

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

CASS COUNTY FIRE DISTRICT #1

CASS COUNTY, INDIANA

January 1, 2010 to December 31, 2011



FILED

05/11/2012

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OFFICIALS

Office

Official

Term

Fiscal Officer

Michael Sims
Bridget Enyeart

07-29-10 to 04-30-11
05-01-11 to 12-31-12

President of the Board

Sherman Kantzer
Bridget Enyeart

07-29-10 to 12-31-11
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 CASS COUNTY FIRE DISTRICT #1, CASS COUNTY, INDIANA

We have examined the financial statements of the Cass County Fire District #1 (District), for the period of January 1, 2010 to December 31, 2011. The District'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 District 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the District for the years ended December 31, 2010 and 2011, on the basis of accounting described in Note 1.

The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Payables and Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts 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.

This report is intended solely for the information and use of the District's management, the District Board, the Cass County Commissioners, 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

April 11, 2012

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FINANCIAL STATEMENTS

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

CASS COUNTY FIRE DISTRICT #1
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
Fire General	\$ -	\$ 706,771	\$ 120,355	\$ 586,416
Capital Projects Fund	-	186,425	176,416	10,009
Totals	<u>\$ -</u>	<u>\$ 893,196</u>	<u>\$ 296,771</u>	<u>\$ 596,425</u>

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

CASS COUNTY FIRE DISTRICT #1
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For The Year Ended December 31, 2011

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
Fire General	\$ 586,416	\$ 245,305	\$ 705,318	\$ 126,403
Capital Projects Fund	<u>10,009</u>	<u>-</u>	<u>10,009</u>	<u>-</u>
Totals	<u>\$ 596,425</u>	<u>\$ 245,305</u>	<u>\$ 715,327</u>	<u>\$ 126,403</u>

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

CASS COUNTY FIRE DISTRICT #1
NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The District was established under the laws of the State of Indiana. The District operates under an appointed governing board.

The accompanying financial statements present the financial information for the District.

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 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 District.

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.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine 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.

CASS COUNTY FIRE DISTRICT #1
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 include the following uses:

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.

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

F. Interfund Transfers

The District 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 District. 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 District. 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 District 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 District 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.

CASS COUNTY FIRE DISTRICT #1
NOTES TO FINANCIAL STATEMENTS
(Continued)

The District's 2012 Budget was not approved by the Indiana Department of Local Government Finance due to a procedural error and has left the District without a budget or tax levy for the year. The District is in the process of gaining the necessary funding for the year from the townships it services and temporary loans as the situation dictates.

Note 3. *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 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 4. *Risk Management*

The District 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 District 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 District by recording as a disbursement any replacement items purchased.

Note 5. *Establishment of the Fire District*

The District was created in 2010 to provide fire protection and first responder services to unincorporated areas of Noble, Clay, and Eel Townships in Cass County. Noble, Clay, and Eel Townships signed Interlocal Agreements with the District, agreeing to remit their firefighting equipment as well as the money in their Fire Fighting Funds along with future tax distributions from the County. In September of 2010, the District received \$599,904 from the three townships and an additional \$186,425 in CEDIT funds, in the form of a ten year loan, from the Cass County Council. In December 2010, Noble Township remitted another \$6,885 which was not included in the original payment made in September. In addition, township tax distributions totaling \$98,307 were turned over to the District in December 2010.

CASS COUNTY FIRE DISTRICT #1
NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 6. Loan from County

On September 18, 2010, the Cass County Commissioners agreed to loan the Fire District \$186,425 to help accumulate the cash necessary to start up the fire district. No formal loan agreement was prepared to document this loan; however, it was addressed in the board minutes. As of December 31, 2011, no payments have been made on this loan.

Note 7. Facility Capital Lease

On January 27, 2011, the Fire District entered into a lease purchase agreement for a building to house the firemen and District equipment. The present value of the minimum lease payments are \$370,595 with an interest rate of 8 percent. The term of the lease is 5 years with monthly payments of \$5,776. As of December 31, 2011, the balance outstanding on this lease was \$322,257.

Note 8. Subsequent Events – 2012 Budget Order

Complications related to the establishment of the 2012 budget have resulted in the District's 2012 budget being rejected by the Indiana Department of Local Government and Finance. This rejection will prevent the District from levying any tax for 2012. The participating townships' fire levies will be reinstated and proceeds from these levies will be forwarded to the District. It is anticipated, however, that the District will still need to borrow money to completely fund its 2012 operating costs.

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SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the District's 2010 Annual Report can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

For additional financial information, the District's 2011 Annual 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 statements contained in this report and the financial information presented in the Annual Reports of the District 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 approved by management of the District. It is presented as intended by the District.

