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October 17, 2013

Board of Directors  
Fire Department of Liberty Township  
111 E. Kentucky St.  
Clayton, IN 46118

We have reviewed the audit report prepared by Dunton & Co., PC, Independent Public Accountants, for the period January 1, 2011 to December 31, 2011. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Fire Department of Liberty Township, as of December 31, 2011, and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

STATE BOARD OF ACCOUNTS

**Fire Department of Liberty Township  
Hendricks County Indiana, Inc.**

Financial Statements

December 31, 2011 and 2010



# **Fire Department of Liberty Township Hendricks County Indiana, Inc.**

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Indianapolis, Indiana

Independent Auditor's Report

Board of Directors  
Fire Department of Liberty Township  
Hendricks County Indiana, Inc.

We have audited the accompanying statements of assets, liabilities, and net assets (modified cash basis) of the Fire Department of Liberty Township Hendricks County Indiana, Inc. as of December 31, 2011 and 2010, and the related statements of cash receipts, disbursements, and changes in net assets (modified cash basis), and cash flows (modified cash basis) for the years then ended. These financial statements are the responsibility of the Fire Department's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 audits provide a reasonable basis for our opinion.

As described in Note 2, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Also described in Note 2, the values of the firehouses that were donated are recorded at a nominal value since the values could not be determined at the date of donation and the value of the firehouse provided by the Town of Clayton under its contract for services has not been determined, and therefore the value has not been recorded. The Fire Department also recognizes grant revenue and other governmental grant revenue when earned in accordance with the grant agreements instead of when received. Any unearned revenue is recorded as a liability on the statements of assets, liabilities, and net assets.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of the Fire Department as of December 31, 2011 and 2010 and its cash receipts, disbursements, and changes in net assets and its cash flows for the years then ended on the basis of accounting described in Note 2.

*Dunton & Co., P.C.*

August 6, 2012

Fire Department of Liberty Township  
Hendricks County Indiana, Inc.  
Statements of Assets, Liabilities and Net Assets  
Modified Cash Basis  
December 31, 2011 and 2010

	<b>ASSETS</b>	<b>2011</b>	<b>2010</b>
Current Assets			
Cash and Cash Equivalents			
Checking		\$ 4,365.03	\$ 9,809.64
Savings		160,079.32	117,231.07
Checking other		40,430.78	35,813.68
		<hr/>	<hr/>
Total Cash and Cash Equivalents		204,875.13	162,854.39
		<hr/>	<hr/>
Line of Credit		-	100.00
		<hr/>	<hr/>
Total Current Assets		204,875.13	162,954.39
		<hr/>	<hr/>
Property and Equipment			
Fire trucks and EMS vehicles		1,125,908.89	1,175,908.89
Fire equipment		529,674.54	516,957.80
Vehicles		61,406.40	27,002.00
Fitness equipment		22,463.50	22,463.50
EMS equipment		79,009.90	74,533.40
Computers and software		4,292.00	4,292.00
Buildings and improvements		4,047.00	4,047.00
Land		4,700.00	4,700.00
Furniture		2,209.00	2,209.00
Software		1,524.00	1,524.00
		<hr/>	<hr/>
		1,835,235.23	1,833,637.59
		<hr/>	<hr/>
Total Accumulated Depreciation		(926,123.61)	(841,229.17)
		<hr/>	<hr/>
Total Property and Equipment		909,111.62	992,408.42
		<hr/>	<hr/>
<b>TOTAL ASSETS</b>		<b>\$ 1,113,986.75</b>	<b>\$ 1,155,362.81</b>
		<hr/> <hr/>	<hr/> <hr/>
	<b>NET ASSETS</b>		
Net Assets			
Unrestricted Net Assets		\$ 1,113,986.75	\$ 1,155,362.81
		<hr/>	<hr/>
Total Net Assets		1,113,986.75	1,155,362.81
		<hr/>	<hr/>
<b>NET ASSETS</b>		<b>\$ 1,113,986.75</b>	<b>\$ 1,155,362.81</b>
		<hr/> <hr/>	<hr/> <hr/>

