

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

TRI-TOWNSHIP FIRE PROTECTION DISTRICT

CLARK COUNTY, INDIANA

January 1, 2008 to December 31, 2010



FILED
01/18/2012

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Fiscal Officer	William R. Collier	01-01-08 to 12-31-12
President of the Board	Tim C. Conlen	01-01-08 to 12-31-12



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF TRI-TOWNSHIP FIRE PROTECTION DISTRICT, CLARK COUNTY, INDIANA

We have examined the financial statements of Tri-Township Fire Protection District (District), for the period of January 1, 2008 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 (Indiana Code 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, 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 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.

This report is intended solely for the information and use of the District's management, and 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 30, 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.

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

	<u>Cash and Investments 01-01-08</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash and Investments 12-31-08</u>
General	\$ 304,556	\$ 1,630,493	\$ 1,981,661	\$ (46,612)
Cumulative Firefighting	<u>108,602</u>	<u>78,680</u>	<u>107,540</u>	<u>79,742</u>
Totals	<u>\$ 413,158</u>	<u>\$ 1,709,173</u>	<u>\$ 2,089,201</u>	<u>\$ 33,130</u>

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

TRI-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
General	\$ (46,612)	\$ 2,386,455	\$ 1,597,446	\$ 742,397
Cumulative Firefighting	79,742	250,723	80,998	249,467
Fire Equipment Debt	-	126,620	-	126,620
Rainy Day	-	36,094	-	36,094
Totals	<u>\$ 33,130</u>	<u>\$ 2,799,892</u>	<u>\$ 1,678,444</u>	<u>\$ 1,154,578</u>

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

TRI-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
General	\$ 742,397	\$ 812,187	\$ 1,788,104	\$ (233,520)
Cumulative Firefighting	249,467	95,098	196,116	148,449
Fire Equipment Debt	126,620	76,132	65,448	137,304
Rainy Day	36,094	46,395	70,100	12,389
Totals	<u>\$ 1,154,578</u>	<u>\$ 1,029,812</u>	<u>\$ 2,119,768</u>	<u>\$ 64,622</u>

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

TRI-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 (Indiana Code 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, 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: financial institution tax received from the state, auto excise surtax received from the state, and commercial vehicle excise tax received from the state.

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, and resolution or court order.

TRI-TOWNSHIP FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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.

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

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.

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

TRI-TOWNSHIP FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

governing board approves the budget for the next year. The budget for funds for which property taxes are levied 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 (Indiana Code 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 (Indiana Code 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.

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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.

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

	<u>General</u>	<u>Cumulative Firefighting</u>	<u>Totals</u>
Cash and investments - beginning	\$ 304,556	\$ 108,602	\$ 413,158
Receipts:			
Taxes	502,577	78,680	581,257
Intergovernmental	198,453	-	198,453
Other receipts	<u>929,463</u>	<u>-</u>	<u>929,463</u>
Total receipts	<u>1,630,493</u>	<u>78,680</u>	<u>1,709,173</u>
Disbursements:			
Personal services	6,710	-	6,710
Other services and charges	<u>1,974,951</u>	<u>107,540</u>	<u>2,082,491</u>
Total disbursements	<u>1,981,661</u>	<u>107,540</u>	<u>2,089,201</u>
Deficiency of receipts over disbursements	<u>(351,168)</u>	<u>(28,860)</u>	<u>(380,028)</u>
Cash and investments - ending	<u>\$ (46,612)</u>	<u>\$ 79,742</u>	<u>\$ 33,130</u>

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

	<u>General</u>	<u>Cumulative Firefighting</u>	<u>Fire Equipment Debt</u>	<u>Rainy Day</u>	<u>Totals</u>
Cash and investments - beginning	\$ (46,612)	\$ 79,742	\$ -	\$ -	\$ 33,130
Receipts:					
Taxes	1,408,735	223,094	113,927	-	1,745,756
Intergovernmental	622,222	27,629	12,693	36,094	698,638
Other receipts	355,498	-	-	-	355,498
Total receipts	<u>2,386,455</u>	<u>250,723</u>	<u>126,620</u>	<u>36,094</u>	<u>2,799,892</u>
Disbursements:					
Personal services	8,354	-	-	-	8,354
Other services and charges	1,589,092	80,998	-	-	1,670,090
Total disbursements	<u>1,597,446</u>	<u>80,998</u>	<u>-</u>	<u>-</u>	<u>1,678,444</u>
Excess of receipts over disbursements	<u>789,009</u>	<u>169,725</u>	<u>126,620</u>	<u>36,094</u>	<u>1,121,448</u>
Cash and investments - ending	<u>\$ 742,397</u>	<u>\$ 249,467</u>	<u>\$ 126,620</u>	<u>\$ 36,094</u>	<u>\$ 1,154,578</u>

