

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

TOWN OF FAIRMOUNT
GRANT COUNTY, INDIANA

January 1, 2014 to December 31, 2014



FILED
12/29/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Jo Ann Treon	01-01-12 to 12-31-19
President of the Town Council	Melba M. Root	01-01-14 to 12-31-16



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying financial statement of the Town of Fairmount (Town), which comprises the financial position and results of operations for the year ended December 31, 2014, and the related notes to the financial statement as listed in the Table of Contents.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement 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 statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the Town for the year ended December 31, 2014.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the Town for the year ended December 31, 2014, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the Town's financial statement. 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 financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

Other Information

Our audit was conducted for the purpose of forming an opinion on the Town's financial statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis, Schedule of Payables and Receivables, and Schedule of Leases and Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated November 30, 2016, 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, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.


Paul D. Joyce, CPA
State Examiner

November 30, 2016



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, 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, the financial statement of the Town of Fairmount (Town), which comprises the financial position and results of operations for the year ended December 31, 2014, and the related notes to the financial statement, and have issued our report thereon dated November 30, 2016, wherein we noted the Town followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control 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 and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2014-001 and 2014-002 to be material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(Continued)

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the Town's financial statement is 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*.

Town of Fairmount's Response to Findings

The Town's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

November 30, 2016

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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

TOWN OF FAIRMOUNT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended December 31, 2014

Fund	Cash and Investments 01-01-14	Receipts	Disbursements	Cash and Investments 12-31-14
General	\$ 414,541	\$ 785,570	\$ 765,744	\$ 434,367
Motor Vehicle Highway	106,558	245,168	190,361	161,365
Local Road and Street	51,291	26,202	22,356	55,137
Sidewalk Community	-	4,000	4,000	-
Law Enforcement Continuing Education	6,403	1,298	1,490	6,211
Riverboat	49,824	17,499	9,987	57,336
Rainy Day	206,784	99,000	64,000	241,784
Park Nonreverting	16,401	6,975	-	23,376
Cumulative Fire Equipment	45,989	17,243	25,000	38,232
Cumulative Capital Improvement	105,851	7,871	3,812	109,910
CEDIT	33,676	40,687	12,492	61,871
Playacres Tree Foundation	3,652	1,833	4,035	1,450
Special Police Equipment	1,000	200	1,000	200
Park Special Needs Area	9,197	15	1,921	7,291
Special Donations and Grants	800	75,260	76,060	-
Operation Pullover	20	2,520	2,540	-
Park	80,241	99,134	75,360	104,015
Payroll	-	733,054	733,054	-
Trash	35,140	145,142	151,611	28,671
Wastewater Utility-Construction	24,480	800,000	817,430	7,050
Wastewater Utility-Bond and Interest	-	16,733	-	16,733
Wastewater Utility-Reserve	-	3,253	-	3,253
Wastewater Utility-Operating	45,437	420,172	412,213	53,396
Wastewater Utility-Depreciation/Improvement	138,678	41,320	22,716	157,282
Wastewater Utility-Planning	202,342	80,000	29,993	252,349
Water Utility-Operating	50,830	508,851	477,276	82,405
Water Utility-Bond and Interest	98,359	103,254	98,547	103,066
Water Utility-Depreciation/Improvement	68,334	52,497	10,463	110,368
Water Utility-Customer Deposit	47,588	5,100	3,335	49,353
Water Utility-Debt Reserve	100,968	-	-	100,968
Water Utility-Cash Change	250	-	-	250
Totals	<u>\$ 1,944,634</u>	<u>\$ 4,339,851</u>	<u>\$ 4,016,796</u>	<u>\$ 2,267,689</u>

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

TOWN OF FAIRMOUNT
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The Town was established under the laws of the State of Indiana. The Town operates under a Town Council form of government and provides some or all of the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, electric, gas, storm water, trash, aviation, and urban redevelopment and housing.

The accompanying financial statement presents the financial information for the Town.

