2,215</u>	Wastewater Utility

TOWN OF FOWLERTON  
EXAMINATION RESULTS AND COMMENTS

***ANNUAL REPORT - 2009***

The City and Town Annual Report (CTAR-1) for 2009 was prepared but was not filed with the state examiner.

Indiana Code 5-11-1-4 concerning annual reports, states in part: ". . . These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year."

***PRESCRIBED FORMS - ANNUAL REPORT***

The 2009 and 2010 City and Town Annual Reports contained numerous errors, such as incorrect receipt and disbursement totals, incorrect investment activity and incorrect beginning and ending fund balances.

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***

During 2009 and 2010, payments were made to Joe T. Seward, President of the Town Council, for various work performed on Town property. Claims filed for these payments did not have adequate supporting documentation.

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)

***CONFLICT OF INTEREST***

During 2009 and 2010, Joe T. Seward, President of the Town Council, and James Thomason, Town Council member, were paid for various work performed on Town property. Uniform Conflict of Interest Disclosure Statements were not filed.

TOWN OF FOWLERTON  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

Prior to its amendment, effective July 1, 2011, Indiana Code 35-44-1-3 stated 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."

TOWN OF FOWLERTON  
EXIT CONFERENCE

The contents of this report were discussed on October 6, 2011, with Donna F.M. Davis, Clerk-Treasurer, and Joe T. Seward, President of the Town Council.