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

	<u>General</u>	<u>Cumulative Firefighting</u>	<u>Fire Equipment Debt</u>	<u>Rainy Day</u>	<u>Totals</u>
Cash and investments - beginning	\$ 742,397	\$ 249,467	\$ 126,620	\$ 36,094	\$ 1,154,578
Receipts:					
Taxes	441,008	89,510	69,218	-	599,736
Intergovernmental	362,392	5,588	6,914	46,395	421,289
Other receipts	<u>8,787</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,787</u>
Total receipts	<u>812,187</u>	<u>95,098</u>	<u>76,132</u>	<u>46,395</u>	<u>1,029,812</u>
Disbursements:					
Personal services	8,277	-	-	-	8,277
Other services and charges	1,779,827	196,116	-	70,100	2,046,043
Other disbursements	<u>-</u>	<u>-</u>	<u>65,448</u>	<u>-</u>	<u>65,448</u>
Total disbursements	<u>1,788,104</u>	<u>196,116</u>	<u>65,448</u>	<u>70,100</u>	<u>2,119,768</u>
Excess (deficiency) of receipts over disbursements	<u>(975,917)</u>	<u>(101,018)</u>	<u>10,684</u>	<u>(23,705)</u>	<u>(1,089,956)</u>
Cash and investments - ending	<u>\$ (233,520)</u>	<u>\$ 148,449</u>	<u>\$ 137,304</u>	<u>\$ 12,389</u>	<u>\$ 64,622</u>

TRI-TOWNSHIP FIRE PROTECTION DISTRICT
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 Decemeber 31, 2010

The District has entered into the following debt:

<u>Description of Debt</u>	<u>Ending Principal Balance</u>	<u>Principal and Interest Due Within One Year</u>	<u>Fund/Department</u>
Governmental activities:			
Loans payable:			
Consolidation Loan	\$ 824,852	\$ 96,065	General
Hamburg Fire Station	516,192	55,686	General
Ladder Truck	<u>518,474</u>	<u>129,738</u>	Fire Equipment Debt
Total governmental activities debt	<u>\$ 1,859,518</u>	<u>\$ 281,490</u>	

TRI-TOWNSHIP FIRE PROTECTION DISTRICT
EXAMINATION RESULTS AND COMMENTS

ANNUAL REPORT

Annual Reports for the years 2008, 2009, and 2010, were not prepared properly. All funds maintained by the District: General, Cumulative Firefighting, Fire Equipment Debt, and Rainy Day Funds were combined in the Annual Report and reported as one fund, the General Township Fund.

The District approved adjustments to be made to their financial statements for the items noted above.

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)

OVERDRAWN CASH AND INVESTMENT BALANCES

The District's General Fund cash and investment balance was overdrawn at December 31, 2008 and December 31, 2010, in the amount of \$46,612 and \$233,520, respectively.

The 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)

OPTICAL IMAGES OF CHECKS

The financial institution did not return the actual cancelled checks with the monthly bank statements, but instead returned an optical image of only the front side of the checks.

Indiana Code 5-15-6-3(a) concerning optical imaging of checks states in part:

". . . ' original records' includes the optical image of a check or deposit document when:

- (1) the check or deposit document is recorded, copied, or reproduced by an optical imaging process . . . ; and
- (2) the drawer of the check receives an optical image of the check after the check is processed for payment . . ."

Furthermore, Indiana Code 26-2-8-111 states in part:

"(a) If a law requires that certain records be retained, that requirement is met by retaining an electronic record of the information in the record that:

- (1) accurately reflects the information set forth in the record after it was first generated in its final form as an electronic record or otherwise; and
- (2) remains accessible for later reference."

"(e) If a law requires retention of a check, that requirement is satisfied by retention of an electronic record of the information on the front and back of the check in accordance with subsection (a)."

TRI-TOWNSHIP FIRE PROTECTION DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

PRESCRIBED FORMS

Prescribed Receipt (Form 352) was not in use by the District.

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)

A similar comment was made in prior Report B33745.

APPROPRIATIONS

The records presented for examination showed the following expenditures in excess of budgeted appropriations for the years 2008, 2009, and 2010:

Fund	Years	Excess Amount Exended
General	2008	\$ 121,955
Cumulative Firefighting	2008	7,540
General	2009	336,766
General	2010	469,878
Cumulative Firefighting	2010	96,116

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."

A similar comment was made in prior Report B33745.

CAPITAL ASSETS

The District does not maintain sufficient detailed records of its capital assets and inventories are not performed.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded on the applicable Capital Asset 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 10)

TRI-TOWNSHIP FIRE PROTECTION DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on November 30, 2011, with William R. Collier, Fiscal Officer; Tim C. Conlen, President of the Board; and Tammy Heishman, Bookkeeper/Administrative Assistant. The officials concurred with our findings.