



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B35745

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

February 10, 2010

Board of Directors
Charlestown Volunteer Fire Department, Inc.
800 Park St., P.O. Box 235
Charlestown, IN 47111

We have reviewed the audit report prepared by J Rorrer & Co., PC, Independent Public Accountants, for the period January 1, 2008 to December 31, 2008. 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 Charlestown Volunteer Fire Department, Inc., as of December 31, 2008, 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.

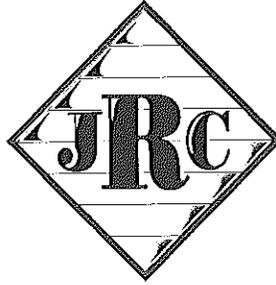
STATE BOARD OF ACCOUNTS

Charlestown Volunteer Fire Department, Inc.
Audited Financial Statements
For the Years Ended
December 31, 2008 and 2007

Charlestown Volunteer Fire Department, Inc

TABLE OF CONTENTS

	<u>PAGE</u>
AUDITOR'S REPORT	i
BASIC FINANCIAL STATEMENT	
STATEMENT OF ASSETS LIABILITIES AND NET ASSETS MODIFIED CASH BASIS	1
STATEMENT OF REVENUE AND EXPENSES AND CHANGES IN NET ASSETS MODIFIED CASH BASIS	2
STATEMENT OF CASH FLOWS MODIFIED CASH BASIS	3
NOTES TO FINANCIAL STATEMENTS	4-7



J RORRER & CO., P.C. • CERTIFIED PUBLIC ACCOUNTANTS

MEMBER AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS AND INDIANA & KENTUCKY CPA SOCIETY

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustee of
Charlestown Volunteer Fire Department, Inc.

We have audited the accompanying statement of assets liabilities and net assets –modified cash basis of the Charlestown Volunteer Fire Department, Inc. (a nonprofit corporation) as of December 31, 2008 and 2007 and the related statement of revenue and expenses and changes in net assets – modified cash basis, and statement of cash flows – modified cash basis for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 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 the 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 opinion.

As described in note 1, this financial statement has been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Charlestown Volunteer Fire Department, Inc. as of December 31, 2008 and 2007 and its support, revenue, and expenses for the years then ended, on the basis of accounting described in note 1.

J Rorrer & Co. P.C.
Certified Public Accountants
July 15, 2009

324 Hunter Station Road • Sellersburg, IN 47172 • Phone: (812) 246-4222 • Fax: (812) 246-2014
952 Market Street • Charlestown, IN 47111 • Phone: (812) 256-7907 • Fax: (812) 256-7908

www.jrorrercocpa.com

Julie R. Rorrer, CPA
julie@jrorrercocpa.com

Claudia S. Brengman, CPA
claudia@jrorrercocpa.com

Charlestown Volunteer Fire Department Inc.

Statement of Assets Liabilities and Net Assets

Modified Cash Basis

December 31, 2008 and 2007

ASSETS		
	<u>2008</u>	<u>2007</u>
Current Assets:		
Cash and cash equivalents	\$69,017	\$107,499
Accounts receivable Fire District	0	320
Total Current Assets	<u>69,017</u>	<u>107,819</u>
Property and Equipment:		
Land	43,400	43,400
Buildings	781,151	781,151
Vehicles	496,994	496,994
Fire fighting equipment	543,943	347,796
Office	14,968	10,168
Furniture and fixtures	41,923	41,923
Computer system	28,135	28,135
Less Accum. Depreciation	<u>(879,771)</u>	<u>(811,129)</u>
Total Property and Equipment	<u>1,070,743</u>	<u>938,438</u>
Total Assets	<u>\$1,139,760</u>	<u>\$1,046,257</u>
 LIABILITIES AND NET ASSETS		
Current Liabilities:		
Credit card payables	\$0	\$2,290
Taxes payable	839	2,806
Current portion long-term debt	<u>39,292</u>	<u>37,082</u>
Total Current Liabilities	40,131	42,178
Long-Term Liabilities:		
Long term debt	461,604	501,432
Less current portion	<u>(39,292)</u>	<u>(37,082)</u>
Total Long-Term Liabilities:	<u>422,312</u>	<u>464,350</u>
Total Liabilities	462,443	506,528
Net Assets:		
Temporarily restricted	5,269	10,285
Unrestricted	<u>672,048</u>	<u>529,444</u>
Total Net Assets	677,317	539,729
Total Liabilities and Net Assets	<u>\$1,139,760</u>	<u>\$1,046,257</u>

