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June 23, 2009

Board of Directors
Ross Township Fire Service, Inc.
26 W. 73rd Ave.
Merrillville, IN 46410

We have reviewed the audit report prepared by Ondrovich & Associates, PC, Independent Public Accountants, for the period January 1, 2006 to December 31, 2006. 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 Ross Township Fire Service, Inc., as of December 31, 2006, 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.

We call your attention to the findings in the report. The management letter contains seven comments.

STATE BOARD OF ACCOUNTS

ROSS TOWNSHIP FIRE SERVICE, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND DECEMBER 31, 2005

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Richard A. Ondrovich, C.P.A.
David M. Ondrovich, C.P.A.

INDEPENDENT AUDITOR'S REPORT

To: Board of Directors
Ross Township Fire Service, Inc.
Merrillville IN

I have audited the accompanying statement of financial position of Ross Township Fire Service, Inc. as of December 31, 2006 and December 31, 2005, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States and the Guidelines for Examination of Entities Receiving Financial Assistance from Governmental Sources, issued by the Indiana State Board of Accounts. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ross Township Fire Service, Inc., as of December 31, 2006 and December 31, 2005 and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued a report dated March 15, 2008 on my consideration of the Organization's internal control structure and a report dated March 15, 2008, on its compliance with laws and regulations.

March 15, 2008



Ondrovich & Associates, P.C.
Certified Public Accountants

Ross Township Fire Service, Inc.
Statement of Financial Position
For the Years Ended December 31, 2006 and 2005

ASSETS

	<u>2006</u>	<u>2005</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 44,511	\$ 106,302
Total Current Assets	44,511	106,302
OTHER CURRENT ASSETS		
Accounts receivable	284,500	275,000
Prepaid expenses	8,090	8,090
Total Other Current Assets	292,590	283,090
PROPERTY AND EQUIPMENT		
Land	17,545	17,545
Building and improvements	427,922	427,922
Office equipment	122,639	122,639
Firefighting equipment	174,140	168,961
Hoses	97,683	97,683
Communication equipment	463,139	416,144
Building equipment	90,898	90,898
Capital equipment	208,171	208,171
Vehicles	1,536,178	1,536,178
Less: Accumulated Depreciation	(2,423,989)	(2,231,611)
Net Plant Property and Equipment	714,325	854,529
OTHER ASSETS		
Intangible assets	14,748	29,496
Total Other Assets	14,748	29,496
TOTAL ASSETS	\$ 1,066,174	\$ 1,273,418

The accompanying notes are an integral part of this statement

Ross Township Fire Service, Inc.
Statement of Financial Position
For the Years Ended December 31, 2006 and 2005

LIABILITIES AND NET ASSETS

	<u>2006</u>	<u>2005</u>
CURRENT LIABILITIES		
Accounts payable	\$ 6,835	\$ 6,835
Payroll liabilities	2,740	1,102
	9,575	7,937
LONG-TERM LIABILITIES		
Pension liability	14,748	29,496
	14,748	29,496
Total Liabilities	24,323	37,433
NET ASSETS		
Unrestricted funds		
Designated by Board for special purposes	38,806	38,806
Other unrestricted	1,000,355	1,194,488
Total unrestricted funds	1,039,161	1,233,294
Temporarily restricted funds	2,690	2,690
	1,041,851	1,235,984
TOTAL LIABILITIES AND NET ASSETS	\$ 1,066,174	\$ 1,273,418

The accompanying notes are an integral part of this statement

Ross Township Fire Service, Inc.
Statement of Activities
For the Years Ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
<u>Changes in Unrestricted Net Assets</u>		
<u>Revenues and Gains</u>		
Fire protection	\$ 565,500	\$ 495,000
In-kind revenue	61,000	61,000
Vehicle and clothing allowance	41,650	90,000
Grants received	46,645	56,387
Other income	<u>5,247</u>	<u>16,979</u>
Total operating revenues	<u>720,042</u>	<u>719,366</u>
<u>Other revenues</u>		
Insurance proceeds	23,096	6,195
Interest income	10,159	3,443
Gain on sale of assets	<u>0</u>	<u>21,700</u>
Total other revenues	<u>33,254</u>	<u>31,338</u>
Total revenues	\$ 753,296	\$ 750,704
<u>Expenses-program services</u>		
Health screening	196	945
Insurance	53,801	53,716
Repairs and maintenance	108,848	62,786
Vehicle expense	19,641	13,943
Car and clothing allowance	41,508	34,779
Communication supplies	199	10,274
Firefighting insurance and dues	74,643	20,296
Fireman's compensation & reimbursement	193,995	161,522
Firefighting supplies	62,128	49,763
Office expenses	14,687	14,555
Utilities	73,254	69,068
Depreciation	192,378	189,550
Officer and district expense	14,050	7,276
Payroll tax	1,837	2,089
Pension	0	56,000
Professional fees	4,278	8,744
Salaries and wages	24,010	27,303
Training	4,564	11,223
In kind rent	<u>61,000</u>	<u>61,000</u>
Total Expenses	<u>945,017</u>	<u>854,831</u>
Change in net assets	<u>(191,721)</u>	<u>(104,128)</u>
Unrestricted net assets at beginning of year	\$ 1,233,294	\$ 1,337,422
Unrestricted net assets at end of year	<u>\$ 1,039,161</u>	<u>\$ 1,233,294</u>

