

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

VEALE TOWNSHIP FIRE DISTRICT

DAVISS COUNTY, INDIANA

January 1, 2008 to December 31, 2011



FILED
03/05/2013

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Accountant's Report.....	3
Financial Statements:	
Statements of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis	6-9
Notes to Financial Statements	10-13
Supplementary Information - Unaudited:	
Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis	16-19
Schedule of Leases and Debt	20
Examination Results and Comments:	
Official Bond	21
Annual Report.....	21
Bank Account Reconcilements.....	21
Capital Assets.....	21-22
Trustee Pay	22
Board Approval of Claims.....	22-23
Fiscal Officer Position	23-24
Exit Conference.....	25

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Fiscal Officer	Terry Barber Philip Flint	01-01-08 to 02-22-10 02-23-10 to 12-31-12
President of the Board	Bob Armstrong	01-01-08 to 12-31-12



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF VEALE TOWNSHIP FIRE DISTRICT, DAVIESS COUNTY, INDIANA

We have examined the accompanying financial statements of Veale Township Fire District (District), for the years ended December 31, 2008, 2009, 2010, and 2011. The financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on the financial statements 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. The basis noted above is a different basis than that used in the prior year.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the District for the years ended December 31, 2008, 2009, 2010, and 2011, on the basis of accounting described in Note 1.

Our examination was conducted for the purpose of forming an opinion on the District's financial statements. The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis 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 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, District Board, 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

August 16, 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.

VEALE TOWNSHIP FIRE DISTRICT
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For The Year Ended December 31, 2008

Fund	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
General Fund	<u>\$ 110,521</u>	<u>\$ 69,390</u>	<u>\$ 52,833</u>	<u>\$ 127,078</u>

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

VEALE TOWNSHIP FIRE DISTRICT
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For The Year Ended December 31, 2009

Fund	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
General Fund	<u>\$ 127,078</u>	<u>\$ 52,441</u>	<u>\$ 50,865</u>	<u>\$ 128,654</u>

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

VEALE TOWNSHIP FIRE DISTRICT
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For The Year Ended December 31, 2010

Fund	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
General Fund	<u>\$ 128,654</u>	<u>\$ 62,211</u>	<u>\$ 53,342</u>	<u>\$ 137,523</u>

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

VEALE TOWNSHIP FIRE DISTRICT
 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
General Fund	\$ 137,523	\$ 47,580	\$ 45,153	\$ 139,950
Totals	<u>\$ 137,523</u>	<u>\$ 47,580</u>	<u>\$ 45,153</u>	<u>\$ 139,950</u>

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

VEALE TOWNSHIP FIRE DISTRICT
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.

Licenses and permits which include amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

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.

VEALE TOWNSHIP FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

Fines and forfeits which include receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

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

Penalties which include fees received for late payments.

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

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statements. The aggregate disbursements may include the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service principal and interest which include fixed obligations resulting from financial transactions previously entered into by the District. It includes all expenditures for the reduction of the principal and interest of the District's general obligation indebtedness.

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

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

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

VEALE TOWNSHIP FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

Note 3. Property Taxes

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

Note 4. Deposits and Investments

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

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.

VEALE TOWNSHIP FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 5. 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.

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SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the District's Annual Reports for years prior to 2011 can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

For additional financial information, the District's Annual Reports information for years 2011 and later 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.