CASS COUNTY FIRE DISTRICT #1
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010

	<u>Fire General</u>	<u>Capital Projects Fund</u>	<u>Totals</u>
Cash and investments - beginning	\$ -	\$ -	\$ -
Receipts:			
Other receipts	<u>706,771</u>	<u>186,425</u>	<u>893,196</u>
Total receipts	<u>706,771</u>	<u>186,425</u>	<u>893,196</u>
Disbursements:			
Other services and charges	29,355	-	29,355
Capital outlay	<u>91,000</u>	<u>176,416</u>	<u>267,416</u>
Total disbursements	<u>120,355</u>	<u>176,416</u>	<u>296,771</u>
Excess of receipts over disbursements	<u>586,416</u>	<u>10,009</u>	<u>596,425</u>
Cash and investments - ending	<u>\$ 586,416</u>	<u>\$ 10,009</u>	<u>\$ 596,425</u>

CASS COUNTY FIRE DISTRICT #1
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011

	<u>Fire General</u>	<u>Capital Projects Fund</u>	<u>Totals</u>
Cash and investments - beginning	\$ 586,416	\$ 10,009	\$ 596,425
Receipts:			
Charges for services	237,999	-	237,999
Other receipts	<u>7,306</u>	<u>-</u>	<u>7,306</u>
Total receipts	<u>245,305</u>	<u>-</u>	<u>245,305</u>
Disbursements:			
Supplies	403	-	403
Other services and charges	700,408	-	700,408
Capital outlay	<u>4,507</u>	<u>10,009</u>	<u>14,516</u>
Total disbursements	<u>705,318</u>	<u>10,009</u>	<u>715,327</u>
Excess (deficiency) of receipts over disbursements	<u>(460,013)</u>	<u>(10,009)</u>	<u>(470,022)</u>
Cash and investments - ending	<u>\$ 126,403</u>	<u>\$ -</u>	<u>\$ 126,403</u>

CASS COUNTY FIRE DISTRICT #1
SCHEDULE OF PAYABLES AND RECEIVABLES
December 31, 2011

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 788</u>	<u>\$ 33,133</u>

CASS COUNTY FIRE DISTRICT #1
SCHEDULE OF LEASES AND DEBT
December 31, 2011

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities: Dilling LLC	Lease of Fire Station	\$ 69,315	01-01-11	12-31-15
Total of annual lease payments		<u>\$ 69,315</u>		

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Governmental activities: Notes and loans payable	CEDIT Loan from Cass County	\$ 186,425	\$ -
Totals		<u>\$ 186,425</u>	<u>\$ -</u>

CASS COUNTY FIRE DISTRICT #1
SCHEDULE OF CAPITAL ASSETS
December 31, 2011

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>Ending Balance</u>
Governmental activities:	
Buildings	\$ 370,596
Machinery, equipment and vehicles	<u>287,416</u>
Total governmental activities	<u>658,012</u>
Total capital assets	<u><u>\$ 658,012</u></u>

CASS COUNTY FIRE DISTRICT #1
EXAMINATION RESULTS AND COMMENTS

RECEIPT ISSUANCE

The District is not issuing Receipts, Form No. 352.

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 Special Districts, Chapter 10)

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 Special Districts, Chapter 10)

LACK OF OFFICIAL BOND - FIRE DISTRICT FISCAL OFFICER

The Cass County Fire District #1 has the duty to appoint a fiscal officer to perform the financial duties of the District, while the District Board's responsibility is to supervisor the fiscal affairs and responsibilities of the District. Upon creation of the District, the three member Board appointed one of their own, Board member, Michael Sims, to handle the fiscal duties of the District. When Mr. Sims left the Board, another Board member, Bridget Enyeart, was appointed as the District's fiscal officer effective May 1, 2011. Mrs. Enyeart remains the District Fiscal Officer, as well as being the Board Chairman for 2012.

The County legislative body, Cass County Commissioners, is required to order the amount of a surety bond for the fiscal officer in order to protect the District from financial loss. This has not been done by the Commissioners, and the fiscal officers for the District have never been bonded.

Indiana Code 36-8-11-15 states that:

"(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; . . ."

APPROPRIATIONS

The records presented for audit indicate the following expenditures were not budgeted nor did the District acquire an additional appropriation to cover the expenditures:

Fund	Years	Excess Amount Expended
Capital Projects	2010	\$ 176,416
Capital Projects	2011	10,009

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."

CASS COUNTY FIRE DISTRICT #1
EXIT CONFERENCE

The contents of this report were discussed on April 11, 2012, with Bridget Enyeart, Fiscal Officer and Board Chairman. The official concurred with our findings.