

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

ANNUAL FINANCIAL REPORT

2007

SOUTHWEST ALLEN COUNTY FIRE DISTRICT

A COMPONENT UNIT OF ALLEN COUNTY

ALLEN COUNTY, INDIANA



**FILED**  
08/25/2008



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Fire Chief	Donald Patnoude	01-01-07 to 12-31-08
Fiscal Officer	Ellis McFadden	01-01-07 to 12-31-08
President of the Board	Ellis McFadden	01-01-07 to 12-31-08



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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**INDEPENDENT AUDITOR'S REPORT**

TO: THE OFFICIALS OF THE SOUTHWEST ALLEN  
COUNTY FIRE DISTRICT, ALLEN COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities of the Southwest Allen County Fire District (Fire District), a component unit of Allen County, as of and for the year ended December 31, 2007, which collectively comprise the Fire District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Fire District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the Fire District prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, 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 respective cash and investment balances of the governmental activities of the Fire District as of December 31, 2007, and the respective cash receipts and cash disbursements during the year then ended on the basis of accounting described in Note I.

The Schedule of Funding Progress, as listed in the Table of Contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Fire District has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fire District's basic financial statements. The Combining Schedule, as listed in the Table of Contents, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedule, as listed in the Table of Contents, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

July 8, 2008

SOUTHWEST ALLEN COUNTY FIRE DISTRICT  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For The Year Ended December 31, 2007

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Net (Disbursements) Receipts and Changes in Net Assets</u>
	<u>Disbursements</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Primary government:				
Governmental activities:				
Public safety	\$ 1,591,811	\$ 49,180	\$ 216,232	\$ (1,326,399)
General receipts:				
Property taxes				1,103,647
Other local sources				18,265
Miscellaneous				30,701
				1,152,613
Total general receipts				
				1,152,613
Change in net assets				(173,786)
Net assets - beginning				666,081
Net assets - ending				\$ 492,295
 <u>Assets</u>				
Cash and investments				\$ 492,295
 <u>Net Assets</u>				
Unrestricted				\$ 492,295

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

SOUTHWEST ALLEN COUNTY FIRE DISTRICT  
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,  
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
GOVERNMENTAL FUND  
For The Year Ended December 31, 2007

	General
Receipts:	
Taxes	\$ 1,103,647
Intergovernmental	234,497
Charges for services	49,180
Other	30,701
Total receipts	1,418,025
Disbursements:	
Public safety	1,591,811
Deficiency of receipts over disbursements	(173,786)
Other financing sources (uses):	
Transfers in	1,370,000
Transfers out	(1,370,000)
Total other financing sources (uses)	-
Deficiency of receipts and other financing sources over disbursements and other financing uses	(173,786)
Cash and investment fund balance - beginning	666,081
Cash and investment fund balance - ending	\$ 492,295
<u>Cash and Investment Assets - December 31</u>	
Total cash and investment assets - December 31	\$ 492,295
<u>Cash and Investment Fund Balance - December 31</u>	
Total cash and investment fund balance - December 31	\$ 492,295

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

SOUTHWEST ALLEN COUNTY FIRE DISTRICT  
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
FIDUCIARY FUNDS  
For The Year Ended December 31, 2007

	<u>Agency Funds</u>
Additions:	
Agency fund additions	\$ <u>736,800</u>
Deductions:	
Agency fund deductions	<u>736,801</u>
Deficiency of total additions over total deductions	(1)
Cash and investment fund balance - beginning	<u>1</u>
Cash and investment fund balance - ending	<u><u>\$ -</u></u>

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

SOUTHWEST ALLEN COUNTY FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The Fire District, a component unit of Allen County, was established under the laws of the State of Indiana. The Fire District is a special taxing district which operates under a three member appointed governing board.

Indiana Code 36-8-11 requires that all budget requests by the Fire District be reviewed and approved by the appropriate fiscal body. In the Fire District's case, this fiscal body is the Allen County Council and, as such, the Fire District is considered a component unit of Allen County.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. However, at this time, the Fire District has not established any enterprise funds.

