

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

LAFAYETTE TOWNSHIP FIRE PROTECTION DISTRICT

FLOYD COUNTY, INDIANA

January 1, 2011 to December 31, 2016



**FILED**  
02/23/2018



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Transmittal Letter .....	3
Examination Results and Comments:	
Annual Financial Reports .....	4-5
Deposits .....	5
Exit Conference.....	6

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Fire Chief	Jeremy L. Klein	01-01-11 to 12-31-18
Fiscal Officer	Robert Ising Dan Schmidt	01-01-11 to 01-31-16 02-01-16 to 12-31-17
Chairman of the Board	Dan Schmidt Mark Huth	01-01-11 to 12-31-15 01-01-16 to 12-31-17



**STATE OF INDIANA**  
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TO: THE OFFICIALS OF THE LAFAYETTE TOWNSHIP FIRE  
PROTECTION DISTRICT, FLOYD COUNTY, INDIANA

This report is supplemental to our examination report of the Lafayette Township Fire Protection District (District), for the period from January 1, 2011 to December 31, 2016. It has been provided as a separate report so that the reader may easily identify any Examination Results and Comments that pertain to the District. It should be read in conjunction with our Financial Statements Examination Report of the District, which provides our opinion on the District's financial statements. This report may be found at [www.in.gov/sboa/](http://www.in.gov/sboa/).

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Examination Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Official Response to the Examination Results and Comments, incorporated within this report, was not verified for accuracy.

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner

January 9, 2018

LAFAYETTE TOWNSHIP FIRE PROTECTION DISTRICT  
EXAMINATION RESULTS AND COMMENTS

**ANNUAL FINANCIAL REPORTS**

The District did not have sufficient controls in place to prevent or detect errors on the financial statements. The financial records for the District contained the following errors during the examination period:

1. Fund accounting was not utilized to account for the financial activity of the District as required. A separate Debt Service Fund was not established in the financial records and reported in the financial statements to account for financial activity related to the tax revenues received for debt repayment and the corresponding repayment of the debt obligation.
2. The annual financial statements completed by the District for the years 2014 and 2015 were incorrect. A loan was obtained to purchase fire equipment. The loan proceeds were disbursed directly by the lending financial institution to the vendors to purchase the fire equipment. The financial activity related to the loan proceeds and the corresponding disbursements for the asset purchases were not recorded properly within the financial records as follows:
  - a. In 2014, monies received from county tax distributions were incorrectly recorded as loan proceeds. Failure to properly record the loan proceeds resulted in the understatement of receipts in the amount of \$572,366, which was comprised of \$191,501 in loan proceeds and \$380,865 in taxes. Failure to properly record the asset purchases resulted in the understatement of disbursements related to capital outlay in the amount of \$380,881. Additionally, disbursements were understated in the amount of \$272,019 related to debt repayments.
  - b. In 2015, the remaining loan proceeds of \$18,677 obtained from the financial institution and paid directly by the lending financial institution to the vendors were not reflected in the financial records resulting in an understatement of both receipts and disbursements. In addition, other disbursements were incorrectly reported resulting in a net overstatement of other disbursements in the amount of \$43,219.
3. The ending cash balance at December 31, 2014, and the beginning cash balance at January 1, 2015, per the annual financial statements did not agree with the underlying financial records of the District for the respective time periods. The cash balance at December 31, 2014, per the annual financial statement presented in the Gateway was \$668,279; however, the actual balance per the District's financial ledgers was \$587,701, resulting in a difference of \$80,578. The same incorrect cash balance was reported in the Gateway financial statements on January 1, 2015.

Audit adjustments were proposed, accepted by the District, and made to the financial statements to properly record the loan proceeds, the capital outlay expenditures and the related cash balances.

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 in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

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

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

**DEPOSITS**

Monies were not deposited timely in 67 percent of the instances tested. Monies were deposited between 10 to 37 days after funds were received.

This same comment appeared in prior Report B38806.

Indiana Code 5-13-6-1(c) states in part:

". . . all local officers . . . who collect public funds of their respective political subdivisions, shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance . . ."

Indiana Code 5-13-6-1(g) states in part:

"The following are not required to deposit funds on the business day following receipt if the funds on hand do not exceed five hundred dollars (\$500): . . .

- (2) A local officer of a political subdivision required to deposit funds under subsection (c) other than a township trustee. . . ."

LAFAYETTE TOWNSHIP FIRE PROTECTION DISTRICT  
EXIT CONFERENCE

The contents of this report were discussed on January 9, 2018, with Jeremy L. Klein, Fire Chief; Terry Herthel, Deputy Fire Chief; Mark Huth, Chairman of the Board; and Al Butler, Accountant.