

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

EXAMINATION REPORT  
OF  
GEORGETOWN TOWNSHIP FIRE PROTECTION DISTRICT  
FLOYD COUNTY, INDIANA  
January 1, 2007 to December 31, 2010



**FILED**  
06/21/2011



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OFFICIALS

| <u>Office</u>          | <u>Official</u>                 | <u>Term</u>                                  |
|------------------------|---------------------------------|--|
| Fiscal Officer         | Richard Kemp<br>Chris A. Carter | 01-01-07 to 12-31-09<br>01-01-10 to 12-31-11 |
| President of the Board | Steven W. Hardin                | 01-01-07 to 12-31-11                         |



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE GEORGETOWN TOWNSHIP FIRE  
PROTECTION DISTRICT, FLOYD COUNTY, INDIANA

We have examined the financial information presented herein of the Georgetown Township Fire Protection District (District), for the period of January 1, 2007 to December 31, 2010. The District'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 District for the years ended December 31, 2007, 2008, 2009, and 2010, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

May 24, 2011

GEORGETOWN TOWNSHIP FIRE PROTECTION DISTRICT  
 SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
 ALL GOVERNMENTAL FUND TYPES  
 As Of And For The Years Ended December 31, 2007, 2008, 2009, And 2010

|                                | Cash and<br>Investments<br>01-01-07 | Receipts            | Disbursements       | Cash and<br>Investments<br>12-31-07 |
|--------------------------------|-------------------------------------|---------------------|---------------------|-------------------------------------|
| Governmental Fund:<br>General  | \$ -                                | \$ 1,232,859        | \$ 1,055,093        | \$ 177,766                          |
|                                | <u>          </u>                   | <u>          </u>   | <u>          </u>   | <u>          </u>                   |
|                                |                                     |                     |                     |                                     |
|                                | Cash and<br>Investments<br>01-01-08 | Receipts            | Disbursements       | Cash and<br>Investments<br>12-31-08 |
| Governmental Fund:<br>General  | \$ 177,766                          | \$ 1,179,876        | \$ 912,744          | \$ 444,898                          |
|                                | <u>          </u>                   | <u>          </u>   | <u>          </u>   | <u>          </u>                   |
|                                |                                     |                     |                     |                                     |
|                                | Cash and<br>Investments<br>01-01-09 | Receipts            | Disbursements       | Cash and<br>Investments<br>12-31-09 |
| Governmental Funds:<br>General | \$ 444,898                          | \$ 1,673,957        | \$ 1,460,374        | \$ 658,481                          |
| Cumulative Fire                | -                                   | 89,872              | 76,423              | 13,449                              |
|                                | <u>          </u>                   | <u>          </u>   | <u>          </u>   | <u>          </u>                   |
| Totals                         | <u>\$ 444,898</u>                   | <u>\$ 1,763,829</u> | <u>\$ 1,536,797</u> | <u>\$ 671,930</u>                   |
|                                |                                     |                     |                     |                                     |
|                                | Cash and<br>Investments<br>01-01-10 | Receipts            | Disbursements       | Cash and<br>Investments<br>12-31-10 |
| Governmental Funds:<br>General | \$ 658,481                          | \$ 1,562,791        | \$ 1,407,959        | \$ 813,313                          |
| Cumulative Fire                | 13,449                              | 123,740             | 76,423              | 60,766                              |
|                                | <u>          </u>                   | <u>          </u>   | <u>          </u>   | <u>          </u>                   |
| Totals                         | <u>\$ 671,930</u>                   | <u>\$ 1,686,531</u> | <u>\$ 1,484,382</u> | <u>\$ 874,079</u>                   |

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

GEORGETOWN TOWNSHIP FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The District was established under the laws of the State of Indiana. The District provides fire, rescue, and emergency medical services to the residents of Georgetown Township.

Note 2. Fund Accounting

The District 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 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 District 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 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 become delinquent if not paid by May 10 and November 10, respectively.

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 District 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

The District obtained financing in the amount of \$1,500,000 in the form of an Installment Payment Note approved by bond counsel. The proceeds of this installment note will be used to pay for rehabilitation, repair, and purchase of fire department assets. The initial payment starts on July 1, 2011, and continues with semiannual payments through July 1, 2016, at a net interest rate of 2.93 percent.