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the Indiana 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. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

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 statement. The aggregate receipts include the following sources:

Taxes. Amounts received from one or more of the following: property tax, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeeper's 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. 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 the following: peddler licenses, animal licenses, auctioneer licenses, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

TOWN OF FAIRMOUNT
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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

Utility fees. Amounts received from charges for current services.

Penalties. Amounts received from late payment fees.

Other receipts. Amounts received from various sources, including, but 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 statement. The aggregate disbursements include the following uses:

Personal services. Amounts disbursed 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. Amounts disbursed for 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, but are not limited to, the following: office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges. Amounts disbursed for services including, but not limited to, the following: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service - principal and interest. Amounts disbursed for 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.

TOWN OF FAIRMOUNT
NOTES TO FINANCIAL STATEMENT
(Continued)

Capital outlay. Amounts disbursed for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Utility operating expenses. Amounts disbursed for operating the utilities.

Other disbursements. Amounts disbursed for various other purposes including, but 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.

F. Interfund Transfers

The Town may, from time to time, make transfers 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 amounts 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 amounts 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.

TOWN OF FAIRMOUNT
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

State statutes authorize the Town to invest in securities including, but not limited to, the following: 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 statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

Note 6. *Pension Plan*

Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give the Town authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Indiana Public Retirement System
One North Capitol, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

TOWN OF FAIRMOUNT
NOTES TO FINANCIAL STATEMENT
(Continued)

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS.

Note 7. Subsequent Events

On November 4, 2014, the Town was awarded a loan in the amount of \$5,265,000 and a grant in the amount of \$1,583,000 from the United States Department of Agriculture Rural Utilities Service for the construction of a new wastewater plant. Construction of the plant runs through 2016.

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OTHER INFORMATION - UNAUDITED

The Town's Annual Financial Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

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

The other information presented was approved by management of the Town. It is presented as intended by the Town.

TOWN OF FAIRMOUNT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014

	General	Motor Vehicle Highway	Local Road and Street	Sidewalk Community	Law Enforcement Continuing Education	Riverboat	Rainy Day	Park Nonreverting
Cash and investments - beginning	\$ 414,541	\$ 106,558	\$ 51,291	\$ -	\$ 6,403	\$ 49,824	\$ 206,784	\$ 16,401
Receipts:								
Taxes	462,433	115,608	-	-	-	-	-	-
Licenses and permits	26,696	-	-	-	1,220	-	-	-
Intergovernmental receipts	239,795	121,103	26,202	-	-	17,499	-	-
Charges for services	3,875	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-
Other receipts	52,771	8,457	-	4,000	78	-	99,000	6,975
Total receipts	<u>785,570</u>	<u>245,168</u>	<u>26,202</u>	<u>4,000</u>	<u>1,298</u>	<u>17,499</u>	<u>99,000</u>	<u>6,975</u>
Disbursements:								
Personal services	492,359	125,621	-	-	-	-	-	-
Supplies	30,074	8,033	-	-	-	-	-	-
Other services and charges	116,634	48,796	17,845	-	1,490	-	-	-
Debt service - principal and interest	-	7,911	-	-	-	-	-	-
Capital outlay	25,000	-	4,511	-	-	-	64,000	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	101,677	-	-	4,000	-	9,987	-	-
Total disbursements	<u>765,744</u>	<u>190,361</u>	<u>22,356</u>	<u>4,000</u>	<u>1,490</u>	<u>9,987</u>	<u>64,000</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>19,826</u>	<u>54,807</u>	<u>3,846</u>	<u>-</u>	<u>(192)</u>	<u>7,512</u>	<u>35,000</u>	<u>6,975</u>
Cash and investments - ending	<u>\$ 434,367</u>	<u>\$ 161,365</u>	<u>\$ 55,137</u>	<u>\$ -</u>	<u>\$ 6,211</u>	<u>\$ 57,336</u>	<u>\$ 241,784</u>	<u>\$ 23,376</u>

