

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

TOWN OF FILLMORE

PUTNAM COUNTY, INDIANA

January 1, 2009 to December 31, 2010



FILED
04/26/2012

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Wanda K. Seidler	01-01-08 to 12-31-15
President of the Town Council	Jeff Osborn	01-01-09 to 02-26-11
	(Vacant)	02-27-11 to 04-06-11
	James Wesley Terhune	04-07-11 to 12-31-11
	Alan Jones	01-01-12 to 12-31-12



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial statements of the Town of Fillmore (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 and Schedule of Long-Term Debt for the year ended December 31, 2010, as listed in the Table of Contents, are presented for additional analysis and are not a required part 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 Town's response to the Examination Results and Comments identified in our examination is described in the accompanying section of the report entitled Official Response. We did not examine 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 others within the entity, 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

March 6, 2012

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

Fund	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
General	\$ (15,732)	\$ 113,867	\$ 81,655	\$ 16,480
Motor Vehicle Highway	48,925	22,320	19,127	52,118
Local Road And Street	4,698	3,122	-	7,820
Donations	260	-	-	260
Law Enforcement Continuing Ed	1,639	240	-	1,879
Riverboat	3,437	3,410	-	6,847
Rainy Day	6,015	-	-	6,015
Cedit	28,669	6,222	-	34,891
Nuisance Fees	697	-	-	697
Cum Capital Improvement	11,347	1,671	-	13,018
Park & Town Donations	498	190	-	688
Payroll	-	84,496	83,863	633
Wastewater Operating	33,963	223,175	188,966	68,172
Wastewater Bond And Interest	13,951	-	-	13,951
Wastewater Debt Service Reserve	16,324	-	-	16,324
Wastewater Security Deposit	7,156	2,175	174	9,157
Water Operating	5,009	112,693	98,525	19,177
Water Bond And Interest	400	-	-	400
Water Debt Service Reserve	700	-	-	700
Water Security Deposit	9,000	2,700	115	11,585
Totals	<u>\$ 176,956</u>	<u>\$ 576,281</u>	<u>\$ 472,425</u>	<u>\$ 280,812</u>

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

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

Fund	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
General	\$ 16,480	\$ 68,588	\$ 83,862	\$ 1,206
Motor Vehicle Highway	52,118	22,945	25,638	49,425
Local Road And Street	7,820	3,201	-	11,021
Donations	260	60	-	320
Law Enforcement Continuing Ed	1,879	290	-	2,169
Riverboat	6,847	-	-	6,847
Rainy Day	6,015	1,225	-	7,240
Cedit	34,891	-	15,114	19,777
Nuisance Fees	697	-	-	697
Cum Capital Improvement	13,018	1,596	-	14,614
Park & Town Donations	688	-	-	688
Payroll	633	100,466	102,998	(1,899)
Wastewater Operating	68,172	210,143	178,577	99,738
Wastewater Bond And Interest	13,951	-	-	13,951
Wastewater Debt Service Reserve	16,324	-	-	16,324
Wastewater Security Deposit	9,157	1,725	75	10,807
Water Operating	19,177	100,189	97,346	22,020
Water Bond And Interest	400	-	-	400
Water Debt Service Reserve	700	-	-	700
Water Security Deposit	11,585	2,200	100	13,685
Totals	<u>\$ 280,812</u>	<u>\$ 512,628</u>	<u>\$ 503,710</u>	<u>\$ 289,730</u>

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

TOWN OF FILLMORE
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, and wastewater.

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.

Licenses and permits which include 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 licenses and permits include: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

TOWN OF FILLMORE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are 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.

Fines and forfeits which include 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).

