

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

FINANCIAL STATEMENT EXAMINATION REPORT
OF
JOHNSON TOWNSHIP FIRE PROTECTION DISTRICT
KNOX COUNTY, INDIANA
January 1, 2007 to December 31, 2010



FILED
12/13/2011

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Fiscal Officer	Earl E. Ruppel	01-01-07 to 12-31-11
President of the Board	Chuck Farrell	01-01-07 to 12-31-11



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE JOHNSON TOWNSHIP FIRE
PROTECTION DISTRICT, KNOX COUNTY, INDIANA

We have examined the financial statements of the Johnson Township Fire Protection District (District), for the period of January 1, 2007 to December 31, 2010. The District's management is responsible for the financial statements. 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 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, 2007, 2008, 2009, and 2010, on the basis of accounting described in Note 1.

The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis for the year ended December 31, 2009 and 2010, Schedule of Capital Assets, and Schedule of Long-Term 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. The Combining Schedules of Receipts, Disbursements, and Cash and Investments Balances – Regulatory Basis were not presented for the years ended December 31, 2007 or 2008.

This report is intended solely for the information and use of the District's management, Fire District Board, 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

November 22, 2011

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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.

JOHNSON TOWNSHIP FIRE PROTECTION DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2007

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Fire General	\$ 201,997	\$ 145,749	\$ 103,548	\$ 244,198
Fire Debt Service	10,980	37,668	33,100	15,548
Rainy Day	-	8,098	-	8,098
Totals	<u>\$ 212,977</u>	<u>\$ 191,515</u>	<u>\$ 136,648</u>	<u>\$ 267,844</u>

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

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

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Fire General	\$ 244,198	\$ 105,308	\$ 134,494	\$ 215,012
Fire Debt Service	15,548	20,071	33,099	2,520
Fire Cumulative	-	17,007	25,000	(7,993)
Rainy Day	8,098	-	-	8,098
Totals	<u>\$ 267,844</u>	<u>\$ 142,386</u>	<u>\$ 192,593</u>	<u>\$ 217,637</u>

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

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

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Fire General	\$ 215,012	\$ 211,828	\$ 202,068	\$ 224,772
Fire Debt Service	2,520	50,139	16,550	36,109
Fire Cumulative	(7,993)	42,674	23,975	10,706
Rainy Day	8,098	5,665	-	13,763
Totals	<u>\$ 217,637</u>	<u>\$ 310,306</u>	<u>\$ 242,593</u>	<u>\$ 285,350</u>

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

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

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
Fire General	\$ 224,772	\$ 165,332	\$ 114,346	\$ 275,758
Fire Debt Service	36,109	33,781	49,742	20,148
Fire Cumulative	10,706	28,197	10,523	28,380
Rainy Day	13,763	2,876	-	16,639
Levy Excess Fund	-	478	-	478
Totals	<u>\$ 285,350</u>	<u>\$ 230,664</u>	<u>\$ 174,611</u>	<u>\$ 341,403</u>

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

JOHNSON TOWNSHIP FIRE PROTECTION 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 (primary government), and does not include financial information for any of the District's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of the District (primary government).

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, but are not limited to, 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.

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.

JOHNSON TOWNSHIP FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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, but are not limited to, 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.

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.

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.

JOHNSON TOWNSHIP FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS

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.

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 and replacement items purchased.

SUPPLEMENTARY INFORMATION – UNAUDITED

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

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 prepared and/or approved by management of the District. It is presented as intended by the District.

