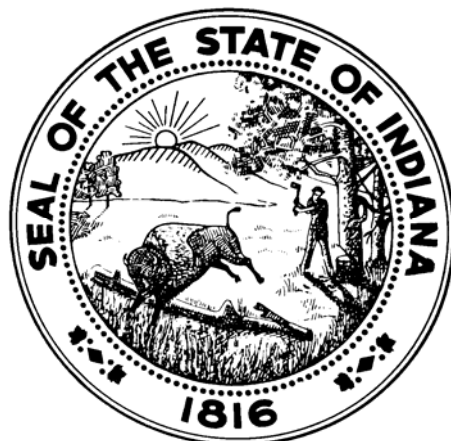


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

EXAMINATION REPORT
OF

OWENSVILLE-MONTGOMERY TOWNSHIP
FIRE PROTECTION DISTRICT
GIBSON COUNTY, INDIANA

January 1, 2004 to December 31, 2005



FILED
12/19/2006

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Accountant's Report	3
Schedules of Receipts, Disbursements, and Cash and Investment Balances.....	4
Notes to Schedules	5
Examination Results and Comments:	
Condition of Records	6
Prescribed Forms	6
Sales Tax.....	6
Timely Recordkeeping	6
List of Employees Not Filed with County Treasurer.....	7
Capital Asset Records	7
Vending Machine Commissions and/or Profits	7
Financial Report Opinion Modifications	8
Errors on Claims	8
Excessive or Unreasonable Costs.....	9
Penalties and Interest	9
Payroll Deductions	9
Expense Reimbursement Itemization	9
Exit Conference.....	10
Official Response	11

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Fiscal Officer	Billie J. Smith	01-01-04 to 12-31-06
President of the Board	Darren McClellan	01-01-04 to 12-31-06



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE OWENSVILLE-MONTGOMERY TOWNSHIP
FIRE PROTECTION DISTRICT, GIBSON COUNTY, INDIANA

We have examined the schedules of receipts, disbursements, and cash and investment balances of the Owensville-Montgomery Township Fire Protection District (District), for the period of January 1, 2004 to December 31, 2005. The District's management is responsible for the schedules. Our responsibility is to express an opinion based on our examination.

Except as discussed below, 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.

The volunteer firemen maintain a checking account outside the control of the District, yet under the District's Federal Tax Identification Number. The balances and the activity of this account are omitted from the schedules presented in this report.

Except for the omission of the volunteer firemen's activity fund, in our opinion, the schedules referred to above present fairly, in all material respects, the cash transactions of the District for the years ended December 31, 2004 and 2005, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

October 12, 2006

OWENSVILLE-MONTGOMERY TOWNSHIP FIRE PROTECTION DISTRICT, GIBSON COUNTY
 SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
 ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
 As Of And For The Years Ended December 31, 2004 And 2005

	<u>Cash and Investments 01-01-04</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash and Investments 12-31-04</u>
Governmental Fund: General	\$ 311,123	\$ 544,296	\$ 262,610	\$ 592,809
Totals	<u>\$ 311,123</u>	<u>\$ 544,296</u>	<u>\$ 262,610</u>	<u>\$ 592,809</u>
	<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	\$ 592,809	\$ 296,626	\$ 237,961	\$ 651,474
Fiduciary Fund: Levy Excess	<u>-</u>	<u>6,428</u>	<u>-</u>	<u>6,428</u>
Totals	<u>\$ 592,809</u>	<u>\$ 303,054</u>	<u>\$ 237,961</u>	<u>\$ 657,902</u>

The accompanying notes are an integral part of the schedules.

OWENSVILLE-MONTGOMERY TOWNSHIP
FIRE PROTECTION DISTRICT, GIBSON COUNTY
NOTES TO SCHEDULES

Note 1. Introduction

The 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 or highway use taxes are received 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. All property taxes collected by the County Treasurer and available for distribution were distributed to the District on or prior to December 31 of the year collected.

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.