The Fire District reports the following major governmental fund:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Additionally, the Fire District reports the following fund type:

Agency funds account for assets held by the Fire District as an agent for its employees.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, 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.

SOUTHWEST ALLEN COUNTY FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

The cash and investment 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. Investment transactions are not presented on the financial statements.

If the Fire District utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to people outside the government (enterprise funds) or other departments or agencies primarily within the government (internal service funds). The Fire District does not have any enterprise funds.

D. Assets and Cash and Investment Balances

1. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as interest receipts in the year of the sale of the investment.

2. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

3. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

4. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.

SOUTHWEST ALLEN COUNTY FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the Fire District's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

E. Program Receipts

Amounts reported as program receipts include charges to customers or applicants for goods, services, or privileges provided, and capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities and Net Assets – Cash and Investment Basis.

SOUTHWEST ALLEN COUNTY FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

II. Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

Prior to the first required publication, the fiscal officer of the Fire District submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the Fire District receives approval of the Indiana Department of Local Government Finance.

The Fire District's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

III. Detailed Notes on All Funds

Deposits and Investments

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. Bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

IV. Other Information

A. Risk Management

The Fire District is 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 and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

SOUTHWEST ALLEN COUNTY FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

B. Pension Plan

Agent Multiple-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

The Fire District contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the Fire District authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The report may be obtained by contacting:

Public Employees' Retirement Fund  
Harrison Building, Room 800  
143 West Market Street  
Indianapolis, IN 46204  
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The Fire District's annual pension cost and related information, as provided by the actuary, is presented in this note.

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 36,212
Interest on net pension obligation	(361)
Adjustment to annual required contribution	412
Annual pension cost	36,263
Contributions made	36,977
Decrease in net pension obligation	(714)
Net pension obligation, beginning of year	(4,984)
Net pension obligation, end of year	\$ (5,698)

SOUTHWEST ALLEN COUNTY FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

	PERF
Contribution rates:	
Fire District	8%
Plan members	3%
Actuarial valuation date	07-01-07
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	30 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

Actuarial Assumptions

Investment rate of return	7.25%
Projected future salary increases:	
Total	5%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	2%

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-05	\$ 37,952	95%	\$ (9,722)
	06-30-06	39,372	88%	(4,984)
	06-30-07	36,263	102%	(5,698)

SOUTHWEST ALLEN COUNTY FIRE DISTRICT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-05	\$ 272,523	\$ 442,337	\$ (169,814)	62%	\$ 507,387	(33%)
07-01-06	366,139	470,085	(103,946)	78%	505,426	(21%)
07-01-07	436,932	548,742	(111,810)	80%	514,262	(22%)

SOUTHWEST ALLEN COUNTY FIRE DISTRICT  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 AGENCY FUNDS  
 For The Year Ended December 31, 2007

	Payroll Deductions	Payroll In/Out	Totals
Additions:			
Agency fund additions	\$ 153,334	\$ 583,466	\$ 736,800
Deductions:			
Agency fund deductions	153,335	583,466	736,801
Deficiency of total additions over total deductions	(1)	-	(1)
Cash and investment fund balance - beginning	1	-	1
Cash and investment fund balance - ending	\$ -	\$ -	\$ -

SOUTHWEST ALLEN COUNTY FIRE DISTRICT  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF CAPITAL ASSETS

For The Year Ended December 31, 2007

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>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 91,408
Buildings	1,133,525
Improvements other than buildings	128,519
Machinery and equipment	<u>3,689,800</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 5,043,252</u>

SOUTHWEST ALLEN COUNTY FIRE DISTRICT  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 December 31, 2007

Description of Debt	Ending Balance	Due Within One Year
Governmental Activities:		
Fire District		
Capital leases:		
Two Fire Trucks	\$ 585,554	\$ 136,912
 Total governmental activities long-term debt:	 \$ 585,554	 \$ 136,912

SOUTHWEST ALLEN COUNTY FIRE DISTRICT  
EXIT CONFERENCE

The contents of this report were discussed on July 8, 2008, with Ellis McFadden, Fiscal Officer. Our audit disclosed no material items that warrant comment at this time.