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

	Fire General	Fire Debt Service	Fire Cumulative	Rainy Day	Totals
Cash and investments - beginning	\$ 215,012	\$ 2,520	\$ (7,993)	\$ 8,098	\$ 217,637
Receipts:					
Taxes	164,566	45,543	38,932	-	249,041
Intergovernmental	47,072	4,596	3,742	5,665	61,075
Other receipts	190	-	-	-	190
Total receipts	<u>211,828</u>	<u>50,139</u>	<u>42,674</u>	<u>5,665</u>	<u>310,306</u>
Disbursements:					
Personal services	3,032	-	-	-	3,032
Supplies	89	-	-	-	89
Other services and charges	100,549	16,550	-	-	117,099
Other disbursements	98,398	-	23,975	-	122,373
Total disbursements	<u>202,068</u>	<u>16,550</u>	<u>23,975</u>	<u>-</u>	<u>242,593</u>
Excess of receipts over disbursements	<u>9,760</u>	<u>33,589</u>	<u>18,699</u>	<u>5,665</u>	<u>67,713</u>
Cash and investments - ending	<u>\$ 224,772</u>	<u>\$ 36,109</u>	<u>\$ 10,706</u>	<u>\$ 13,763</u>	<u>\$ 285,350</u>

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

	Fire General	Fire Debt Service	Fire Cumulative	Rainy Day	Levy Excess Fund	Totals
Cash and investments - beginning	\$ 224,772	\$ 36,109	\$ 10,706	\$ 13,763	\$ -	\$ 285,350
Receipts:						
Taxes	121,660	30,698	25,621	-	-	177,979
Intergovernmental	43,614	2,990	2,496	2,876	478	52,454
Other receipts	58	93	80	-	-	231
Total receipts	<u>165,332</u>	<u>33,781</u>	<u>28,197</u>	<u>2,876</u>	<u>478</u>	<u>230,664</u>
Disbursements:						
Personal services	5,737	-	-	-	-	5,737
Supplies	313	-	-	-	-	313
Other services and charges	100,759	-	-	-	-	100,759
Other disbursements	7,537	49,742	10,523	-	-	67,802
Total disbursements	<u>114,346</u>	<u>49,742</u>	<u>10,523</u>	<u>-</u>	<u>-</u>	<u>174,611</u>
Excess (deficiency) of receipts over disbursements	<u>50,986</u>	<u>(15,961)</u>	<u>17,674</u>	<u>2,876</u>	<u>478</u>	<u>56,053</u>
Cash and investments - ending	<u>\$ 275,758</u>	<u>\$ 20,148</u>	<u>\$ 28,380</u>	<u>\$ 16,639</u>	<u>\$ 478</u>	<u>\$ 341,403</u>

JOHNSON TOWNSHIP FIRE PROTECTION DISTRICT
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
December 31, 2010

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.

	Ending <u>Balance</u>
Capital assets, not being depreciated:	
Machinery and equipment	<u>\$ 170,000</u>

JOHNSON TOWNSHIP FIRE PROTECTION DISTRICT
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2010

Description of Debt	Ending Principal Balance	Principal Due Within One Year
Loan: 2006 Fire Truck	\$ 31,641	\$ 16,550

JOHNSON TOWNSHIP FIRE PROTECTION DISTRICT
EXAMINATION RESULTS AND COMMENTS

PUBLIC RECORDS RETENTION

Board Minutes for 2009 records were not presented for examination.

Indiana Code 5-15-6-3(f) concerning destruction of public records, states in part:

"Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

Supporting documentation such as receipts, canceled checks, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

DEPOSITS

We noted instances where receipts were deposited later than the next business day.

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. . . ."

A similar comment appeared in prior reports.

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

OVERDRAWN FUND BALANCE

The Fire Cumulative Fund was overdrawn at December 31, 2008.

The fund balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

ANNUAL FINANCIAL REPORT

The 2010 Annual Report presented for examination contained the following errors:

1. Amounts reported in the Annual Report did not agree with the ledger.
2. Some report ending fund balances did not agree with reconciled ledger balances.

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 21)

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)

JOHNSON TOWNSHIP FIRE PROTECTION DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on November 22, 2011, with Earl E. Ruppel, Fiscal Officer, and Beverly Harker, Bookkeeper. The officials concurred with our findings.