See accompanying notes and auditor's report.

Charlestown Volunteer Fire Department Inc.
Statement of Revenue and Expenses and Changes in Net Assets
Modified Cash Basis
For the Years Ending December 31, 2008 and 2007

			Audited				Audited	
	Unrestricted	Temporarily Restricted	2008 Total	Unrestricted	Temporarily Restricted	2007 Total	Unrestricted	Temporarily Restricted
Revenue:								
Contract income	\$375,000	0	\$375,000	\$474,192	0	\$474,192		
Miscellaneous Income	6,182	0	\$6,182	1,000	0	1,000		
Vending	2,694	0	\$2,694	2,586	0	2,586		
Insurance claims	509	0	\$509	4,740	0	4,740		
Timber sales	0	0	\$0	591	0	591		
Lieu of taxes	0	0	\$0	9,142	0	9,142		
Homeland security grant	183,451	0	\$183,451	0	0	0		
Crusade for children	25,771	0	\$25,771	14,870	0	14,870		
EMS income	4,582	0	\$4,582	3,822	0	3,822		
Net assets restricted	5,042	(5,042)	\$0	(9,300)	9,300	0		
Interest income	5	26	\$31	37	156	193		
Total Revenue	603,236	(5,016)	598,220	501,680	9,456	511,136		
Expenses:								
Accounting	17,000	0	17,000	12,295	0	12,295		
Bank charges	278	0	278	0	8	8		
Billing service	516	0	516	380	0	380		
Building maintenance	11,135	0	11,135	13,178	0	13,178		
Clothing allowance	35,926	0	35,926	46,390	0	46,390		
Communication radio	15,244	0	15,244	16,065	0	16,065		
Contribution crusade for children	24,337	0	24,337	14,908	0	14,908		
Vending expense	2,238	0	2,238	1,841	0	1,841		
Depreciation	68,642	0	68,642	49,964	0	49,964		
Department dinner and meals	2,456	0	2,456	11,489	0	11,489		
Dues and subscriptions	1,781	0	1,781	2,164	0	2,164		
Fuel	43,365	0	43,365	36,743	0	36,743		
Interest on loans	34,768	0	34,768	30,698	0	30,698		
Insurance	27,371	0	27,371	27,845	0	27,845		
Ambulance expense	2,493	0	2,493	3,302	0	3,302		
Miscellaneous expense	1,652	0	1,652	2,775	0	2,775		
Office expense	5,901	0	5,901	7,634	0	7,634		
Outside service	273	0	273	3,025	0	3,025		
Personal turnout gear	4,215	0	4,215	4,150	0	4,150		
Professional fees	5,644	0	5,644	17,097	0	17,097		
Public relations	2,723	0	2,723	4,338	0	4,338		
Small equipment and repairs	8,353	0	8,353	4,964	0	4,964		
Station 1 expense	13,671	0	13,671	10,336	0	10,336		
Station 2 expense	6,044	0	6,044	4,877	0	4,877		
Station 3 expense	7,825	0	7,825	7,626	0	7,626		
Station 4 expense	4,341	0	4,341	4,083	0	4,083		
Supplies	5,344	0	5,344	5,317	0	5,317		
Telephone	8,421	0	8,421	7,304	0	7,304		
Training	5,397	0	5,397	6,142	0	6,142		
Travel	2,497	0	2,497	2,528	0	2,528		
Truck expense	43,164	0	43,164	37,402	0	37,402		
Uniforms	5,856	0	5,856	4,154	0	4,154		
Payroll expense	41,761	0	41,761	37,536	0	37,536		
Total Expenses	460,632	0	460,632	438,550	8	438,558		
Changes in Net Assets	142,604	(5,016)	137,588	63,130	9,448	72,578		
Net Assets, beginning of year	529,444	10,285	539,729	466,314	837	467,151		
Net Assets, end of year	\$672,048	\$5,269	\$677,317	\$529,444	\$10,285	\$539,729		

