

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

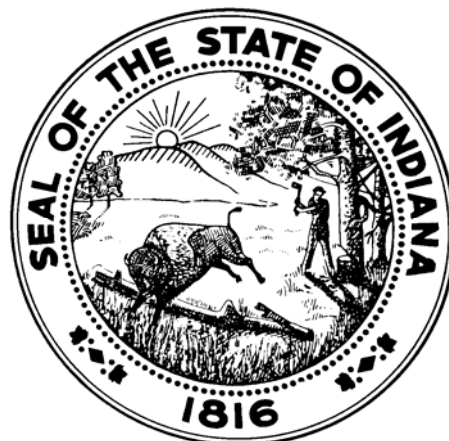
AUDIT REPORT

OF

TOWN OF FOWLERTON

GRANT 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	Deborah A. Smith	01-01-04 to 12-31-07
President of the Town Council	Joe T. Seward	01-01-05 to 12-31-07



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 FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF THE TOWN OF FOWLERTON, GRANT 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 Fowlerton (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. The basis of accounting noted above is a different basis than that used in the prior audit report for business-type activities.

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 August 29, 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.

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

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.

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, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts 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. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

August 29, 2007



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Web Site: www.in.gov/sboa

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 FOWLERTON, GRANT 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 Fowlerton (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 August 29, 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.

The Town's response to the prior audit findings identified in our audit are described in the accompanying Summary Schedule of Prior Audit Findings 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, Town Council, 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

August 29, 2007

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

Functions/Programs	Program Receipts				Net (Disbursements) Receipts and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 14,537	\$ -	\$ -	\$ 921	\$ (13,616)	\$ -	\$ (13,616)
Public safety	3,677	-	3,955	-	278	-	278
Highways and streets	1,573	-	9,367	3,305	11,099	-	11,099
Sanitation	10,089	10,939	-	-	850	-	850
Culture and recreation	301	-	-	-	(301)	-	(301)
Total governmental activities	30,177	10,939	13,322	4,226	(1,690)	-	(1,690)
Business-type activities:							
Wastewater	1,313,610	40,871	1,268	1,262,015	-	(9,456)	(9,456)
Total primary government	<u>\$ 1,343,787</u>	<u>\$ 51,810</u>	<u>\$ 14,590</u>	<u>\$ 1,266,241</u>	<u>(1,690)</u>	<u>(9,456)</u>	<u>(11,146)</u>
General receipts:							
Property taxes					31,181	-	31,181
Other local sources					11,614	-	11,614
Grants and contributions not restricted to specific programs					3,751	-	3,751
Unrestricted investment earnings					13,778	-	13,778
Total general receipts					60,324	-	60,324
Change in net assets					58,634	(9,456)	49,178
Net assets - beginning					352,844	41,535	394,379
Net assets - ending					<u>\$ 411,478</u>	<u>\$ 32,079</u>	<u>\$ 443,557</u>
<u>Assets</u>							
Cash and investments					\$ 231,127	\$ 27,139	\$ 258,266
Restricted assets:							
Cash and investments					180,351	4,940	185,291
Total assets					<u>\$ 411,478</u>	<u>\$ 32,079</u>	<u>\$ 443,557</u>
<u>Net Assets</u>							
Restricted for:							
Public safety					\$ 11,197	\$ -	\$ 11,197
Highways and streets					167,500	-	167,500
Sanitation					1,654	-	1,654
Debt service					-	818	818
Construction					-	4,122	4,122
Unrestricted					231,127	27,139	258,266
Total net assets					<u>\$ 411,478</u>	<u>\$ 32,079</u>	<u>\$ 443,557</u>