Fire Department of Liberty Township  
Hendricks County Indiana, Inc.  
Statements of Cash Receipts, Disbursements and Changes In Net Assets  
Modified Cash Basis  
For the years ended December 31, 2011 and 2010

<b>Unrestricted</b>	<b>2011</b>	<b>2010</b>
Cash Receipts - Unrestricted		
Local Government Fire Service Contracts	\$ 220,991.60	\$ 218,185.00
Tax Increment Financing - Hendricks County Equipment Purchases	45,116.14	554,805.56
Grants	4,000.00	67,385.00
Fundraising	13,369.16	19,280.00
Ambulance and Fire Services	60,333.17	59,687.34
Insurance proceeds	2,111.00	-
Sale of assets	36,700.00	-
Rental	3,978.00	3,193.77
Other receipts	3,998.65	2,414.37
Total Cash Receipts	<u>390,597.72</u>	<u>924,951.04</u>
 Cash Disbursements -Unrestricted		
Standby wages and payroll taxes	136,096.54	99,340.35
Fundraising	3,009.70	1,698.40
Depreciation expense	136,889.40	136,474.98
Interest Expense	-	4,530.25
Utilities	17,750.38	14,816.01
Fire division supplies and equipment	5,614.57	5,880.34
EMT sponsored training expenses	3,111.00	2,860.60
EMS division supplies and equipment	10,109.65	8,994.61
Vehicle maintenance	10,742.84	10,287.23
Clothing allowances and reimbursements	8,270.00	8,590.00
Physicals and vaccinations	242.39	12.37
Fuel	17,004.92	12,946.15
Communications	5,146.81	8,727.41
Administrative supplies and other expenses	3,850.65	5,737.02
Station maintenance	2,168.44	1,196.06
Professional Fees: audit, ambulance billing, and payroll	22,826.10	19,429.99
Computer software support and upgrades	1,337.70	1,384.97
Equipment rent	408.00	2,405.15
Insurance	39,470.73	60,721.63
Miscellaneous	3,138.78	5,893.21
Association expenses	4,785.18	2,728.13
Total Cash Expenditures	<u>431,973.78</u>	<u>414,654.86</u>
 Increase (Decrease) in Unrestricted Net Assets	<u>(41,376.06)</u>	<u>510,296.18</u>
 <b>Total Net Assets, Beginning of Year</b>	<u>1,155,362.81</u>	<u>645,066.63</u>
 <b>Total Net Assets, End of Year</b>	<u>\$ 1,113,986.75</u>	<u>\$ 1,155,362.81</u>

Hendricks County Indiana, Inc.  
 Statements of Cash Flows  
 Modified Cash Basis  
 For the Years Ended December 31, 2011 and 2010

	<b>2011</b>	<b>2010</b>
<b>Cash Flows From Operating Activities:</b>		
Net increase (decrease) in net assets	\$ (41,376.06)	\$ 510,296.18
Adjustments to reconcile net assets to net cash provided by (used in) operating activities:		
Gain from sale of assets	(36,700.00)	-
Depreciation	136,889.40	136,474.98
Tax Increment Financing - Hendricks County Equipment Purchases	(45,116.14)	(554,805.56)
	13,697.20	91,965.60
Net Cash Provided by Operating Activities	13,697.20	91,965.60
<b>Investing Activities</b>		
Proceeds from sale of assets	36,700.00	-
Purchases of equipment	(8,476.46)	(84,052.84)
	28,223.54	(84,052.84)
Net Cash Provided (Used) in Investing Activities	28,223.54	(84,052.84)
<b>Financing Activities</b>		
Borrowings on long-term debt	100.00	105,490.00
Payments on long-term debt	-	(105,590.00)
	100.00	(100.00)
Net Cash Provided (Used) in Financing Activities	100.00	(100.00)
Net Increase in cash and cash equivalents	42,020.74	7,812.76
Cash and cash equivalents, beginning of year	162,854.39	155,041.63
<b>Cash and cash equivalents, end of year</b>	<b>\$ 204,875.13</b>	<b>\$ 162,854.39</b>

Supplemental Disclosures:

Tax Increment Financing - Hendricks County Equipment Purchases	\$ 45,116.14	\$ 554,805.56
Interest paid	\$ -	\$ 4,530.25

Fire Department of Liberty Township  
Hendricks County Indiana, Inc.  
Notes to Financial Statements  
December 31, 2011 and 2010

**Note 1: Nature of Activities**

The Fire Department of Liberty Township Hendricks County Indiana, Inc. (the Fire Department) was formed in January 2000, resulting from the merger of four volunteer fire departments in Liberty Township; Clayton, Cartersburg, Belleville, and Hazelwood. The Fire Department provides the Town of Clayton and one-hundred percent of Liberty Township with fire protection and emergency medical services. The Fire Department is under contract with the Town of Clayton and Liberty Township to provide these services. The cash receipts from these contracts are recognized in the statement of cash receipts, disbursements, and changes in net assets under "Local Government Service Contracts". The Town of Clayton, in connection with its contract, provides the building that houses Fire Station 31 under a 99 year lease that was executed on August 3, 1987. The annual rent under the lease is \$1. A second Fire Station, number 32, is located in Hazelwood, which is owned by Hazelwood Fire Fighters Association, Inc. (the Association). The Fire Department uses the station in exchange for reimbursing the Association fifty-percent of the monthly utilities. A value has not been placed on the use of these facilities. The Fire Department is staffed by a combination of paid and volunteer personnel primarily residing in Liberty Township in Hendricks County, Indiana.

**Note 2: Significant Accounting Policies**

**Basis of Accounting** - The Fire Department maintains its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America ("GAAP"). It differs from GAAP in that revenue is recognized when received instead of when earned and expenses are recognized when paid instead of when incurred. The Fire Department, however, recognizes FEMA grant proceeds, other governmental revenue and other proceeds associated with governmental distributions when earned in accordance with the grant and other agreements. Any unearned revenue is reflected as a liability on the statements of assets, liabilities and net assets.

**Basis of Presentation** – The Fire Department reports its net assets by three different classifications; unrestricted, temporarily restricted, and permanently restricted. When the temporarily restricted net assets are released because of expired time restraints or defined events, they are transferred to unrestricted net assets. There were no temporarily or permanently restricted net assets as of December 31, 2011 and 2010.

**Accounting Estimates** - The preparation of the financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosure. The estimates that are made concern estimated lives of property and equipment that are depreciated over those estimated lives. Accordingly, actual results could differ from those estimates.

Fire Department of Liberty Township  
Hendricks County Indiana, Inc.  
Notes to Financial Statements  
December 31, 2011 and 2010

**Note 2: Significant Accounting Policies (continued)**

Cash Equivalents - For purposes of the statements of assets, liabilities, and net assets, and cash flows, cash and cash equivalents include all cash and savings accounts with original maturities of three months or less.

Contributions – Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted receipts, depending on the existence and/or nature of any donor-imposed restrictions. Any contributions received with donor-imposed restrictions that are met in the year received are classified as unrestricted donations

Donated Services – The Fire Department is staffed by paid and volunteer personnel who provide fire protection and EMS emergency medical and transport services. In connection with the volunteer services, if such services were not donated, the Fire Department would be required to hire such services at the same hourly rate of the paid personnel. The volunteers' donated services at their fair market value could not be determined in 2011 and 2010.

Property and Equipment – All property and equipment are recorded at cost and depreciated over the estimated useful lives of the assets, using the straight line method. Property and equipment that is donated is recorded at its estimated fair market value as of the date of the donation. Estimated useful lives range from 5 to 40 years. Equipment purchases under \$1,000 are expensed and all repairs and maintenance are expensed. The firehouses that were donated to the volunteer fire departments prior to the mergers have been recorded at nominal values of \$1 since there isn't any documentation to determine the donation dates or the value at the dates of the donations. The Federal government may have a reversionary interest in property purchased with Federal funds and may determine how the proceeds from the sale of such assets shall be used to include the refund of such proceeds to the Federal government.