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

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

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:

Personal services include 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 include 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 include, but are 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 include 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 include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Utility operating expenses which include all outflows for operating the utilities.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

TOWN OF FILLMORE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 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 percent 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 should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

TOWN OF FILLMORE
NOTES TO FINANCIAL STATEMENTS
(Continued)

State statutes authorize 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 Annual Reports can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

Differences may be noted between the financial information presented in the financial statements contained in this report and the financial information presented in the Annual Reports of the Town which are 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 FILLMORE
 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	Donations	Law Enforcement Continuing Ed	Riverboat	Rainy Day
Cash and investments - beginning	\$ 16,480	\$ 52,118	\$ 7,820	\$ 260	\$ 1,879	\$ 6,847	\$ 6,015
Receipts:							
Taxes	37,985	-	-	-	-	-	1,225
Licenses and permits	-	-	-	-	290	-	-
Intergovernmental	28,481	22,945	3,201	-	-	-	-
Fines and forfeits	1,995	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	127	-	-	60	-	-	-
Total receipts	<u>68,588</u>	<u>22,945</u>	<u>3,201</u>	<u>60</u>	<u>290</u>	<u>-</u>	<u>1,225</u>
Disbursements:							
Personal services	42,899	11,479	-	-	-	-	-
Supplies	4,367	9,833	-	-	-	-	-
Other services and charges	36,360	4,326	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	236	-	-	-	-	-	-
Total disbursements	<u>83,862</u>	<u>25,638</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(15,274)</u>	<u>(2,693)</u>	<u>3,201</u>	<u>60</u>	<u>290</u>	<u>-</u>	<u>1,225</u>
Cash and investments - ending	<u>\$ 1,206</u>	<u>\$ 49,425</u>	<u>\$ 11,021</u>	<u>\$ 320</u>	<u>\$ 2,169</u>	<u>\$ 6,847</u>	<u>\$ 7,240</u>

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

	Cedit	Nuisance Fees	Cum Capital Improvement	Park & Town Donations	Payroll	Wastewater Operating	Wastewater Bond And Interest
Cash and investments - beginning	\$ 34,891	\$ 697	\$ 13,018	\$ 688	\$ 633	\$ 68,172	\$ 13,951
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	1,596	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	210,143	-
Other receipts	-	-	-	-	100,466	-	-
Total receipts	-	-	1,596	-	100,466	210,143	-
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	15,114	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	16,546	-
Utility operating expenses	-	-	-	-	-	137,762	-
Other disbursements	-	-	-	-	102,998	24,269	-
Total disbursements	15,114	-	-	-	102,998	178,577	-
Excess (deficiency) of receipts over disbursements	(15,114)	-	1,596	-	(2,532)	31,566	-
Cash and investments - ending	<u>\$ 19,777</u>	<u>\$ 697</u>	<u>\$ 14,614</u>	<u>\$ 688</u>	<u>\$ (1,899)</u>	<u>\$ 99,738</u>	<u>\$ 13,951</u>

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

	Wastewater Debt Service Reserve	Wastewater Security Deposit	Water Operating	Water Bond And Interest	Water Debt Service Reserve	Water Security Deposit	Totals
Cash and investments - beginning	\$ 16,324	\$ 9,157	\$ 19,177	\$ 400	\$ 700	\$ 11,585	\$ 280,812
Receipts:							
Taxes	-	-	-	-	-	-	39,210
Licenses and permits	-	-	-	-	-	-	290
Intergovernmental	-	-	-	-	-	-	56,223
Fines and forfeits	-	-	-	-	-	-	1,995
Utility fees	-	1,725	100,189	-	-	2,200	314,257
Other receipts	-	-	-	-	-	-	100,653
Total receipts	-	1,725	100,189	-	-	2,200	512,628
Disbursements:							
Personal services	-	-	-	-	-	-	54,378
Supplies	-	-	-	-	-	-	14,200
Other services and charges	-	-	-	-	-	-	55,800
Debt service - principal and interest	-	-	18,643	-	-	-	35,189
Utility operating expenses	-	75	53,757	-	-	100	191,694
Other disbursements	-	-	24,946	-	-	-	152,449
Total disbursements	-	75	97,346	-	-	100	503,710
Excess (deficiency) of receipts over disbursements	-	1,650	2,843	-	-	2,100	8,918
Cash and investments - ending	\$ 16,324	\$ 10,807	\$ 22,020	\$ 400	\$ 700	\$ 13,685	\$ 289,730