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

TOWN OF FOWLERTON
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	Sanitation	Other Governmental Funds	Totals
Receipts:						
Taxes	\$ 31,181	\$ -	\$ -	\$ -	\$ -	\$ 31,181
Intergovernmental	14,136	9,367	3,305	-	921	27,729
Charges for services	-	-	-	10,939	-	10,939
Other	14,416	-	-	-	4,546	18,962
Total receipts	59,733	9,367	3,305	10,939	5,467	88,811
Disbursements:						
General government	14,537	-	-	-	-	14,537
Public safety	3,677	-	-	-	-	3,677
Highways and streets	-	1,573	-	-	-	1,573
Sanitation	-	-	-	10,089	-	10,089
Culture and recreation	301	-	-	-	-	301
Total disbursements	18,515	1,573	-	10,089	-	30,177
Excess of receipts over disbursements	41,218	7,794	3,305	850	5,467	58,634
Cash and investment fund balance - beginning	124,359	98,430	57,971	804	71,280	352,844
Cash and investment fund balance - ending	<u>\$ 165,577</u>	<u>\$ 106,224</u>	<u>\$ 61,276</u>	<u>\$ 1,654</u>	<u>\$ 76,747</u>	<u>\$ 411,478</u>
<u>Cash and Investment Assets - December 31</u>						
Cash and investments	\$ 165,577	\$ -	\$ -	\$ -	\$ 65,550	\$ 231,127
Restricted assets:						
Cash and investments	-	106,224	61,276	1,654	11,197	180,351
Total cash and investment assets - December 31	<u>\$ 165,577</u>	<u>\$ 106,224</u>	<u>\$ 61,276</u>	<u>\$ 1,654</u>	<u>\$ 76,747</u>	<u>\$ 411,478</u>
<u>Cash and Investment Fund Balance - December 31</u>						
Restricted for:						
Public safety	\$ -	\$ -	\$ -	\$ -	\$ 11,197	\$ 11,197
Highways and streets	-	106,224	61,276	-	-	167,500
Sanitation	-	-	-	1,654	-	1,654
Unrestricted	165,577	-	-	-	65,550	231,127
Total cash and investment fund balance - December 31	<u>\$ 165,577</u>	<u>\$ 106,224</u>	<u>\$ 61,276</u>	<u>\$ 1,654</u>	<u>\$ 76,747</u>	<u>\$ 411,478</u>

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

TOWN OF FOWLERTON
STATEMENT OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUND
For the Year Ended December 31, 2005

	<u>Wastewater Utility</u>
Operating receipts:	
Flat rate receipts	\$ 40,220
Penalties	651
Other	<u>1,268</u>
Total operating receipts	<u>42,139</u>
Operating disbursements:	
Equipment and capital improvements	1,291,386
Salaries and wages	6,000
Employee pensions and benefits	459
Purchased power	1,788
Material and supplies	439
Contractual services	5,190
Insurance disbursements	192
Miscellaneous disbursements	<u>4,328</u>
Total operating disbursements	<u>1,309,782</u>
Deficiency of operating receipts over operating disbursements	<u>(1,267,643)</u>
Nonoperating receipts (disbursements):	
Interest disbursements	<u>(3,828)</u>
Deficiency of receipts over disbursements and nonoperating disbursements	(1,271,471)
Capital contributions	<u>1,262,015</u>
Deficiency of receipts and contributions over disbursements	(9,456)
Cash and investment fund balance - beginning	<u>41,535</u>
Cash and investment fund balance - ending	<u>\$ 32,079</u>
<u>Cash and Investment Assets - December 31</u>	
Cash and investments	\$ 27,139
Restricted assets:	
Cash and investments	<u>4,940</u>
Total cash and investment assets - December 31	<u>\$ 32,079</u>
<u>Cash and Investment Fund Balance - December 31</u>	
Restricted for:	
Debt service	\$ 818
Construction	4,122
Unrestricted	<u>27,139</u>
Total cash and investment fund balance - December 31	<u>\$ 32,079</u>

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

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

Functions/Programs	Disbursements	Program Receipts			Net (Disbursements) Receipts and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 13,490	\$ -	\$ -	\$ 1,065	\$ (12,425)	\$ -	\$ (12,425)
Public safety	6,466	-	-	-	(6,466)	-	(6,466)
Highways and streets	29,946	-	11,215	3,174	(15,557)	-	(15,557)
Sanitation	10,500	10,458	-	-	(42)	-	(42)
Culture and recreation	1,369	-	-	-	(1,369)	-	(1,369)
Total governmental activities	61,771	10,458	11,215	4,239	(35,859)	-	(35,859)
Business-type activities:							
Wastewater	120,647	64,902	-	81,000	-	25,255	25,255
Total primary government	<u>\$ 182,418</u>	<u>\$ 75,360</u>	<u>\$ 11,215</u>	<u>\$ 85,239</u>	<u>(35,859)</u>	<u>25,255</u>	<u>(10,604)</u>
General receipts:							
Property taxes					24,177	-	24,177
Other local sources					12,165	-	12,165
Grants and contributions not restricted to specific programs					2,771	-	2,771
Unrestricted investment earnings					7,969	-	7,969
Total general receipts					<u>47,082</u>	-	<u>47,082</u>
Change in net assets					11,223	25,255	36,478
Net assets - beginning					<u>411,478</u>	<u>32,079</u>	<u>443,557</u>
Net assets - ending					<u>\$ 422,701</u>	<u>\$ 57,334</u>	<u>\$ 480,035</u>
<u>Assets</u>							
Cash and investments					\$ 257,808	\$ 51,730	\$ 309,538
Restricted assets:							
Cash and investments					<u>164,893</u>	<u>5,604</u>	<u>170,497</u>
Total assets					<u>\$ 422,701</u>	<u>\$ 57,334</u>	<u>\$ 480,035</u>
<u>Net Assets</u>							
Restricted for:							
Public safety					\$ 11,338	\$ -	\$ 11,338
Highways and streets					151,943	-	151,943
Sanitation					1,612	-	1,612
Debt service					-	1,006	1,006
Construction					-	4,598	4,598
Unrestricted					<u>257,808</u>	<u>51,730</u>	<u>309,538</u>
Total net assets					<u>\$ 422,701</u>	<u>\$ 57,334</u>	<u>\$ 480,035</u>

