

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

EXAMINATION REPORT
OF
TOWN OF FOWLER
BENTON COUNTY, INDIANA
January 1, 2006 to December 31, 2007



FILED
12/31/2008

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Kathleen Schwartz	01-01-04 to 12-31-11
President of the Town Council	Stephen B. Rettig Gerald T. Parker	01-01-06 to 12-31-07 01-01-08 to 12-31-08



STATE OF INDIANA
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF FOWLER, BENTON COUNTY, INDIANA

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

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

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

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

STATE BOARD OF ACCOUNTS

November 6, 2008

TOWN OF FOWLER
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, 2006 And 2007

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 486,683	\$ 794,804	\$ 705,701	\$ 575,786
Motor Vehicle Highway	63,893	344,690	231,337	177,246
Local Road and Street	10,407	8,636	11,505	7,538
Park and Recreation	42,400	74,716	77,254	39,862
Park Concessions	4,392	7,859	5,269	6,982
Pool Restoration	28,050	1,033	-	29,083
Focus Fund	12,902	-	-	12,902
Law Enforcement Continuing Education	14,400	689	1,344	13,745
Arbor Day	3,814	-	-	3,814
Recycled Furniture	4,896	-	-	4,896
Playground Equipment	3,030	-	-	3,030
Pool Construction	44,634	-	-	44,634
Skateboard Park	6,360	7,505	6,041	7,824
Riverboat	46,150	327	-	46,477
Rainy Day	14,770	-	-	14,770
Park Donation	4,927	1,079	750	5,256
Levy Excess	5,734	6,667	-	12,401
Community Development Block Grant	146,581	243,993	329,655	60,919
Cumulative Capital Improvement	61,196	8,628	-	69,824
Cumulative Capital Development	25,596	26,248	224	51,620
Industrial Development	9,489	-	-	9,489
EDIT	63,955	73,725	14,625	123,055
Proprietary Funds:				
Water Utility - Operating	(22,195)	363,012	322,335	18,482
Water Utility - Bond and Interest	-	137,609	137,609	-
Water Utility - Customer Deposit	32,796	-	5,085	27,711
Wastewater Utility - Operating	453,515	572,954	554,969	471,500
Wastewater Utility - Bond and Interest	(22,320)	338,081	315,761	-
Fiduciary Fund:				
Payroll	(25,181)	589,568	548,059	16,328
Totals	<u>\$ 1,520,874</u>	<u>\$ 3,601,823</u>	<u>\$ 3,267,523</u>	<u>\$ 1,855,174</u>

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

TOWN OF FOWLER
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, 2006 And 2007
(Continued)

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 575,786	\$ 925,758	\$ 730,456	\$ 771,088
Motor Vehicle Highway	177,246	371,669	258,494	290,421
Local Road and Street	7,538	8,737	-	16,275
Park and Recreation	39,862	99,481	95,098	44,245
Park Concessions	6,982	10,516	11,080	6,418
Pool Restoration	29,083	300	-	29,383
Focus Fund	12,902	-	-	12,902
Law Enforcement Continuing Education	13,745	7,021	4,005	16,761
MVH Street Sign Grant	-	12,546	8,692	3,854
Arbor Day	3,814	-	2,013	1,801
Recycled Furniture	4,896	-	-	4,896
Playground Equipment	3,030	-	-	3,030
Pool Construction	44,634	-	-	44,634
Skateboard Park	7,824	3,689	9,174	2,339
Riverboat	46,477	15,267	-	61,744
Rainy Day	14,770	15,228	-	29,998
Park Donation	5,256	527	500	5,283
Levy Excess	12,401	-	-	12,401
Community Development Block Grant	60,919	76,139	137,058	-
Cumulative Capital Improvement	69,824	8,482	22,690	55,616
Cumulative Capital Development	51,620	23,738	-	75,358
Industrial Development	9,489	-	-	9,489
EDIT	123,055	71,273	-	194,328
Proprietary Funds:				
Water Utility - Operating	18,482	384,352	391,384	11,450
Water Utility - Bond and Interest	-	118,964	136,554	(17,590)
Water Utility - Debt Service	-	65,000	-	65,000
Water Utility - Customer Deposit	27,711	7,725	5,443	29,993
Wastewater Utility - Operating	471,500	545,060	570,577	445,983
Wastewater Utility - Bond and Interest	-	267,843	267,843	-
Fiduciary Fund:				
Payroll	16,328	601,793	617,235	886
Totals	<u>\$ 1,855,174</u>	<u>\$ 3,641,108</u>	<u>\$ 3,268,296</u>	<u>\$ 2,227,986</u>

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

TOWN OF FOWLER
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

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

Note 2. Fund Accounting

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

Note 3. Budgets

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

Note 4. Property Taxes

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

TOWN OF FOWLER
NOTES TO FINANCIAL INFORMATION
(Continued)

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.