Income taxes – The Fire Department is an organization exempt from taxation under Section 501(c) (3) of the Internal Revenue Code. The Fire Department has not conducted any unrelated business activities and therefore, the Fire Department has not made any provision for Federal income taxes in the accompanying financial statements. The Fire Department believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

The Fire Department's exempt organization federal and state income tax returns for the years ended December 31, 2010, 2009, and 2008 are subject to examination by the IRS, generally for three years after the returns have been filed with the IRS.

Fire Department of Liberty Township  
Hendricks County Indiana, Inc.  
Notes to Financial Statements  
December 31, 2011 and 2010

**Note 3: Line of Credit**

During 2010, the Fire Department obtained a short-term line of credit in the amount of \$40,000 that matures on an annual basis. The line bears interest at the national prime rate of interest plus 6.25%. The line of credit requires minimum payments of the greater of \$100 or 1.5% of the outstanding balance. The line of credit was obtained to meet short-term cash requirements due to unexpected timing in the receipt of local government contract payments. As of December 31, 2010, there was a receivable balance from the financial institution in the amount of \$100. The Fire Department did not renew its line of credit in 2011.

**Note 4: Credit Risk, Concentrations, and Limitations**

In connection with its EMS emergency runs, the Fire Department bills insurance companies, individuals, Medicare, Medicaid and other Fire and EMS Departments fees based on the emergency ALS and transport services provided to patients or accident victims. The income from those services is recorded when received and therefore, the receivable for those services and an allowance for uncollectible fees are not recorded on the statement of assets, liabilities and net assets.

The Fire Department receives public support from the Town of Clayton and the Liberty Township Trustee that approximated seventy-two percent of the Fire Department's cash receipts received for operations in 2011. The contract amounts are supported by tax receipts and may increase or decrease subject to the tax budgets and collections each year.

The Fire Department provides fire and EMS services on a twenty-four hours seven day basis with limited standby personnel, volunteers, and equipment. Due to these limitations, the fire and EMS personnel and equipment available to support emergency situations are minimized by limited public funding by the Township.

During 2010, Hendricks County disbursed \$554,805.56 in Tax Increment Financing funds for the purchase of fire and emergency medical services equipment for the Fire Department, which has been reflected in the Statement of Cash Receipts, Disbursements and Changes in Net Assets for the year, ended December 31, 2010. As of December 31, 2010, \$454,294.00 of these expenditures for fire equipment has not been placed in service since the equipment is still being assembled by the manufacturer.

During 2011, Hendricks County disbursed an additional \$45, 116.14 for fire equipment for the Fire Department, which has been reflected in the Statement of Cash Receipts, Disbursements and Changes in Net Asset for the year ended December 31, 2011. The receipt of additional tax increment financing funds or equipment purchases from these funds is contingent upon the development and expansion of the TIF district located in Liberty Township along with the priorities established by the Hendricks County Commissioners as to the use of those funds.

Fire Department of Liberty Township  
Hendricks County Indiana, Inc.  
Notes to Financial Statements  
December 31, 2011 and 2010

**Note 5: Fundraising Expense**

Total fundraising expenses in connection with the annual boot drive for the years ended December 31, 2011 and 2010 were \$3,009.70 and \$1,698.40, respectively. The ratio of expenses to amounts raised is computed using actual cash expenditures to the related cash donations received. The expense ratios for 2011 and 2010 respectively, were 22.35% and 9.84%.

**Note 6: Public Funding**

The Fire Department of Liberty Township Hendricks County Indiana, Inc. receives public support to fund its emergency medical services and fire protection in Clayton Indiana and in Liberty Township in Hendricks County. As noted, the Fire Department routinely pursues Federal grants to fund special equipment purchases. During 2011, the Fire Department received the following state and local funds.

<b>Government Entity</b>	<b>Amount Received</b>
Liberty Township	\$ 186,185
Hendricks County – TIF- Equipment Purchases	45,116
The Town of Clayton	34,807
Indiana Homeland Security Foundation	<u>4,000</u>
Total Government funds received	<u>\$ 270,108</u>

**Note 8: Evaluation of Subsequent Events**

The Fire Department has evaluated subsequent events through August 6, 2012, the date which the financial statements were available to be issued. There were no material subsequent events that required recognition in the accompanying financial statements.