TOWN OF FILLMORE
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2010

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year	Fund/ Department
Notes and loans payable: Rural Development Loan	\$ 252,000	\$ 15,610	Water Utility
Notes and loans payable: Rural Development Loan	<u>725,765</u>	<u>42,559</u>	Wastewater Utility
Total debt	<u>\$ 977,765</u>	<u>\$ 58,169</u>	

TOWN OF FILLMORE
EXAMINATION RESULTS AND COMMENTS

RECEIPT ISSUANCE (Applies to Town)

Receipts were not issued for all monies received by the Town.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CONDITION OF RECORDS (Applies to Town and Utilities)

The following deficiencies, relating to the recordkeeping were noted during our period of examination:

1. There were a considerable number of posting errors. These errors included State and local tax distributions not posted to the proper funds and handgun permit receipts posted to the General Fund instead of the Law Enforcement Continuing Ed Fund.

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)

2. Water and Wastewater customer deposit transactions are not properly reported in the financial statements. Deposits that have been applied to account balances remain in the customer deposit fund bank account and have not been transferred to the operating fund.

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)

3. Payroll transfers from the Town and Water and Wastewater Utilities to the Payroll Fund were not accurate, resulting in misstated fund balances. There were 26 pay dates, but only 8 payroll transfers in 2010 which resulted in the Payroll Fund running a negative balance for most of the year. The Payroll Fund had a negative balance of \$77,170 on December 1, 2010. Transfers were recorded on December 13, 2010, resulting in a negative balance of \$1,122 on that date.

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)

DISBURSEMENTS WITHOUT APPROPRIATIONS (Applies to Town)

Disbursements were made from the Town's Cedit Fund for Town Hall improvements. Formal budgets and appropriations were not found to have been prepared and approved for these disbursements.

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

TOWN OF FILLMORE
EXAMINATION RESULTS AND COMMENTS
(Continued)

ORDINANCES AND RESOLUTIONS (Applies to Utilities)

The Town has ordinances concerning monthly transfers to Water and Wastewater Utilities' Depreciation Funds, Debt Reserve Funds, and Bond and Interest Funds. However, the Town did not make the required transfers for the years ended December 31, 2009 and 2010.

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)

UTILITY RECEIPTS TAX (Applies to Water Utility)

The Water Utility did not pay Utility Receipts Tax to the Indiana Department of Revenue during the examination period.

Generally, retail receipts from all utility services consumed within Indiana are subject to the utility receipts tax regardless of the point of generation or transmission across state lines. Receipts from the provision of mobile telecommunication service are subject to utility receipts tax to the extent that the receipts are sourced to Indiana pursuant to Indiana Code 6-8.1-15. However, gross receipts received by a political subdivision for sewage and sewage service are not subject to the tax. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ANNUAL REPORT (Applies to Town and Utilities)

An annual report for 2009 has not been filed as of February 2012. An annual report for 2010 was not filed until June 2011.

Because an annual report has not been filed for 2009, the supplementary information "Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis" could not be presented.

Indiana Code 5-3-1-3(a) states, in part: "Within sixty (60) days after the expiration of each calendar year, the fiscal officer of each civil city and town in Indiana shall publish an annual report of the receipts and expenditures of the city or town . . ."

OVERDRAWN FUND BALANCE (Applies to Town)

The Payroll Fund was overdrawn by \$1,899 at December 31, 2010.

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 FILLMORE
EXAMINATION RESULTS AND COMMENTS
(Continued)

PRESCRIBED FORMS (Applies to Town and Utilities)

As stated in prior Report B35463, the following prescribed or approved forms were not always in use:

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

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)

ERRORS ON CLAIMS (Applies to Town and Utilities)

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

1. Claims were not prepared for all disbursements. Three of twenty-five claims tested could not be located.
2. All claims did not have Town Council approval. The three claims not located could not be verified for proper Town Council approval.
3. Claims or invoices did not have evidence to support receipt of goods or services. One of twenty-five claims tested was approved, but not supported by an invoice.