GEORGETOWN TOWNSHIP FIRE PROTECTION DISTRICT  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CAPITAL ASSETS  
 December 31, 2010

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

| <u>Primary Government</u>  | <u>Ending<br/>Balance</u> |
|--|---------------------------|
| Governmental activities:   |                           |
| Capital assets, not being depreciated:                                 |                           |
| Land   | \$ 375,000                |
| Buildings  | 1,350,000                 |
| Machinery and equipment  | <u>1,153,500</u>          |
| Total governmental activities, capital<br>assets not being depreciated | <u>\$ 2,878,500</u>       |

GEORGETOWN TOWNSHIP FIRE PROTECTION DISTRICT  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 December 31, 2010

The District has entered into the following debt:

| Description of Debt                | Ending<br>Principal<br>Balance | Principal and<br>Interest Due<br>Within One<br>Year |
|------------------------------------|--------------------------------|---|
| Governmental activities:           |                                |   |
| Loans payable:                     |                                |   |
| Tanker 28                          | \$ 49,104                      | \$ 29,320   |
| Rescue 2                           | 96,834                         | 41,823  |
| Command Car                        | <u>11,954</u>                  | <u>5,280</u>  |
| Total governmental activities debt | <u>\$ 157,892</u>              | <u>\$ 76,423</u>                                    |

GEORGETOWN TOWNSHIP FIRE PROTECTION DISTRICT  
EXAMINATION RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORTS

The Annual Financial Reports for 2009 and 2010 were not presented for examination.

Indiana Code 5-11-1-4 states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be filed electronically, in a manner prescribed by the state examiner that is compatible with the technology employed by the political subdivision."

PERSONAL EXPENSES

A review of purchases made by the District revealed a number of payments being made for personal expense type items during the four year period being examined. These personal items include the following:

| Description  | Totals              |
|--|---------------------|
| Holiday parties for firefighters and their families                  | \$ 3,577.15         |
| Food and coffee for firehouse  | 3,430.53            |
| Food and drinks during WHAS Crusade for Children                     | 618.65              |
| Gifts, softball league fee, awards and other                         | 2,520.98            |
| Meals during meetings at local restaurants                           | 2,349.55            |
| Flowers for funerals   | 575.59              |
| Expenses for food and veterinarian services for the firehouse mascot | <u>286.22</u>       |
| Total  | <u>\$ 13,358.67</u> |

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental entity may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

OFFICIAL BOND

The District has not obtained proper bonding for its fiscal officer.

Indiana Code 36-8-11-15 states in part:

"(a) The board: . . . (3) shall appoint, fix the compensation, and prescribe the duties of a fiscal officer, secretarial staff, persons performing special and temporary services or providing legal counsel, and other personnel considered necessary for the proper functioning of the district; however, a person appointed as fiscal officer must be bonded by good and sufficient sureties in an amount ordered by the county legislative body to protect the district from financial loss. . . ."

GEORGETOWN TOWNSHIP FIRE PROTECTION DISTRICT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

ANNUAL BUDGET

The records presented for examination indicated the following expenditures in excess of budgeted appropriations:

| <u>Fund</u>     | <u>Years</u> | <u>Excess<br/>Amount<br/>Expended</u> |
|-----------------|--------------|---------------------------------------|
| General         | 2008         | \$ 145,265                            |
| General         | 2009         | 48,577                                |
| Cumulative Fire | 2009         | 26,423                                |
| General         | 2010         | 821,866                               |
| Cumulative Fire | 2010         | 76,423                                |

The board shall annually budget the necessary money to meet the expenses of operation and maintenance of the district, including repairs, fees, salaries, depreciation on all depreciable assets, rents, supplies, contingencies, bond redemption, and all other expenses lawfully incurred by the district. After estimating expenses and receipts of money, the board shall establish the tax levy required to fund the estimated budget.

The budget must be approved by the fiscal body of the county, the county board of tax adjustment and the Indiana Department of Local Government Finance. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, State of Indiana, Chapter 4)

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."

PENALTIES, INTEREST, AND OTHER CHARGES

In two instances, it was noted that finance charges and late fees were paid totaling \$17.78.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Additionally officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit. Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

GEORGETOWN TOWNSHIP FIRE PROTECTION DISTRICT  
EXIT CONFERENCE

The contents of this report were discussed on May 19, 2011, with Steven W. Hardin, President of the Board. The contents of this report were also discussed on May 24, 2011, with Chris A. Carter, Fiscal Officer; Richard J. Bader, Fire Chief; Don Farnsley, member of the Board; and D. Keith Pulliam, Attorney. The official response has been made a part of this report and may be found on pages 11 and 12.



GEORGETOWN TOWNSHIP FIRE PROTECTION DISTRICT

5610 Corydon Ridge Rd  
Georgetown, IN 47122

T 812-948-0288

June 3, 2011

**OFFICIAL RESPONSE**

State Board of Accounts  
302 West Washington Street, Room E 418  
Indianapolis, IN 46204-2765

**Re: Audit Report covering 01/01/2007 – 12/31/2010**

Dear Sir/Madam:

This correspondence is intended to serve as the official response of the Board of Fire Trustees of the Georgetown Township Fire Protection District (the "District") following the discussion of the preliminary examination results and comments at the exit conference held on May 24, 2011.

