

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2765

EXAMINATION REPORT

OF

BLUE RIVER FIRE PROTECTION DISTRICT

WASHINGTON COUNTY, INDIANA

January 1, 2005 to May 31, 2006



FILED
08/17/2006

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Dorothy Mitchell Bradley T. Seacat	01-01-05 to 05-26-06 05-27-06 to 12-31-06
President of the Board	Vacant Michael A. Setser	01-01-05 to 06-02-05 06-03-05 to 12-31-06



STATE OF INDIANA
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE BLUE RIVER FIRE PROTECTION
DISTRICT, WASHINGTON COUNTY, INDIANA

We have examined the schedules of receipts, disbursements, and cash and investment balances of Blue River Fire Protection District (District), for the period of January 1, 2005 to May 31, 2006. The District's management is responsible for the schedules. 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 schedule of receipts, disbursements, and cash and investment balances 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 schedules referred to above present fairly, in all material respects, the cash transactions of the District for the year ended December 31, 2005, and the period ending May 31, 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

July 17, 2006

BLUE RIVER FIRE PROTECTION DISTRICT
 SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
 ALL GOVERNMENTAL FUND TYPES
 As Of And For The Year Ended December 31, 2005 And For The Period Ended May 31, 2006

	<u>Cash and Investments 01-01-05</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash and Investments 12-31-05</u>
Governmental Fund: General	<u>\$ 1,712</u>	<u>\$ 68,195</u>	<u>\$ 55,548</u>	<u>\$ 14,359</u>
	<u>Cash and Investments 01-01-06</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash and Investments 05-31-06</u>
Governmental Fund: General	<u>\$ 14,359</u>	<u>\$ 10,356</u>	<u>\$ 17,468</u>	<u>\$ 7,247</u>

The accompanying notes are an integral part of the schedules.

BLUE RIVER FIRE PROTECTION DISTRICT
NOTES TO SCHEDULES

Note 1. Introduction

The Fire District was established under the laws of the State of Indiana. The District provides the following services: public safety and general administrative services.

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% 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. Long-Term Debt

The District has entered into a loan for \$20,000 and a capital lease for \$179,200. The outstanding principal balances at May 31, 2006, were \$10,602 and \$106,166, respectively.

BLUE RIVER FIRE PROTECTION DISTRICT
EXAMINATION RESULTS AND COMMENTS

PERSONAL EXPENSES

The following personal expenses were paid from District funds during the examination period:

- (1) On July 13, 2005, a check was written for \$1,450 to Met Bank. No claim or invoice was attached; however, the check indicated that this was a payment of a personal loan of the former Treasurer.
- (2) On July 25, 2005, and again on October 31, 2005, checks were also written to Met Bank in the amounts of \$750 and \$1,986.95 respectively.

The following deposits were traced into the bank account of the District:

- (1) A cash deposit of \$2,000 was traced into the bank account of the District on April 20, 2006.
- (2) A cash deposit of \$1,500 was traced into the bank account of the District on April 26, 2006.
- (3) A cash deposit of \$686.95 was traced into the bank account of the District on May 25, 2006.

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)

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were not presented for examination.

Indiana Code 5-13-6-1(e) states: "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."

PENALTIES, INTEREST AND OTHER CHARGES

Penalties were being paid on various delinquent utility bills and loan payments. In addition, bank fees were being paid by the District because the Treasurer had written several warrants on the bank account without sufficient funds in the account and because the account had fallen below the required minimum balance.

A cash deposit of \$150 on May 25, 2006, was traced into the bank account of the District to cover maintenance and non-sufficient funds charges made to the bank account.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

BLUE RIVER FIRE PROTECTION DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

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)

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

During November of 2005, the former Treasurer issued a warrant to the Indiana Department of Revenue for \$7,899.35 for payment of sales tax on exempt purchases for the calendar years 1998, 1999, 2000, 2001, 2002, and 2003. Typically, the District, being a governmental entity, would be exempt from state and federal taxes. No supporting documentation was presented to verify that the District owed this amount. The current Treasurer is in the process of filing amended returns in an attempt to have this money refunded to the District.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

ERRORS ON CLAIMS

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

- (1) Claims were not prepared for all disbursements.
- (2) Claims were not adequately itemized.
- (3) All claims did not have board approval.
- (4) Claims or invoices were not accompanied by evidence to support receipt of goods or services.

Indiana Code 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services."

"(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

BLUE RIVER FIRE PROTECTION DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

APPROPRIATIONS

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

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
General	2005	<u>\$ 22,052</u>

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."

ANNUAL REPORT

An annual report for 2005 was not presented for examination.

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

"(a) The board:

. . . (9) shall make an annual report to the executive and the fiscal body of the county that at least lists the financial transactions of the district and a statement of the progress in accomplishing the purposes for which the district has been established; . . ."

BOARD MINUTES

Minutes of meetings of the governing body were not available for examination.

Indiana Code 5-14-1.5-4 states in part:

"(b) As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.

BLUE RIVER FIRE PROTECTION DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes take, by individual members if there is a roll call.
- (5) Any additional information required under Indiana Code 5-1.5-2-2.5 . . ."

PRESCRIBED FORMS

The following prescribed or approved forms were not always in use:

- Form 352, General Receipt
- Form 359, Ledger of Appropriation, Encumbrances, Disbursements and Balances
- Form 369, General Fixed Asset Account Group

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)

BLUE RIVER FIRE PROTECTION DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on July 25, 2006, with Bradley T. Seacat, Treasurer; and Michael A. Setser, President of the Board. The officials concurred with our findings.