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;
- (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."

TOWN OF FILLMORE
EXIT CONFERENCE

The contents of this report were discussed on March 6, 2012, with Wanda K. Seidler, Clerk-Treasurer, and Alan Jones, President of the Town Council. The Official Response has been made a part of this report and may be found on pages 22 through 24.

Town of Fillmore
and
Fillmore Municipal Utilities

Town Council

Alan Jones, President
Tami Parker
Curt Leonard

Office of Clerk-Treasurer

Wanda Seidler, Clerk-Treasurer

Public Works

Joseph Cash

March 14, 2012

Indiana State Board of Accounts
302 W Washington St, Room E 418
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RE: 2009/2010 Audit & Exit Conference

OFFICIAL RESPONSE

I appreciate this opportunity to respond to the comments mentioned within the 2009 & 2010 audit and I hope this response effort will help the residents of Fillmore better understand some of the Town's progress.

As this audit reflects the efforts of a first-term clerk, please keep in mind the circumstances, conditions and the transitional efforts the first-term council members and clerk decided to pursue. All having (to my personal knowledge) no prior local government or utility management experience, but still willing to attempt the effort. In addition, comparatively, also keep in mind the Town of Fillmore is still in its infancy as a municipal. Learning and understanding the ways of government, at any level, is a challenge.

CONDITION OF RECORDS

I do not dispute the comments contained in this audit; with one noted exception. Many resulted from correcting past outstanding errors and/or omissions, updating of the office operations and transitioning from handwritten fund ledgers and logs, to updated windows-based utility billing software and most recently the accompanying fund accounting software. Once working properly, these two systems will "link" and generate much more accurate and timely financial reports. In addition to this aggressive technological update, most job instruction was either procured or on-the-job training of federal, state and county responsibilities as well as the management of the utility operations. Professional accounting assistance was acquired as necessary.

The office business equipment was updated as well. Prior to 2008, the office did not utilize internet or voicemail services. There was a dot matrix printer and a thermo-paper fax machine. Both pieces of equipment were terribly outdated and difficult to support; so both have been replaced with newer equipment and a new telephone was provided as well. The Police Department also required some updates to their operations with the addition of laptops in each patrol car, the associated air cards to support them and miscellaneous equipment.

DISBURSEMENTS WITHOUT APPROPRIATIONS – TOWN

The Town Hall, the Town's "Front Door", experienced some updates itself; new paint, new soffit and fascia, new business window lettering and an interior renovation that relocated the furnace to a more balanced (and noise suitable) location which also allowed the clerk's office comfort of the central HVAC system. This interior renovation also afforded better compliance of the Identity Theft Red Flags Rule which took effect in January 2008, however; enforcement was suspended until May 2009. This rule was introduced as efforts to protect customer information against identify theft. We attempted to comply by building a secured interior office allowing for a (minimum) three lock effort to protect personal information. This same renovation was intended to allow for a second person to assist with telephone calls and walk-in customers... with a goal of being able to extend business hours and providing your clerk an allowance of uninterrupted time to focus and properly learn the clerk's operations, attend more off-site meetings and (eventually) become more familiar with much needed grant efforts. This build-out was afforded via EDIT funds, but due to inexperience, was not properly documented through the Indiana Department of Local Government Finance (DLGF) as commented. This reflects yet another "learning" experience. Any non-budgeted expenditures, must be approved by the DLGF. Though funds may be available, proper procedure to spend those funds (aka: permission) must be documented through the DLGF... "first".

ORDINANCES AND RESOLUTIONS – WATER & WASTEWATER UTILITIES

Upon taking office in 2008, these accounts were reviewed for activity. There was no record of active use of these accounts aside from them being opened. After we hired a certified accountant (retired State Board of Accounts auditor) he explained the intended use of these accounts; interest, debt-reserve, etc. and their use is required per bond. Bond payments have been made timely, and since utility collections have improved, steps to set-up automatic monthly transfers are in-place.