TOWN OF FAIRMOUNT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014
 (Continued)

	Cumulative Fire Equipment	Cumulative Capital Improvement	CREDIT	Playacres Tree Foundation	Special Police Equipment	Park Special Needs Area	Special Donations and Grants	Operation Pullover
Cash and investments - beginning	\$ 45,989	\$ 105,851	\$ 33,676	\$ 3,652	\$ 1,000	\$ 9,197	\$ 800	\$ 20
Receipts:								
Taxes	15,350	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental receipts	1,893	7,814	40,687	-	-	-	-	2,520
Charges for services	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-
Other receipts	-	57	-	1,833	200	15	75,260	-
Total receipts	17,243	7,871	40,687	1,833	200	15	75,260	2,520
Disbursements:								
Personal services	-	-	-	-	-	-	-	2,540
Supplies	-	-	-	-	-	-	-	-
Other services and charges	-	3,812	12,492	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	25,000	-	-	-	-	-	75,000	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	4,035	1,000	1,921	1,060	-
Total disbursements	25,000	3,812	12,492	4,035	1,000	1,921	76,060	2,540
Excess (deficiency) of receipts over disbursements	(7,757)	4,059	28,195	(2,202)	(800)	(1,906)	(800)	(20)
Cash and investments - ending	\$ 38,232	\$ 109,910	\$ 61,871	\$ 1,450	\$ 200	\$ 7,291	\$ -	\$ -

TOWN OF FAIRMOUNT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014
 (Continued)

	Park	Payroll	Trash	Wastewater Utility- Construction	Wastewater Utility- Bond and Interest	Wastewater Utility- Reserve	Wastewater Utility- Operating	Wastewater Utility- Depreciation/ Improvement
Cash and investments - beginning	\$ 80,241	\$ -	\$ 35,140	\$ 24,480	\$ -	\$ -	\$ 45,437	\$ 138,678
Receipts:								
Taxes	81,912	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental receipts	10,101	-	-	780,000	-	-	-	-
Charges for services	5,225	-	142,420	-	-	-	-	-
Utility fees	-	-	-	-	-	-	400,898	-
Penalties	-	-	-	-	-	-	10,052	-
Other receipts	1,896	733,054	2,722	20,000	16,733	3,253	9,222	41,320
Total receipts	99,134	733,054	145,142	800,000	16,733	3,253	420,172	41,320
Disbursements:								
Personal services	45,856	464,089	5,558	-	-	-	125,865	-
Supplies	8,511	-	3,474	-	-	-	-	-
Other services and charges	16,993	-	21,719	-	-	-	12,176	-
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	817,430	-	-	136,640	22,716
Other disbursements	4,000	268,965	120,860	-	-	-	137,532	-
Total disbursements	75,360	733,054	151,611	817,430	-	-	412,213	22,716
Excess (deficiency) of receipts over disbursements	23,774	-	(6,469)	(17,430)	16,733	3,253	7,959	18,604
Cash and investments - ending	\$ 104,015	\$ -	\$ 28,671	\$ 7,050	\$ 16,733	\$ 3,253	\$ 53,396	\$ 157,282

TOWN OF FAIRMOUNT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014
 (Continued)