VEALE TOWNSHIP FIRE DISTRICT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2008

	<u>General Fund</u>
Cash and investments - beginning	\$ <u>110,521</u>
Receipts:	
Taxes	55,466
Intergovernmental	8,793
Other receipts	<u>5,131</u>
Total receipts	<u>69,390</u>
Disbursements:	
Personal services	2,745
Supplies	378
Other services and charges	44,618
Capital outlay	5,092
Other disbursements	<u>-</u>
Total disbursements	<u>52,833</u>
Excess (deficiency) of receipts over disbursements	<u>16,557</u>
Cash and investments - ending	<u>\$ <u>127,078</u></u>

VEALE TOWNSHIP FIRE DISTRICT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2009

	<u>General Fund</u>
Cash and investments - beginning	\$ <u>127,078</u>
Receipts:	
Taxes	41,672
Intergovernmental	10,514
Other receipts	<u>255</u>
Total receipts	<u>52,441</u>
Disbursements:	
Personal services	3,405
Supplies	132
Other services and charges	10,910
Capital outlay	36,418
Other disbursements	<u>-</u>
Total disbursements	<u>50,865</u>
Excess (deficiency) of receipts over disbursements	<u>1,576</u>
Cash and investments - ending	<u>\$ <u>128,654</u></u>

VEALE TOWNSHIP FIRE DISTRICT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010

	<u>General Fund</u>
Cash and investments - beginning	\$ <u>128,654</u>
Receipts:	
Taxes	44,582
Intergovernmental	16,912
Other receipts	<u>717</u>
Total receipts	<u>62,211</u>
Disbursements:	
Personal services	3,580
Supplies	250
Other services and charges	10,677
Capital outlay	38,835
Other disbursements	<u>-</u>
Total disbursements	<u>53,342</u>
Excess (deficiency) of receipts over disbursements	<u>8,869</u>
Cash and investments - ending	<u>\$ <u>137,523</u></u>

VEALE TOWNSHIP FIRE DISTRICT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011

	<u>General Fund</u>
Cash and investments - beginning	\$ <u>137,523</u>
Receipts:	
Taxes	37,010
Intergovernmental	10,526
Other receipts	<u>44</u>
Total receipts	<u>47,580</u>
Disbursements:	
Personal services	2,835
Supplies	12,138
Debt service - principal and interest	30,180
Other disbursements	<u>-</u>
Total disbursements	<u>45,153</u>
Excess (deficiency) of receipts over disbursements	<u>2,427</u>
Cash and investments - ending	<u>\$ <u>139,950</u></u>

VEALE TOWNSHIP FIRE DISTRICT
 SCHEDULE OF LEASES AND DEBT
 December 31, 2011

<u>Lessor</u>	<u>Purpose</u>	<u>Annual Loan Payment</u>	<u>Loan Beginning Date</u>	<u>Loan Ending Date</u>
Old National Bank	Fire Truck	\$ 30,180	08-28-07	12-30-12

VEALE TOWNSHIP FIRE DISTRICT
EXAMINATION RESULTS AND COMMENTS

OFFICIAL BOND

The following official bonds were not filed in the Office of the County Recorder:

Terry Barber, Treasurer of Veale Fire District, 1-1-09 to 1-1-10.

Indiana Code 5-4-1-5.1(b) states in part: "Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder. . . ."

ANNUAL REPORT

Annual reports for 2008 and 2009 were not presented for audit.

The District had two budgeted funds (General and Fire Equipment) for the years 2008, 2009, 2010, and 2011. However the report was prepared with all receipts and disbursements being reported in the General Fund.

A similar comment appeared in the prior examination report.

Indiana Code 5-11-1-4(a) 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."

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were not presented for audit. No outstanding check lists were presented for audit.

The fiscal officer did not total ledgers monthly or yearly.

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

CAPITAL ASSETS

Information presented for audit did not indicate an inventory or record of capital assets using Form 369. The District should adopt a capitalization policy to determine the valuation upon which assets are required to be recorded.

A similar examination result and comment appeared in the prior report.

The governing body should establish a capitalization policy that sets a dollar amount as a threshold to be used in determining which items will be recorded. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 16)

VEALE TOWNSHIP FIRE DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded on the applicable Capital Assets Ledger. A complete inventory should be taken at least every two years for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

TRUSTEE PAY

The three trustees were paid \$150 each per examination year, 2008, 2009, 2010, and 2011. There was no itemization attached to the claims for trustee reimbursement.