OWENSVILLE-MONTGOMERY TOWNSHIP
FIRE PROTECTION DISTRICT, GIBSON COUNTY
EXAMINATION RESULTS AND COMMENTS

CONDITION OF RECORDS

Financial records presented for examination were incomplete. The General Ledger Report presented did not include check numbers or fund totals. Transfers of appropriations were posted as disbursements. No fund report or annual report was presented for 2004.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (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)

PRESCRIBED FORMS

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

- No. 358 Ledger of Receipts, Disbursements, and Balances;
- No. 359 Ledger of Appropriations, Encumbrances, Disbursements and Balances;
- No. 354 Claim;
- No. 369 General Fixed Asset Account Group;
- No. 99B Employee's Earnings Record;
- No. 350 Register of Investments; and
- No. 100R Certified Report of Names, Addresses, Duties and Compensation of Public Employees.

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 22)

SALES TAX

Sales tax was paid for some purchases.

Governmental funds generally are exempt from the payment of sales tax on qualifying purchases. Respective tax agencies should always be contacted concerning tax exemptions and payments. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

TIMELY RECORDKEEPING

We noted instances of several days to a few weeks from the time of the original dates of transactions until entry on the records.

All documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1 et seq., commonly referred to as the Public Records Law. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

OWENSVILLE-MONTGOMERY TOWNSHIP
FIRE PROTECTION DISTRICT, GIBSON COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

LIST OF EMPLOYEES NOT FILED WITH COUNTY TREASURER

Officials or employees of the Fire Protection District had money due from the Fire Protection District, but a list of such employees was not certified to the County Treasurer.

Indiana Code 6-1.1-22-14(a) states in part: "On or before June 1 and December 1 of each year . . . the disbursing officer of each political subdivision . . . shall certify the names and addresses of each person who has money due from the political subdivision to the treasurer of each county in which the political subdivision is located."

CAPITAL ASSET RECORDS

Information presented for audit did not indicate an inventory or record of capital assets.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded in the 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 16)

VENDING MACHINE COMMISSIONS AND/OR PROFITS

Vending machines are located on Fire Protection District property. Minutes of the Fire Protection District do not indicate procedures adopted concerning use, maintenance and commissions and/or profits of the vending machines. Currently, the drink machine contents are purchased from the general fund and no money is receipted to the Fire Protection District.

There should be a clearly defined procedure adopted by the governmental unit concerning placement, use, maintenance, and commissions and/or profits of vending machines on their property.

All revenues generated and costs incurred in operating vending machines located on the government premises should be accounted for through the governmental unit's records.

If vending machines are located in restricted areas (areas other than those available to the public) and if the governmental body and chief executive officer wish for those revenues to be restricted for the use and benefit of those employees who use the machines and generate the revenues, the State Board of Accounts takes no exception to such action in an audit. The decisions must be authorized by proper resolution or ordinance of the governing body.

If vending machines are located in areas where the public makes use of the machines and generates the resulting revenues, we advise officials to place the revenues in the general fund for the benefit of the general public, the machine users. Any alternative procedure should be authorized by resolution or ordinance of the governing body.

In the event personnel other than the governmental unit's personnel maintain, stock, and clean up around vending machines, we take no audit exception when such persons are paid for these services. A written agreement should be entered into listing the services to be rendered, the amount to be paid for such services, timing of payments, and any other areas deemed necessary by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 16)

OWENSVILLE-MONTGOMERY TOWNSHIP
FIRE PROTECTION DISTRICT, GIBSON COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

FINANCIAL REPORT OPINION MODIFICATIONS

Records for the volunteer firemen's activity fund maintained in a separate checking account were not presented for audit. Therefore, the State Board of Accounts was unable to provide an unqualified opinion on the Independent Accountant's Report for the financial statements.

Accounting records and other public records must be maintained in a manner that will support accurate financial statements. Anything other than an unqualified opinion on the Independent Auditor's Report on the financial statements may have adverse financial consequences with the possibility of an increase in interest rate cost to the taxpayers of the governmental unit. (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) Some claims were not adequately itemized.
- (2) Some claims did not have board approval.
- (3) Some claims or invoices were not accompanied by evidence in support of the 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:

- (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."