Note 6. Subsequent Event

Refinancing of Sewage Works Revenue and Refunding Bonds of 1996

On May 19, 2008, the Town Council approved an ordinance to refinance the Sewage Works Revenue and Refunding Bonds of 1996 Series A (1996A Bonds) dated April 1, 1996. The bonds were originally issued in the amount of \$1,140,000. The outstanding balance at December 31, 2007, is \$640,000. The Town Council also approved the refinancing of the Sewage Works Revenue and Refunding Bonds of 1996 Series B (1996B Bonds), also dated April 1, 1996. The original issue amount was \$2,150,000 for this series. The outstanding balance for the Series B issue at December 31, 2007 is \$1,300,000.

The refinanced bonds are for the same payment period as the original issues. The refinancing resulted in a lower interest rate for the Town.

Grant Avenue Storm Drainage Project

On September 15, 2008, the Town Council approved the contract for the Grant Avenue Storm Drainage project to Dwenger Excavating Contractors, the low bidder, in the amount of \$425,403. The Motor Vehicle Highway fund is to pay \$80,000, the balance is to be paid from the General Fund. The project is expected to be completed by the end of October 2008.

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

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Business-type Activities:		
Water Utility		
Loans Payable:		
State Revolving Loan	\$ 1,131,980	\$ 19,810
Revenue bonds:		
1996 Refunding Revenue Bonds	<u>280,000</u>	<u>8,230</u>
Total Water Utility	<u>1,411,980</u>	<u>28,040</u>
Wastewater Utility		
Revenue bonds:		
1996 Revenue and Refunding Bonds (Series A)	640,000	18,750
1996 Revenue and Refunding Bonds (Series B)	<u>1,300,000</u>	<u>38,225</u>
Total Wastewater Utility	<u>1,940,000</u>	<u>56,975</u>
Total business-type activities debt:	<u>\$ 3,351,980</u>	<u>\$ 85,015</u>

TOWN OF FOWLER
EXAMINATION RESULTS AND COMMENTS

CONDITION OF RECORDS

The following deficiencies relating to the recordkeeping were present during our period of audit:

Due to posting errors the 2006 receipts were overstated \$226,797.27 and the disbursements were overstated \$215,197.12.

Due to voided transactions the 2006 receipts and disbursements were overstated \$169,535.94.

The fund ledger did not have all payroll transactions posted. The unit had used Quickbooks to process their 2006 payroll transactions and had not posted the appropriate information to the fund ledger. This resulted in an understatement of transfers to the payroll fund of \$475,133.60. There were also electronic and check transactions that were not posted totaling \$5,388.14.

The 2007 annual report did not start with ending balances from 2006 for the General Fund, Park Fund, the Law Enforcement Continuing Education Fund, and the EDIT Economic Development fund.

The Computrain computer software utilized in 2007 was not started with correct beginning balances for all funds.

During 2007, the software allowed incorrect entries such as posting across funds, the use of transfer accounts for corrections, and inappropriate manual entries.

The 2007 bank reconciliation segment of the software did not reconcile to the fund ledger balance.

There were numerous posting errors in 2007. Many involved posting to a fund but a different bank account; for example, posting to the General Fund but to the payroll bank account.

There were numerous postings of "negative" receipts and disbursements.

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)

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were incorrect for the 2006 and the 2007 Town accounts, the 2006 Payroll account, 2007 Water account and 2007 Wastewater account. The Computrain computer software was started with incorrect balances. The incorrect beginning balances, manual entries, and other computerized transfer transactions attributed to the incorrect reconciliations.

No depository reconciliation of the fund balances to the bank account balances was presented for examination for the payroll account for 2006 and 2007.

Indiana Code 5-13-6-1(e) states in part: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

TOWN OF FOWLER
EXAMINATION RESULTS AND COMMENTS
(Continued)

PUBLIC RECORDS RETENTION

Remittance advice (payment stubs) for utility payments could not be located and were not presented for audit for December 8 and 9, 2007. One payment stub from the accounts tested for December 11, 2007, could not be located.