The accompanying notes are an integral part of this statement

Ross Township Fire Service, Inc.
Statement of Cash Flows
For the Years Ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net change in net assets	\$ (194,133)	\$ (104,128)
Adjustments to reconcile net change in net assets to net		
Depreciation	192,378	189,550
Gain or loss on sale of fixed assets	0	(21,700)
(Increase) decrease in assets:		
Accounts Receivable	(9,500)	0
Prepays	0	3,834
(Decrease) increase in operating liabilities:		
Accrued Liabilities	1,638	325
Total Adjustments	<u>184,516</u>	<u>172,009</u>
Net Cash Provided By (Used in)		
Operating Activities	(9,617)	67,881
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital Expenditures	(52,174)	(111,173)
Proceeds from the sale of fixed assets	<u>0</u>	<u>21,700</u>
Net Cash Provided By (Used In)		
Investing Activities	(52,174)	(89,473)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Cash Provided By (Used In)		
Financing Activities	<u>0</u>	<u>0</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(61,791)	(21,592)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>106,302</u>	<u>127,894</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 44,511</u>	<u>\$ 106,302</u>

The accompanying notes are an integral part of this statement

Ross Township Fire Service, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2006 and 2005

1. Organization

The Ross Township Fire Service, Inc. (the Organization) was incorporated and commenced operations as a not-for-profit organization in November 1975 under the laws of the State of Indiana. The Organization furnishes fire protection, emergency first aid, and related emergency services to residents of Ross Township in Lake County, Indiana.

The Organization receives its operating funds from the Town of Merrillville in accordance with an annual contract to provide fire protection for the Town of Merrillville. Ross Township Fire Services, Inc consists of four separate incorporated fire stations, in which all are considered to be members of Ross Township Fire Service, Inc. The four member departments share in the revenues provided by the Town of Merrillville. The four member departments are Independence Hill Volunteer Fire Department, Inc., Merrillville Volunteer Fire Department, Inc., Ainsworth-Deep River Volunteer Fire Department, Inc., and Ross Township District 4, Inc.

2. Accounting Policies

These Financial Statements have been prepared in accordance with the Generally Accepted Accounting Principles in the United States of America. A summary of Ross Township Fire Service, Inc.'s accounting policies are as follows:

Inventories:

Inventories are stated at the lower of cost or market, determined by the first-in first-out method.

Net Assets:

Net assets are reported separately for three classifications of net assets, if applicable, as follows:

Unrestricted net assets represent net assets that are not restricted by donor-imposed stipulations. Temporarily restricted net assets represent the part of the net assets of the Organization resulting (a) from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations, (b) from other asset enhancements. Permanently restricted net assets represent the part of the net assets of the Organization resulting (a) from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization, (b) from other asset enhancements and diminishment subject to the same kinds of stipulations, and (c) from reclassifications from (or to) other classes of net assets as a consequence of donor-imposed stipulations.

Accounts Receivable

At December 31, 2006 and December 31, 2005 substantially all of the Organization's accounts receivable are from the Town of Merrillville.

Ross Township Fire Service, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2006 and 2005

Use of Estimates:

The preparation of financial statements in conformity with general accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Areas where estimates are used in the accompanying financial statements include depreciable lives of fixed assets. Actual results could differ from those estimates.

Property, Plant and Equipment:

Property, Plant and equipment are carried at cost. Donated assets are recorded at their fair market values at the date of donation. Depreciation is calculated on the straight-line method over the useful lives of the assets.

Cash & Cash Equivalents

Cash & Cash Equivalents consist of cash on deposit at financial institutions, marketable securities readily convertible to cash and securities that mature within 90 days.