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

TOWN OF FOWLERTON
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	Sanitation	Other Governmental Funds	Totals
Receipts:						
Taxes	\$ 24,177	\$ -	\$ -	\$ -	\$ -	\$ 24,177
Intergovernmental	11,849	11,215	3,174	-	1,065	27,303
Charges for services	-	-	-	10,458	-	10,458
Other	10,446	-	-	-	610	11,056
Total receipts	46,472	11,215	3,174	10,458	1,675	72,994
Disbursements:						
General government	13,490	-	-	-	-	13,490
Public safety	6,466	-	-	-	-	6,466
Highways and streets	-	5,127	-	-	-	5,127
Sanitation	-	-	-	10,500	-	10,500
Culture and recreation	1,369	-	-	-	-	1,369
Capital outlay:						
Highways and streets	-	24,819	-	-	-	24,819
Total disbursements	21,325	29,946	-	10,500	-	61,771
Excess (deficiency) of receipts over disbursements	25,147	(18,731)	3,174	(42)	1,675	11,223
Cash and investment fund balance - beginning	165,577	106,224	61,276	1,654	76,747	411,478
Cash and investment fund balance - ending	<u>\$ 190,724</u>	<u>\$ 87,493</u>	<u>\$ 64,450</u>	<u>\$ 1,612</u>	<u>\$ 78,422</u>	<u>\$ 422,701</u>
Cash and Investment Assets - December 31						
Cash and investments	\$ 190,724	\$ -	\$ -	\$ -	\$ 67,084	\$ 257,808
Restricted assets:						
Cash and investments	-	87,493	64,450	1,612	11,338	164,893
Total cash and investment assets - December 31	<u>\$ 190,724</u>	<u>\$ 87,493</u>	<u>\$ 64,450</u>	<u>\$ 1,612</u>	<u>\$ 78,422</u>	<u>\$ 422,701</u>
Cash and Investment Fund Balance - December 31						
Restricted for:						
Public safety	\$ -	\$ -	\$ -	\$ -	\$ 11,338	\$ 11,338
Highways and streets	-	87,493	64,450	-	-	151,943
Sanitation	-	-	-	1,612	-	1,612
Unrestricted	190,724	-	-	-	67,084	257,808
Total cash and investment fund balance - December 31	<u>\$ 190,724</u>	<u>\$ 87,493</u>	<u>\$ 64,450</u>	<u>\$ 1,612</u>	<u>\$ 78,422</u>	<u>\$ 422,701</u>

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

TOWN OF FOWLERTON
STATEMENT OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUND
For the Year Ended December 31, 2006

	Wastewater Utility
Operating receipts:	
Flat rate receipts	\$ 63,696
Penalties	1,206
Total operating receipts	64,902
Operating disbursements:	
Equipment and capital improvements	80,812
Salaries and wages	6,000
Employee pensions and benefits	459
Purchased power	5,432
Material and supplies	1,298
Contractual services	17,264
Insurance disbursements	855
Miscellaneous disbursements	3,387
Total operating disbursements	115,507
Deficiency of operating receipts over operating disbursements	(50,605)
Nonoperating receipts (disbursements):	
Debt service of principal	(1,000)
Interest disbursements	(4,140)
Total nonoperating receipts (disbursements)	(5,140)
Deficiency of receipts over disbursements and nonoperating disbursements	(55,745)
Capital contributions	81,000
Excess of receipts and contributions over disbursements	25,255
Cash and investment fund balance - beginning	32,079
Cash and investment fund balance - ending	\$ 57,334
<u>Cash and Investment Assets - December 31</u>	
Cash and investments	\$ 51,730
Restricted assets:	
Cash and investments	5,604
Total cash and investment assets - December 31	\$ 57,334
<u>Cash and Investment Fund Balance - December 31</u>	
Restricted for:	
Debt service	\$ 1,006
Construction	4,598
Unrestricted	51,730
Total cash and investment fund balance - December 31	\$ 57,334

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

TOWN OF FOWLERTON
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, administrative services, and wastewater.