Indiana Code 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

Supporting documentation such as receipts, canceled checks, 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)

PROCEDURES FOR UTILITY BILLING

The Fowler Municipal Utilities has a policy that was effective as of December 1, 2004, that requires that bills over 30 days past due require a discontinuance of service. The policy states that "tags will no longer be hung one day prior to shutting off service. Service will be automatically disconnected if not paid."

The Utilities do not follow this policy.

The current policy is not in compliance with Indiana Code.

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)

Indiana Code 8-1.5-3-4(d) and (e) say in part: ". . . may discontinue water service by a waterworks . . . upon failure by the water consumer or the property owner to pay charges legally due for sewer or sewage disposal plant service . . . unpaid for at least thirty (30) days. Before water service is discontinued . . . written notice to the water consumer or property owner of its intention to discontinue water service . . . must be mailed not less than ten (10) days before the water service is to be discontinued and addressed to the water consumer or the property owner at his last known address."

STATE AGENCIES - COMPLIANCE REQUIREMENTS

The Fowler Water Utility did not comply with directives of the Indiana Department of Revenue by not filing a URT (Utility Receipts Tax) annual report for the years 2006 and 2007.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF FOWLER
EXAMINATION RESULTS AND COMMENTS
(Continued)

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TEMPORARY TRANSFER OF FUNDS

A temporary transfer of \$30,000 was made in 2005 from the Wastewater Operating Fund to the Water Operating Fund and not repaid by December 31, 2007.

Indiana Code 36-1-8-4 concerning temporary transfer, states in part:

"(a) . . . (3) Except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs. (4) The amount transferred must be returned to the other fund at the end of the prescribed period. . . .

(b) If the fiscal body of a political subdivision determines that an emergency exists that requires an extension of the prescribed period of a transfer under this section, the prescribed period may be extended for not more than six (6) months beyond the budget year of the year in which the transfer occurs if the fiscal body does the following: (1) Passes an ordinance or a resolution that contains the following: (A) A statement that the fiscal body has determined that an emergency exists. (B) A brief description of the grounds for the emergency. (C) The date the loan will be repaid that is not more than six (6) months beyond the budget year in which the transfer occurs. (2) Immediately forwards the ordinance or resolution to the state board of accounts and the department of local government finance."

PARK BOARD MINUTES

The 2007 minutes did not appear to be complete. Those presented for examination did not contain all appropriate disclosures. The motions and votes were not always clearly documented.

Park Board minutes of the 2006 meetings were not presented for audit.

Indiana Code 5-14-1.5-2 and states in part:

"(c) 'Meeting' means a gathering of a majority of the governing body of a public agency for the purpose of taking official action upon public business. . . .

(d) 'Official action' means to:

- (1) receive information;
- (2) deliberate;
- (3) make recommendations;
- (4) establish policy;
- (5) make decisions; or
- (6) take final action."

TOWN OF FOWLER
EXAMINATION RESULTS AND COMMENTS
(Continued)

Indiana Code 5-14-1.5-4 states in part concerning the recording or the meeting:

"(b) . . . the following memoranda shall be kept:

- (1) The date, time and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) All record of all votes taken, by individual members if there is a roll call.
- (5) Any additional information required under IC 5-1.5-2-2.5.

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

Indiana Code 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

ERRORS ON CLAIMS

The following deficiencies were noted on claims during the audit period:

- (1) Two of the fifty claims tested were not adequately itemized.
- (2) Three of the Allowance of Accounts Payable Vouchers Registers were not certified by the Clerk-Treasurer.
- (3) Five of the fifty claims (or attached invoices) did not have evidence to support receipt of goods or services.
- (4) One check run was out of sequence by one number therefore the claims relating to those checks did not match up correctly.

Indiana Code 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services."

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;

TOWN OF FOWLER
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

OVERDRAWN FUND BALANCES

The Water Bond and Interest Fund was overdrawn at December 31, 2007.

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

TOWN OF FOWLER
EXIT CONFERENCE

The contents of this report were discussed on November 6, 2008, with Kathleen Schwartz, Clerk-Treasurer; Gerald T. Parker, President of the Town Council; and Carole Hoff, Town Council member. The officials concurred with our findings.