OWENSVILLE-MONTGOMERY TOWNSHIP
FIRE PROTECTION DISTRICT, GIBSON COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

EXCESSIVE OR UNREASONABLE COSTS

The Fire Protection District paid for cable television services; monthly telephone maintenance fees, cell phone and pager services; satellite subscription; full uniforms, T-shirts, and provided clothing allowances; legal fees for unneeded services; computerized accounting system with payroll module for one employee, unused capital asset module, unused purchase order module and excessive annual support services; and candy and other food purchases. Many costs were authorized/ordered by one person, not the entire board.

Every effort should be made by the governmental unit to avoid unreasonable or excessive costs. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

PENALTIES AND INTEREST

Penalties and interest totaling \$20.39 were paid to the Internal Revenue Service during 2004 for late payment and unpaid taxes from periods prior to the examination period.

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)

PAYROLL DEDUCTIONS

Payments were made to volunteer firemen in 2004 with payroll deductions for taxes and to the same/similar volunteer firemen in 2005 without payroll deductions.

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)

EXPENSE REIMBURSEMENT ITEMIZATION

Records presented for audit included several claims totaling over \$1,000 for meal reimbursement. Detailed documentation was not attached to the information presented for reimbursement which would enable a determination that all expenses were for employees conducting governmental business.

All claims, invoices, receipts, accounts payable vouchers, including those presented to the governing body for approval in accordance with IC 5-11-10, should contain adequate detailed documentation. All claims, invoices, receipts, and accounts payable vouchers regarding reimbursement for meals and expenses for individuals must have specific detailed information of the names of all individuals for whom amounts are claimed, including the nature, name and purpose of the business meeting, to enable the governing body to authorize payment. Payments which do not have proper itemization showing the business nature of the claim may be the personal obligation of the responsible official, employee or other person for whom the claim is made. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

OWENSVILLE-MONTGOMERY TOWNSHIP
FIRE PROTECTION DISTRICT, GIBSON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 16, 2006, with Billie J. Smith, Fiscal Officer. The official response has been made a part of this report and may be found on page 11.

October 23, 2006

Billie J. Smith, Fiscal Officer Comments:
Owensville-Montgomery Township Fire Protection District

Conditions of Records

The General ledger report did not have fund totals on it; however, the monthly Treasurers Report does have fund totals.

Prescribed Forms

Computer software was purchased to make the Fiscal Officer more efficient. When the software was purchased it was sold to the District under the impression that it was State Board Approved. The purchase order module and the capital asset tracking module will be used in the future. Contact will be made immediately with the software vendor to correct all outstanding issues with the forms, etc.

Form No. 100 R

I was informed that the form did not apply to the District because we supposedly do not have employees. The form has never been filed.

Timely Recordkeeping

All of the Districts business is handled on a monthly basis; therefore I would enter vouchers, etc. the weekend before the meeting as I was trained. I did not realize that it needed to be done more frequently.

Financial Report Opinion Modifications

I have advised the Board of Trustees that the firemen should not have a separate account with the Districts Federal ID number on it. They reciprocated with a letter from an attorney stating that the firemen could have the account. *Letter is on file at the District office.

Errors on Claims

- 1) Claims were itemized in some instances because the board would motion that the claims be coded training or training supplies instead of what they actually were. (Food, candy, promotional items, etc.)
- 2) Board of Trustees are signing claim registers only not each individual invoice.

Payroll Deductions

In 2004 taxes were held out because in the Districts last audit, the auditor asked me why we were issuing W-2's with no withholdings. I could not explain to her why and she instructed me that she thought it was incorrect and that I needed to consult the IRS. I contacted the IRS and they sent me a manual explaining that taxes were to be withheld from the firemen compensation. I took this information to the Board of Trustees and they disagreed with me, saying that they firemen are not employees therefore; the District is not responsible for their taxes. I did more research through a Tax Accountant and he advised as the IRS did. I instructed the board of trustees of my findings and they made the motion to follow the advise of the Tax Accountant (*November 2004 minutes) and to cut the checks with the taxes held out. In 2005 the Board of Trustees went to an attorney and the attorney drafted a letter stating that we were to issue the firemen 1099's. (*letter has not been presented for filing at the District office at this time) SS-8 determination of workers status was filed with the IRS by firemen. To my knowledge this issue is still under review by the IRS and the Attorney.