See accompanying notes and auditor's report.

Charlestown Volunteer Fire Department Inc.
Statement of Cash Flows
Modified Cash Basis
December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Operating activities:		
Changes in net assets	\$137,588	\$72,578
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Decrease (increase) in accounts receivable	320	18,363
Increase (decrease) in accrued liabilities	(4,257)	1,522
Depreciation	<u>68,642</u>	<u>49,964</u>
Net cash provided by operating activities	<u>202,293</u>	<u>142,427</u>
Investing activities:		
Purchase of equipment	<u>(200,948)</u>	<u>(27,913)</u>
Net cash used in investing activities	<u>(200,948)</u>	<u>(27,913)</u>
Financing activities:		
Debt reduction	<u>(39,827)</u>	<u>(34,628)</u>
Net cash used in financing activities	<u>(39,827)</u>	<u>(34,628)</u>
Net increase (decrease) in cash and cash equivalents	(38,482)	79,886
Beginning Cash and Cash Equivalents	<u>107,499</u>	<u>27,613</u>
Ending Cash and Cash Equivalents	<u><u>\$69,017</u></u>	<u><u>\$107,499</u></u>
Supplemental disclosure:		
Interest paid	<u>\$34,768</u>	<u>\$30,698</u>
Taxes paid	<u>\$0</u>	<u>\$0</u>

See accompanying notes and auditor's report.

Charlestown Volunteer Fire Department, Inc.
Notes to the Financial Statements
December 31, 2008

Note 1- Nature of Activities and Significant Accounting Policies

Nature of Activities

Charlestown Volunteer Fire Department, Inc. (a non for Profit Corporation) operates trained volunteers to fight fires, maintain fire fighting equipment, and otherwise provide fire protection and fire prevention services for Charlestown Township, a part of Oregon Township, and the City of Charlestown.

Basis of Presentation

The Organization maintains its accounts on the modified cash basis, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this basis, support and revenue are recognized when collected rather than when earned, and expenses are recognized when paid rather than when incurred. Consequently, accounts receivable from supporting agencies, accounts payable to vendors and suppliers, accrued income and expenses are not included in these financial statements.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For financial statement purpose, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalent.

Revenue

The Organization has an annual contract with the Charlestown-Oregon Township Fire Protection District of Clark County, Indiana. They are scheduled to receive funds twice a year from the District.

Contributions

Contributions received are recorded on cash basis, they are recorded when received and no allowance for doubtful accounts is used. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted.

Income Taxes

The Organization is a not-for-profit corporation that is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

Note 2-Cash

Temporary Restricted Cash

Equipment Depreciation fund is an interest bearing checking account held in reserve for emergency repairs or replacement of fire fighting equipment. The fire service contract requires the CVFD to deposit \$5,000 annually into this account. If the account falls below \$10,000 the Fire Department shall not make expenditures from the account without written approval of the District. Balance as of December 31, 2008 and 2007 is \$5,270 and \$10,285 respectively.

Charlestown Volunteer Fire Department, Inc.
Notes to the Financial Statements
December 31, 2008

Unrestricted Cash

Consists of five accounts. One main operating account is used for receipts and disbursements. Separate accounts are used for remodeling and building construction, insurance proceeds, EMS receipts and disbursements, and fund raising activities. The balance of unrestricted cash as of December 31, 2008 and 2007 is \$64,493 and \$97,214 respectively.