UTILITY RECEIPTS TAX – WATER UTILITY

No record of this tax requirement was found in the office until a colleague advised. Unlike WH-1 (ST & CO Withholding) and ST-103 (Sales Tax) the Department of Revenue has not provided payment vouchers for this entire term (2008-2011) and still into the new term. During the review, we were able to find an online form and have since paid the 2010 Utility Receipts Tax – and after good faith effort to pay this tax, we then received a Delinquent Notice (penalties and interest due for 2010) as well.

ANNUAL REPORT – TOWN

Since hiring an accountant (in late 2008) to assist with review and correction of the financial records, and with the ongoing transition from handwritten ledgers to windows-based accounting software, I accept the responsibility of making the decision to wait on submitting "official" financial reports until we felt the records reflected accurate fund balances. 2010 was submitted "as-is" and we are currently working on our 2011 report. Though aggressive for a first-term clerk, the need to update the internal operations was not only a personal preference, but also a requirement foreseeing mandatory online reporting, tax payments, banking, and etc. that are now in place.

OVERDRAWN FUND BALANCES – TOWN

Keep in mind, that in "fund accounting", overdrawn fund balances are not the same as non-sufficient funds. The Payroll Fund is maintained within the Town Funds as a whole, and though the individual fund did reflect a negative balance, it was due in part by human error (learning procedures and software) and was temporarily carried by the overall balance of the Town Fund checking accounting while the errors were reviewed for correction.

Establishing a Payroll Fund was an effort to expedite and better manage the payroll process, in lieu of handwriting separate checks from each fund for each employee/official. However, with more than one financial institution involved (utilities and town funds at separate banks), combined with being a one-person office (w/public utility distractions) ... limited-time available due to family responsibilities ... plus the new software glitches ... it's been very challenging to manage. I made the mistake of "assuming" the new accounting software would process and prepare the transfers, but sadly... it does not. Manual transfer checks and receipt entries are still required for the utility portions until the accounts are located at the same financial institution. My past experience with processing payroll was contracting with a payroll vendor. I didn't believe this option to be cost-effective for a staff of 8-10 people, so I prepared to learn in-house payroll processing.

As long as funds are maintained at separate banks... it will never work as efficiently as intended. Council has since granted permission to transfer all funds to one financial institution. Change currently in process with FNB. Online banking efforts are being considered as well.

PRESCRIBED FORMS

Prescribed forms are expensive for a community of our size... and we are utilizing those that are necessary and attempting to duplicate (in exact form) the same forms (within Word or Excel) as time permits. In addition, our new software *should* satisfy some of these prescribed form requirements as well.

ERRORS ON CLAIMS

As time consuming as it may be, claim forms (Pink>WW, Blue>W & White>TF) are routinely prepared and presented to the council for signature at monthly council meetings. Some (utilities, payroll, taxes) are prepared and paid in advance to avoid being late (per ordinance). Occasionally, there is human error and oversight. However, I do dispute the statement (2) "All claims did not have board approval" and I believe the council members who tediously signed all those vouchers would agree. Of the three mentioned; they were incomplete. One claim to Duke Energy did have their signatures, but the monthly invoice was not attached (available via Duke Accounts Receivable). The other two claims; one check payable to Wal-Mart for cleaning/restroom supplies (no sales receipt attached), and the other was payable to Fillmore Utilities for Town Hall & Maintenance Building water and wastewater utility accounts (billing history is available).

It is my hope and my intent to complete this transitional effort so the future Town Clerk(s) will have equipment and software functioning properly... enabling he/she to better assist the Town of Fillmore with more accurate and efficient financial reports. This will prove to be a worthwhile update for future grant efforts as well.

Again, I do appreciate having this opportunity to comment and more so the assistance offered by the State Board of Accounts representative during her visit. I have been advised by our accountant we are nearing where we need to be, and each audit has been a tremendous learning experience as well.

Respectfully submitted,



Wanda Seidler, Clerk-Treasurer
Town of Fillmore
Putnam County, Indiana
March 14, 2012