	Wastewater Utility- Planning	Water Utility- Operating	Water Utility-Bond and Interest	Water Utility- Depreciation/ Improvement	Water Utility- Customer Deposit	Water Utility-Debt Reserve	Water Utility-Cash Change	Totals
Cash and investments - beginning	\$ 202,342	\$ 50,830	\$ 98,359	\$ 68,334	\$ 47,588	\$ 100,968	\$ 250	\$ 1,944,634
Receipts:								
Taxes	-	-	-	-	-	-	-	675,303
Licenses and permits	-	-	-	-	-	-	-	27,916
Intergovernmental receipts	-	-	-	-	-	-	-	1,247,614
Charges for services	-	-	-	-	-	-	-	151,520
Utility fees	-	502,936	-	-	-	-	-	903,834
Penalties	-	2,748	-	-	-	-	-	12,800
Other receipts	80,000	3,167	103,254	52,497	5,100	-	-	1,320,864
Total receipts	<u>80,000</u>	<u>508,851</u>	<u>103,254</u>	<u>52,497</u>	<u>5,100</u>	<u>-</u>	<u>-</u>	<u>4,339,851</u>
Disbursements:								
Personal services	-	126,114	-	-	-	-	-	1,388,002
Supplies	-	-	-	-	-	-	-	50,092
Other services and charges	-	8,900	-	-	-	-	-	260,857
Debt service - principal and interest	-	-	97,797	-	-	-	-	105,708
Capital outlay	-	-	-	-	-	-	-	193,511
Utility operating expenses	-	179,399	750	10,463	-	-	-	1,167,398
Other disbursements	29,993	162,863	-	-	3,335	-	-	851,228
Total disbursements	<u>29,993</u>	<u>477,276</u>	<u>98,547</u>	<u>10,463</u>	<u>3,335</u>	<u>-</u>	<u>-</u>	<u>4,016,796</u>
Excess (deficiency) of receipts over disbursements	<u>50,007</u>	<u>31,575</u>	<u>4,707</u>	<u>42,034</u>	<u>1,765</u>	<u>-</u>	<u>-</u>	<u>323,055</u>
Cash and investments - ending	<u>\$ 252,349</u>	<u>\$ 82,405</u>	<u>\$ 103,066</u>	<u>\$ 110,368</u>	<u>\$ 49,353</u>	<u>\$ 100,968</u>	<u>\$ 250</u>	<u>\$ 2,267,689</u>

TOWN OF FAIRMOUNT
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2014

Government or Enterprise	Accounts Payable	Accounts Receivable
Trash	\$ -	\$ 8,040
Wastewater	-	38,044
Water	-	<u>16,948</u>
Totals	<u>\$ -</u>	<u>\$ 63,032</u>

TOWN OF FAIRMOUNT
SCHEDULE OF LEASES AND DEBT
December 31, 2014

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
Notes and loans payable	Police Car	\$ 23,823	\$ 4,880
Notes and loans payable	Total Patcher	<u>42,318</u>	<u>13,533</u>
Total governmental activities		<u>66,141</u>	<u>18,413</u>
Wastewater:			
Revenue bonds	Wastewater Construction	<u>780,000</u>	<u>14,669</u>
Water:			
Revenue bonds	Fairmount Water Tower/lines	<u>185,000</u>	<u>97,875</u>
Totals		<u>\$ 1,031,141</u>	<u>\$ 130,957</u>

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

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

Report on Compliance for the Major Federal Program

We have audited the Town of Fairmount's (Town) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2014. The Town's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Town's major federal program based on our audit of the types of compliance requirements referred to above. 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 on compliance for the major federal program. However, our audit does not provide a legal determination of the Town's compliance.

Opinion on the Major Federal Program

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2014.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
(Continued)


Report on Internal Control over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

November 30, 2016

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the Town. The schedule and notes are presented as intended by the Town.

TOWN OF FAIRMOUNT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2014

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>Department of Agriculture</u>				
Water and Waste Program Cluster				
Water and Waste Disposal Systems for Rural Communities	Direct Grant	10.760		\$ 780,418
Total - Water and Waste Program Cluster				<u>780,418</u>
Total - Department of Agriculture				<u>780,418</u>
<u>Department of Transportation</u>				
Highway Safety Cluster				
State and Community Highway Safety	Grant County	20.600	FY 14	<u>2,520</u>
Total - Highway Safety Cluster				<u>2,520</u>
Total - Department of Transportation				<u>2,520</u>
Total federal awards expended				<u>\$ 782,938</u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

TOWN OF FAIRMOUNT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the Town under programs of the federal government for the year ended December 31, 2014. The information in the SEFA is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the SEFA presents only a select portion of the operations of the Town, it is not intended to and does not present the financial position of the Town.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received.