Note 3-Property Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation is computed using the straight-line method for financial reporting purposes. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. Assets with a useful life of over one year are capitalized at cost. It is the Organization's policy to capitalize expenditures for those items in excess of \$500.

Note 4-Long Term Notes Payable

Long-term notes payable at December 31, 2008 and 2007 consisted of the following:

	<u>2008</u>	<u>2007</u>
Note payable to New Washington State Bank with two annual payments of \$17,654, bearing interest at 5.5% and collateral of real estate.	\$248,449	\$268,916
Note payable to New Washington State Bank with two annual payments of \$9,733 bearing interest at 6% and collateral of real estate.	203,274	213,609
Note payable to Citicorp with annual payments of \$119 bearing interest at 0% and collateral of ambulance cots.	1,541	2,726
Note payable to New Washington State Bank with two annual payments of \$4,345 bearing interest at 6% and collateral of two ambulances.	<u>8,340</u>	<u>16,181</u>
Total	\$461,604	\$501,432
Less current portion	<u>39,292</u>	<u>37,082</u>
	<u>\$422,312</u>	<u>\$464,350</u>

Maturities of long term debt are as follows:

<u>Year ending</u> <u>December</u>	<u>Amount</u>
2009	39,292
2009	31,090
2010	32,864
2011	34,740
2012	36,722
Thereafter	<u>286,896</u>
	<u>\$461,604</u>

Charlestown Volunteer Fire Department, Inc.
Notes to the Financial Statements
December 31, 2008

Note 6-Leases

The Organization subleases real estate from the Indiana Army Ammunition Plant Reuse Authority for the sum of \$1.00 per year plus supplemental fire protection and emergency services for the River Ridge Commerce Center. The lease will expire March 30, 2011.

The Organization subleases the 2006 Pumper-Tanker from the Charlestown – Oregon Townships Fire Protection District of Clark County, Indiana for the sum of \$1 per year plus the Organization must provide maintenance and insurance for the vehicle. The lease is year to year.

Note 7-Accounts Receivable

Accounts receivable totaling \$320 is from Charlestown-Oregon Township Fire Protection District of Clark County. The Organization paid to equip the 2007 Pumper - Tanker owned by the district. The district did not have funds to equip so they agreed to pay back the Organization when the funds come available. This is at a zero interest rate and was paid within one year.

Note 8 – Donated Services

No amounts have been reflected in the financial statements for donated services. The Organizations generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of task that assists the Organization. The Organization could not operate if they did not have volunteers.

Note 9 Fair Value of Financial Instruments

The carrying amount of the following financial instruments approximate fair value because of the short maturity of the instrument: cash equivalents and accounts receivable.

The fair value of the Organization's long term debt is estimated at \$461,604 and \$501,432 for 2008 and 2007, respectively based on the future cash flows associated with each note discounted using the Organization's current borrowing rate for similar debt.

Note 10 – Concentration of Credit Risk and Economic Dependence

The Organization maintains its cash at a financial institution located in Charlestown, Indiana. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. During the year, the Organization's cash balance may be in excess of federally insured limits.

The Organization has only one customer Charlestown-Oregon Township Fire Protection District of Clark County, Indiana. However, their services will always be needed by the public.

Note 11- Subsequent Event

In August, 2008, one of the Organization's volunteer's was charged with theft and fraud. The loss is estimated at \$1,505 from November 2007 to August 2008. The Organization immediately dismissed the volunteer.

On February 11, 2009 a storm ripped the roof off of the Station 1, the estimated damage for the repair is \$202,734. This is covered by insurance and the expense to the Organization will be minimal.