Each trustee may receive not more than twenty dollars (\$20) a day for each day devoted to the work of the district. In addition, each trustee may be reimbursed for actual expenses, including traveling expense at a rate equivalent to that provided by statute for state employees. The current mileage rate allowed to state officers and employees is forty cents (44¢). Claims for expense reimbursement must be accompanied by an itemized written statement and approved by a recorded motion of the board. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 4)

Indiana Code 36-8-11-14 (c) states:

"Each trustee may receive not more than twenty dollars (\$20) a day for each day devoted to the work of the district. In addition, each trustee may be reimbursed for actual expenses, including traveling expense at a rate equivalent to that provided by statute for state employees. Claims for expense reimbursement must be accompanied by an itemized written statement and approved by a recorded motion of the board."

BOARD APPROVAL OF CLAIMS

The Board is not approving claims before disbursing the checks.

Indiana Code 5-11-10-2 states:

"(a) Claims against a political subdivision of the state must be approved by the officer or person receiving the goods or services, be audited for correctness and approved by the disbursing officer of the political subdivision, and, where applicable, be allowed by the governing body having jurisdiction over allowance of such claims before they are paid. If the claim is against a governmental entity (as defined in section 1.6 of this chapter), the claim must be certified by the fiscal officer.

(b) The state board of accounts shall prescribe a form which will permit claims from two (2) or more claimants to be listed on a single document and, when such list is signed by members of the governing body showing the claims and amounts allowed each claimant and the total claimed and allowed as listed on such document, it shall not be necessary for the members to sign each claim.

(c) Notwithstanding subsection (b), only:

- (1) the chairperson of the board of directors of a solid waste management district established under IC 13-21 or IC 13-9.5 (before its repeal); or

VEALE TOWNSHIP FIRE DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (2) the chairperson's designee;

is required to sign the claim form described under this section.

(d) The form prescribed under this section shall be prepared by or filed with the disbursing officer of the political subdivision, together with:

- (1) the supporting claims if payment is made under section 1 of this chapter; or
- (2) the supporting invoices or bills if payment is made under section 1.6 of this chapter.

All such documents shall be carefully preserved by the disbursing officer as a part of the official records of the office.

(e) Where under any law it is provided that each claim be allowed over the signatures of members of a governing body, or a claim docket or accounts payable voucher register be prepared listing claims to be considered for allowance, the form and procedure prescribed in this section shall be in lieu of the provisions of the other law.

(f) Notwithstanding this section, the publication required by IC 36-2-6-3(b) must state each claim for which a separate warrant or check is to be issued by the disbursing officer except for claims for the following:

- (1) Salaries fixed in a definite amount by ordinance or statute.
- (2) Per diem of jurors.
- (3) Salaries of officers of a court."

FISCAL OFFICER POSITION

The District appoints a serving trustee to the position of Fiscal Officer. The District has also approved the position of bookkeeper. The duties and compensation of the fiscal officer and the bookkeeper must be approved by the board of trustees in the form of a resolution.

If the District does employ a trustee to also be the fiscal officer; the fiscal officer must maintain records showing which hours were worked for the "trustee duties" and the "fiscal officer duties."

Indiana Code 36-8-11-15, Sec. 15.(a) states in part:

"(3) shall appoint, fix the compensation, and prescribe the duties of a fiscal office, 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; . . ."

Indiana Code 36-8-11-2 states in part: "'Fiscal officer' means a bonded employee of the fire protection district charged with the faithful receipt and disbursement of the funds of the district."

VEALE TOWNSHIP FIRE DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

Indiana Code 5-11-9-4 Sec. 4 (b) states in part:

"The state board of accounts shall require that records be maintained showing which hours were worked each day by officers and employees: . . .

- (2) employed by more than one (1) public agency or in more than one (1) position by the same public agency. . . ."

VEALE TOWNSHIP FIRE DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on August 16, 2012, with Philip Flint, Fiscal Officer.