The Town's financial reporting entity is composed of the primary government.

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 accounts for state motor vehicle highway distributions and is used principally for the construction and maintenance of streets and alleys.

The local road and street fund accounts for state gasoline tax distributions and is used primarily for the construction and maintenance of local roads and streets.

The sanitation fund accounts for the operation of the trash collection system.

The Town reports the following major proprietary fund:

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

TOWN OF FOWLERTON
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, and proprietary 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.

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. 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.

TOWN OF FOWLERTON
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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.

TOWN OF FOWLERTON
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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 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.

TOWN OF FOWLERTON
NOTES TO FINANCIAL STATEMENTS
(Continued)

III. Detailed Notes on All Funds

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.

Investment Policies

Indiana Code 5-13-9 authorizes the Town to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the Town to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the Town and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

Additionally, the Town may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the Town's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

TOWN OF FOWLERTON
NOTES TO FINANCIAL STATEMENTS
(Continued)

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Town does not have a formal investment policy for custodial credit risk for investments.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town must follow state statute and limit the stated final maturities of the investments to no more than two years.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Town does not have a policy in regards to concentration of credit risk. United States of America government and United States of America governmental agency securities are exempt from this policy requirement.

Foreign Currency Risk

The Town does not have a formal policy in regards to foreign currency risk.

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; 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.

B. Rate Structure – Enterprise Funds

Wastewater Utility

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

TOWN OF FOWLERTON
 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

	<u>Rainy Day</u>	<u>Fire</u>	<u>Cumulative Capital Improvement</u>	<u>Totals</u>
Receipts:				
Intergovernmental	\$ -	\$ -	\$ 921	\$ 921
Other	<u>464</u>	<u>4,082</u>	<u>-</u>	<u>4,546</u>
Total receipts	<u>464</u>	<u>4,082</u>	<u>921</u>	<u>5,467</u>
Excess of receipts over disbursements	464	4,082	921	5,467
Cash and investment fund balance - beginning	<u>36,914</u>	<u>7,115</u>	<u>27,251</u>	<u>71,280</u>
Cash and investment fund balance - ending	<u>\$ 37,378</u>	<u>\$ 11,197</u>	<u>\$ 28,172</u>	<u>\$ 76,747</u>
<u>Cash and Investment Assets - December 31</u>				
Cash and investments	\$ 37,378	\$ -	\$ 28,172	\$ 65,550
Restricted assets:				
Cash and investments	<u>-</u>	<u>11,197</u>	<u>-</u>	<u>11,197</u>
Total cash and investment assets - December 31	<u>\$ 37,378</u>	<u>\$ 11,197</u>	<u>\$ 28,172</u>	<u>\$ 76,747</u>
<u>Cash and Investment Fund Balance - December 31</u>				
Restricted for:				
Public safety	\$ -	\$ 11,197	\$ -	\$ 11,197
Unrestricted	<u>37,378</u>	<u>-</u>	<u>28,172</u>	<u>65,550</u>
Total cash and investment fund balance - December 31	<u>\$ 37,378</u>	<u>\$ 11,197</u>	<u>\$ 28,172</u>	<u>\$ 76,747</u>

TOWN OF FOWLERTON
 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

	<u>Rainy Day</u>	<u>Fire</u>	<u>Cumulative Capital Improvement</u>	<u>Totals</u>
Receipts:				
Intergovernmental	\$ -	\$ -	\$ 1,065	\$ 1,065
Other	<u>469</u>	<u>141</u>	<u>-</u>	<u>610</u>
Total receipts	<u>469</u>	<u>141</u>	<u>1,065</u>	<u>1,675</u>
Excess of receipts over disbursements	469	141	1,065	1,675
Cash and investment fund balance - beginning	<u>37,378</u>	<u>11,197</u>	<u>28,172</u>	<u>76,747</u>
Cash and investment fund balance - ending	<u>\$ 37,847</u>	<u>\$ 11,338</u>	<u>\$ 29,237</u>	<u>\$ 78,422</u>
<u>Cash and Investment Assets - December 31</u>				
Cash and investments	\$ 37,847	\$ -	\$ 29,237	\$ 67,084
Restricted assets:				
Cash and investments	<u>-</u>	<u>11,338</u>	<u>-</u>	<u>11,338</u>
Total cash and investment assets - December 31	<u>\$ 37,847</u>	<u>\$ 11,338</u>	<u>\$ 29,237</u>	<u>\$ 78,422</u>
<u>Cash and Investment Fund Balance - December 31</u>				
Restricted for:				
Public safety	\$ -	\$ 11,338	\$ -	\$ 11,338
Unrestricted	<u>37,847</u>	<u>-</u>	<u>29,237</u>	<u>67,084</u>
Total cash and investment fund balance - December 31	<u>\$ 37,847</u>	<u>\$ 11,338</u>	<u>\$ 29,237</u>	<u>\$ 78,422</u>