TOWN OF FAIRMOUNT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133?	no

Identification of Major Program:

Name of Federal Program or Cluster

Water and Waste Program Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?	no
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Section II - Financial Statement Findings

FINDING 2014-001 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Condition

The Town did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The Town should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA could have remained undetected.

TOWN OF FAIRMOUNT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Criteria

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Cause

Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

Effect

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA could have remained undetected.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2014-002 - FINANCIAL TRANSACTIONS AND REPORTING

Condition

We noted the following deficiencies in the internal control system of the Town related to financial transactions and reporting. The following deficiencies constituted material weaknesses.

1. Lack of Segregation of Duties: The Town had not separated incompatible activities related to receipts, disbursements, payroll, cash and investment balances, and financial close and reporting. The failure to establish these controls could have enabled material misstatements or irregularities to remain undetected.
2. Preparing Financial Statements: The Town had not identified risks to the preparation of a reliable financial statement and, as a result, had failed to design effective controls over the preparation of the financial statement to prevent or detect material misstatements, including notes to the financial statement. The Town's financial statement (Gateway Report) was not being reviewed by another person.
3. Monitoring of Controls: The Town had no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting required the Town to monitor and assess the quality of the system of internal control.

TOWN OF FAIRMOUNT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Criteria

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Cause

Management of the Town had not established a proper system of internal control.

Effect

The failure to establish controls could have enabled misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the Town at risk that controls may not have been either designed properly or operating effectively to provide reasonable assurance that controls would have prevented, or detected and corrected, misstatements in a timely manner.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

Section III - Federal Award Findings and Questioned Costs

No matters are reportable.

AUDITEE-PREPARED DOCUMENT

The subsequent document was provided by management of the Town. The document is presented as intended by the Town.

TOWN OF FAIRMOUNT

214 WEST WASHINGTON STREET
FAIRMOUNT, INDIANA 46928

CORRECTIVE ACTION PLAN

FINDING 2014-001

Contact Person Responsible for Corrective Action: Jo Ann Treon
Contact Phone Number: 765-948-4632

Views of Responsible Official: We agree with the finding.

Description of Corrective Action Plan:

After the Clerk-Treasurer enters the Schedule of Expenditures of Federal Awards (SEFA) into Gateway, it will be printed off. The Water Clerk will review the document to determine that all information entered is correct. The Water Clerk will sign the printed document and then the SEFA will be submitted. The signed document will be retained in the Grant File.

Anticipated Completion Date: Immediately



Jo Ann Treon

Clerk-Treasurer

11/30/2016



VISIT FAIRMOUNT DURING MUSEUM DAYS - LAST WEEKEND IN SEPTEMBER
(JAMES DEAN'S HOMETOWN)

TOWN OF FAIRMOUNT

214 WEST WASHINGTON STREET
FAIRMOUNT, INDIANA 46928

CORRECTIVE ACTION PLAN

FINDING 2014-002

Contact Person Responsible for Corrective Action: Jo Ann Treon
Contact Phone Number: 765-948-4632

Views of Responsible Official: We agree with the finding.

Description of Corrective Action Plan:

Due to the fact the Town of Fairmount has a small staff in the Clerk-Treasurer's office and the Utility Office, it is impractical to segregate the duties in an ideal manner.

The Annual Financial Statement is given to the Town Council for their review, they do not sign off on the Annual Report.

However, the Clerk-Treasurer will have the Water Clerk view and sign off on all reports.

Anticipated Completion Date: Immediately



Jo Ann Treon

Clerk-Treasurer

11/30/2016



VISIT FAIRMOUNT DURING MUSEUM DAYS - LAST WEEKEND IN SEPTEMBER
(JAMES DEAN'S HOMETOWN)

OTHER REPORTS

In addition to this report, other reports may have been issued for the Town. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.