Income Taxes:

The Organization is exempt from Federal and State income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state provisions. The agency is not classified as a private foundation.

Donated Materials and Services:

Donated materials and services, when received, are reflected as in-kind contributions with an identical amount included in the appropriate functional expense. Donated services are recorded as in-kind contributions and related expense at the time the service is rendered. The value of these services is determined based on the comparable compensation which would be paid to an individual if they were to occupy these positions. Volunteers generously donate time in capacities not requiring specialized skills and, as such, are not recognized in the financial statements.

3. Property and Equipment

Property and Equipment at December 31, 2006 and December 31, 2005 consist of:

	<u>2006</u>	<u>2005</u>
Land	\$ 17,545.00	\$ 17,545.00
Building and improvements	427,922.00	427,922.00
Office equipment	122,639.00	122,639.00
Firefighting equipment	174,139.92	168,960.87
Hoses	97,682.72	97,682.72
Communication equipment	463,138.75	416,143.75
Building equipment	90,897.95	90,897.95
Capital equipment	208,171.00	208,171.00
Vehicles	1,536,177.95	1,536,177.95
	<u>3,138,314.29</u>	<u>3,086,140.24</u>
Less: Accumulated Depreciation	(2,423,989.00)	(2,231,611.00)
	<u>\$ 714,325.29</u>	<u>\$ 854,529.24</u>

See Accountants' Compilation Report

Ross Township Fire Service, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2006 and 2005

Depreciation of Property and Equipment for the years ended December 31, 2006 and December 31, 2005 were 192,378.00 and 189,550.00

4. Donated Facilities

The administrative facilities of the Organization are donated by Ross Township and the fair market value of the space is reflected in the Statement of Activities as an expense and an offsetting amount of income. For the years ended December 31, 2006 and 2005, this expense and in-kind revenue totaled \$37,000.

Use of the Independence Hill Station is donated by the Town of Merrillville. Per a verbal agreement, Ross Township Fire Services leases the facility for \$10 per year. The fair market value of the space is reflected in the Statement of Activities as an expense and an offsetting amount of income. For the years ended December 31, 2006 and 2005, this expense and in-kind revenue totaled \$24,000.

5. Retirement Plan

In 1998 Ross Township Fire Service, Inc., adopted a defined benefit pension plan whereby volunteers are entitled to a monthly benefit based upon length of service. Volunteers are credited with a year of service based upon a point system for various services performed. Credit for past service up to a maximum of nine years is given. Vesting schedule is 0% vesting through nine years and 100% vesting after 10 years of credited service. Volunteers will receive a monthly benefit beginning at age 65 in the amount of \$5 per month for each year of credited service up to a maximum of \$150 per month. Additionally, each volunteer is entitled to receive the greater of \$10,000 life insurance benefit or the present value of their earned benefit if death occurs before entitlement age. Total retirement plan expense for the years ended December 31, 2006 and 2005 was \$56,000 and \$56,000 respectively. The Organization has elected to spread the liability for the past service obligation over the next ten years. An asset in the amount of \$92,237 and a corresponding liability for the same amount have been recorded to reflect prior service pension obligation that will be allocated to future periods.

The following is a summary of the plan at June 30, 2006 the most recent plan year end date.

Benefit obligation	(328,153)
Fair value of plan assets	245,759
Funded Status	(82,394)
Unrecognized prior service cost	29,496
Unrecognized new obligation as	147,479
Pension expense	56,000
Employer contribution	56,000
Actuarial Assumptions:	
Discount rate on benefit	5.25%
Long term expected rate of	4.95%

See Accountants' Compilation Report

Ross Township Fire Service, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2006 and 2005

6. Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash and pledges receivable: Fair value approximates carrying value since initial maturities of the instruments are three months or less.

Investments: Fair values of investments are based on quoted market prices.

Mortgages payable: Fair value approximates carrying value since stated rates are similar to rates currently available to the Organization for debt with similar terms.

The estimated fair values of the Organization's financial instruments at December 31, 2006 and 2005 are not materially different than the carrying values shown in the Statement of Financial Position.

7. Risks

The Organization relies primarily on funding from Ross Township and the Town of Merrillville, and is therefore subject to risks associated with local government fund allocations.

Richard A. Ondrovich, C.P.A.
David M. Ondrovich, C.P.A.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE BASED ON
AN AUDIT OF FIANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Board of Directors
Ross Township Fire Service, Inc.
Merrillville, Indiana

I have audited the financial statements of Ross Township Fire Service, Inc., as of and for the year ended December 31, 2006 and have issued my report thereon dated March 15, 2008.