TOWN OF FOWLERTON
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 December 31, 2006

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 year have been reported.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 3,801
Infrastructure	26,519
Buildings	19,026
Machinery and equipment	<u>3,285</u>
 Total governmental activities, capital assets not being depreciated	 \$ <u>52,631</u>
 Business-type activities:	
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	\$ 55,060
Buildings	121,519
Improvements other than buildings	1,707,396
Machinery and equipment	<u>222,830</u>
 Total business-type activities capital assets	 \$ <u>2,106,805</u>

TOWN OF FOWLERTON
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2006

Description of Debt	Ending Balance	Due Within One Year
Business-type Activities:		
Wastewater Utility		
Loan payable	\$ 91,000	\$ 1,000

TOWN OF FOWLERTON
AUDIT RESULT AND COMMENT

ORDINANCES AND RESOLUTIONS

On July 12, 2004, the Town Council adopted Ordinance 7-2004, concerning wastewater rates and charges to be collected. The Ordinance established an interim charge of \$22.00 per month during construction of the project and upon completion of the wastewater project, a flat rate of \$44.80 per month shall be charged "for any lot, parcel of real estate or building to be connected or connected with the Town's sanitary sewage system." After completion of the project in October 2005, unoccupied residential and commercial properties continued to pay the interim rate of \$22.00 per month. The number of unoccupied properties each month ranged from 20 to 27.

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)

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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 FOWLERTON, GRANT COUNTY, INDIANA

Compliance

We have audited the compliance of the Town of Fowlerton (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.

In our opinion, 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 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.

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)

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.

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.

Our consideration of the internal control over compliance 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 compliance that we consider to be significant deficiencies or material weaknesses, as defined above.

The Town's response to the prior audit findings identified in our audit are described in the accompanying Summary Schedule of Prior Audit Findings 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, Town Council, 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

August 29, 2007

TOWN OF FOWLERTON
 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 AGRICULTURE</u>				
Direct Grant				
Water and Waste Disposal Systems for Rural Communities	10.760		\$ 563,152	\$ 104,532
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
Pass-Through Indiana Office of Community and Rural Affairs				
Community Development Block Grants/State's Program	14.228			
Community Focus Fund		CF03-288	435,800	-
Total federal awards expended			<u>\$ 998,952</u>	<u>\$ 104,532</u>

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

TOWN OF FOWLERTON
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 Fowlerton (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 FOWLERTON
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? no
 Reportable conditions identified that are not considered to be material weaknesses? none reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? no

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
10.760	Water and Waste Disposal Systems for Rural Communities
14.228	Community Development Block Grants/State's Program

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.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

TOWN OF FOWLERTON

JOE SEWARD-TOWN COUNCIL PRESIDENT
DONNA F. DAVIS- COUNCIL MEMBER
JANET MITCHENER-COUNCIL MEMBER
DEBORAH A. SMITH-CLERK TREASURER

109 N. LEACH AVE
BOX 95
FOWLERTON, IND. 46930
PH: 765-948-4636

August 29th, 2007

Summary Schedule of Prior Audit Findings

Finding 2004-1, Real Property Acquisition

Federal Agency: U.S. Department of Agriculture
Federal Program: Water and Waste Disposal Systems for Rural Communities
CFDA Number: 10.760
Pass Through Entity: Direct Grant

Audit Report #B25441
Audit Period: 01-01-03 to 12-31-04

Now that the Town is aware of the laws concerning real property purchases, the Town will make sure it complies with all applicable laws for future purchases.



Deborah A. Smith, Clerk-Treasurer
Town of Fowlerton

TOWN OF FOWLERTON
EXIT CONFERENCE

The contents of this report were discussed on August 29, 2007, with Deborah A. Smith, Clerk-Treasurer. The official concurred with our audit finding.