As a general matter, since this was the first audit of the District, it was a learning opportunity for all involved and has been treated as such. While the District understands the limited resources and time constraints placed on the State Board of Accounts, it would have been helpful if a review could have occurred sooner as the guidance and education provided by the auditor during this process has been instructive and valuable to the District.

1. Annual Report. In 2009, the District changed its financial consultant. The previous financial consultant had filed the required annual reports on behalf of the District. Due to a misunderstanding, the District erroneously believed that the current financial consultant had filed annual reports for 2009 and 2010, when it had not done so. This oversight has been addressed and both missing reports will be filed shortly.

2. Personal Expenses. The District respects the audit findings as to expenditures the auditor has determined to be of a personal type so as to be prohibited by the Accounting and Uniform Compliance Guidelines. The District has taken measures so as not to incur these types of expenses in the future. With that said, the District is proud that expenses were found because our goal has always been to have and run a very transparent organization, such that an audit would uncover these expenses, which were previously believed to have been legitimate.

In general fire departments throughout the State of Indiana, especially those that are combination (i.e. having both career and volunteer firefighters), spend some money for those volunteers as an incentive to create a positive work environment. Offering coffee for the volunteers, or offering a pizza for several volunteers to stay at the firehouse is a common practice for volunteer departments. Since the District operates the fire department itself, instead of contracting with a volunteer organization, these types of expenditures have been determined to be improper. Whereas, if the District were to contract with a volunteer fire department, these kinds of expenses would be not only acceptable, but expected, and would likely go undetected as no audit would shed light on them. The District understands the intent of the law, but we are disappointed that funds cannot be used as provided above, or to recognize and reward the efforts of our volunteers at a dinner or banquet for that purpose. The District estimates that each volunteer firefighter saves the taxpayers over \$50,000 per year.

3. Official Bond. The District intended to comply with this requirement and believed that it had not only met, but exceeded, the required coverage. Prior to the District commencing operations in 2007, counsel for the District contacted the county attorney to inquire as to the requirements for the financial officer of the District. He was advised that there were no specific requirements and that the District was free to choose its insurance agent and coverage. Since inception, the District has maintained Crime and Fidelity Coverage through Sterling G. Thompson Co., which provides for up to \$750,000 in coverage for all board members (not just the Fiscal Officer).

4. Annual Budget. The findings of the auditor with regard to the spending exceeding appropriations are technically correct. However, the context of the events and circumstances that the District has dealt with since inception should be considered and the fact that the District can demonstrate that in 2011 actions have been taken to solve the problem permanently should also be considered. Specifically:

a. 2008 Budget: The budget adopted by the District was cut by the DLGF due to discrepancies in planned revenues. This issue was not completely resolved until 2010. The budget adopted by the District was based upon planned revenues. At that time, no additional appropriations or budget reductions were requested as the District focused efforts to correct the revenue side of the equation in order to solve the problem permanently.

b. 2009 Budget: This was a continuation of the experience from 2008. The District and the DLGF were working together to solve the revenue computations for the District. The District locally adopted its budget based upon planned revenues and again there was a discrepancy in the revenue calculations which caused a budget cut from the DLGF. The District continued to work on the revenue correction.

c. 2010 Budget: As a result of changes in legislation and poor communication between the different taxing units within the county, the District was not aware of the county council's adoption schedule. Due to a lack of coordination, the District missed key deadlines that were set by the county council, a fiscal body outside their control. However, it should be noted that the District did advertise and adopt their budget, and they did present the budget to the county for consideration and adoption. The county council approved and adopted the budget, but since the process failed the prescribed DLGF advertisement and adoption process, the budget was denied. The District did not pursue additional appropriations as it was focused on correcting the revenue formulas for the District. Actions were taken to understand when and how to adopt the District budget through the county council moving forward.

d. 2011 Budget: For the 2011 budget process, the District was incorporated into the county budget calendar and successfully met the requirements for advertisement and adoption. However, the 2011 budget was approved for \$0.00 due blanket guidance from the county to "freeze budgets". Technically, since the last approved budget by the District for 2010 was zero, the 2011 is now zero. This year however, the District has solved its revenue formula with DLGF, they are aware of the county budget calendar and they have prepared and provided documentation for the consideration of an additional appropriation to solve this issue once and for all. The District adopted Resolution No. 2011-2, an additional appropriation resolution, that was reviewed and adopted by the District at its April 13, 2011 public meeting. The resolution is a recommendation to the county council and will be brought before the council after proper notice at a public meeting for final approval.

Respectfully Submitted:

**Georgetown Township Fire Protection District**

By and through its Board of Fire Trustees