I conducted my audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States and the Guidelines for Examination of Entities Receiving Financial Assistance from Governmental Sources, issued by the Indiana State Board of Accounts. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

The management of Ross Township Fire Service, Inc. is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing my audit of the financial statements of Ross Township Fire Service, Inc., for the year ended December 31, 2006, I obtained an understanding of the internal control structure. With respect to the internal control structure, I obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and I assessed control risk in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, I do not express such an opinion.

My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control structure and its operation that I consider to material weaknesses as defined above.

March 15, 2008

A handwritten signature in cursive script that reads "Ondrovich & Associates P.C." with a stylized flourish at the end.

Ondrovich & Associates, P.C.
Certified Public Accountants

Richard A. Ondrovich, C.P.A.
David M. Ondrovich, C.P.A.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS

Board of Directors
Ross Township Fire Service, Inc.
Merrillville, Indiana

I have audited the financial statements of Ross Township Fire Service, Inc., as of and for the year ended December 31, 2006 and have issued my report thereon dated March 15, 2008.

I have conducted my audits in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States and the Guidelines for Examination of Entities Receiving Financial Assistance from Governmental Sources, issued by the Indiana State Board of Accounts. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to Ross Township Fire Service, Inc., is the responsibility of the Organization's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed tests of Ross Township Fire Service, Inc.'s compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of my audit was not to provide an opinion on overall compliance with such provisions. Accordingly, I do not express such an opinion.

The results of my tests disclosed no instances of noncompliance that are required to be reported herein under Government Auditing Standards.

This report is intended for the information of the Board of Directors, management and the Indiana State Board of Accounts. However, this report is a matter of public record and its distribution is not limited.

March 15, 2008



Ondrovich & Associates, P.C.
Certified Public Accountants

Richard A. Ondrovich, C.P.A.
David M. Ondrovich, C.P.A.

March 19, 2008

Board of Directors
Ross Township Fire Service, Inc.
Merrillville, Indiana

In planning and performing our audit of the financial statements of Ross Township Fire Service, Inc., for the year ended 12/31/06, we considered the internal control structure in order to determine the necessary auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that might be of interest.

The following comments will have no bearing on our future audit work and are not suggestions that must be adopted by the Ross Township Fire Service, Inc. They are for informational purposes only.

ASSETS

Maintaining the master list of assets belonging to Ross Township Fire Service, Inc. is an important task. It is our opinion that all donated or purchased assets valued at less than \$500.00 should be recorded as an expense. All donated or purchased assets with a value exceeding \$500.00 should be capitalized. All donated assets with nominal value (under \$100.00) should not be recorded in the general ledger.

The Asset List is updated regularly by your staff with additions and deletions.

ACCOUNTS RECEIVABLE

Accounts Receivable should be recorded when billed. Any subsequent adjustments by your funding sources should be recorded by issuing a credit or debit memo or by an adjusting journal entry. Receipt of payment should result in a credit to the receivable.

SEGREGATION OF DUTIES

This is a difficult area for non-profits because of their size. Continual monitoring of the system is important and aids in maintaining awareness by staff that improvements can be made. It is important to note that in the vast majority of non-profits, the Board of

Directors is very active in monitoring the expenditures of funds which adds another level of control to the system. An active Treasurer and Finance Committee strengthen dramatically the internal control function.

PAYROLL

Forms 941 are in agreement with Forms W-3 & W-2.

AUDIT ADJUSTMENTS

The small number of audit adjustments made this year is a clear indication of the quality of your records. It is not unusual with non-profits to have 15-20 adjusting journal entries.

COMPUTER PROGRAMS

Your current accounting software is sufficient for your needs. I will continue reviewing software for my non-profit clients with the hope that we can find programs suitable for your needs at an affordable price. Quick Books is being upgraded on a regular basis and I believe that future enhancements will improve the software to an acceptable level.

AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

We recommend the formation of a formal Audit Committee consisting of members of the board of directors. The composition of this committee is to be determined by the board of directors. The committee should meet with the auditor without management present at least once per year. The purpose of such a committee is to provide a point of contact for the auditor that is independent of the organization's management and to facilitate communication and understanding of the audit process by those charged with the organization's governance and oversight.

This letter is intended solely for the information and use of the Board of Directors and management. We found the staff to be most cooperative in assisting us in the audit and look forward to working with you in the future.



David M. Ondrovich, C.P.A.
Ondrovich & Associates, P.C.
Certified Public Accountants