Note 12- Discontinued Service

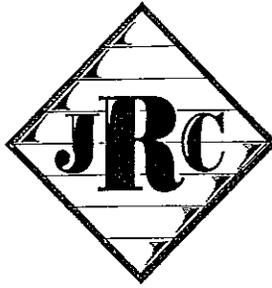
On January 23, 2009 the Organization will discontinue Ambulance Service, the equipment was sold. The volunteers will remain as first responders.

Charlestown Volunteer Fire Department, Inc.
Notes to the Financial Statements
December 31, 2008

Note-13 -Federal Financial Assistance:

The Corporation has been awarded a grant from the Department of Homeland Security. The grant was used to purchase 36 Scott air SCBA with padded harness and ez flow regulator, pack tracker locator and face piece, 36 extra SCBA bottles and 36 face pieces. The Corporation must match 5% and have an actual invoice before the funds will be transferred into the operating account.

Department of Homeland Security funds received	\$183,451
Expenditures for equipment	<u>195,848</u>
Amount the Corporation spent over the grant	<u>\$(12,397)</u>



J RORRER & CO., P.C. • CERTIFIED PUBLIC ACCOUNTANTS

MEMBER AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS AND INDIANA & KENTUCKY CPA SOCIETY

July 27, 2009

To the Governing Officers of
Charlestown Volunteer Fire Department, Inc.

In planning and performing our audit of the financial statements of Charlestown Volunteer Fire Department, Inc. for the year ended December 31, 2008, we considered the Corporations internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

The department's internal control procedures and monitoring process has changed immensely since the prior audit. The fuel controls have decreased fuel consumption considerable. The elimination of the credit cards, and going to a cell phone allowance, has helped to deter the misuse of funds and equipment. The department has turned itself around over the past several months and deserves to be congratulated on its accomplishments and for striving for better morale, and for improving the integrity of the Department.

However, we want the department to understand the importance of continuing to monitor and improve on internal control. We believe there are several matters that are opportunities for strengthening internal controls and operating efficiency.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestion with various Organizations personnel and we will be pleased to discuss these comments in further detail, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows.

Cash Disbursements:

The Organization requires purchase orders for all purchases. Purchase orders, and receipts should be attached to each invoice and all check stubs. This is so anyone can verify the item purchased was approved by the appropriate person and the amount is correct. This is an important internal control that should be followed.

Budget:

The Organization requires a budget each year to determine the funds needed by the District. Budget amounts should be compared to actual amounts several times each year and issued at a monthly meeting with the Treasurer's Report. This is to help control spending.

324 Hunter Station Road • Sellersburg, IN 47172 • Phone: (812) 246-4222 • Fax: (812) 246-2014
952 Market Street • Charlestown, IN 47111 • Phone: (812) 256-7907 • Fax: (812) 256-7908
www.jrorrercocpa.com

Julie R. Rorrer, CPA
julie@jrorrercocpa.com

Claudia S. Brengman, CPA
claudia@jrorrercocpa.com

Drug Testing:

The District requires the Organization to maintain a drug testing policy and at this time this policy has not been implemented. This is a requirement of the contract and should be completed.

Property Plant and Equipment:

Property is very well maintained and tagged with identification. However there is no formal list of property owned by the Organization. We believe this is necessary for adequate control over asset inventory and necessary for adequate insurance coverage. The list should contain serial numbers, date acquired, original purchase price, description of property and location.

Payroll:

All employees should punch in and out with the use of the time clock. If for some reason the person does not punch the time clock, then they need to have someone with authority authorize and sign them in or out. This is an important internal control and should be followed.

Monitoring:

All internal controls should be monitored on a regular basis to make sure they are in place and operating effectively.

Organization Structure:

The size of the Organization's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates the Governing Officers remain involved in the financial affairs of the Organization to provide oversight and independent review functions.

We wish to thank the Governing Officers, the Bookkeeper and Volunteers for their support and assistance during our audit.

This report is intended solely for the information and use of the Governing Officers, Volunteers, and Bookkeeper and others within the organizations and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,



J Rorrer & Co., P.C.

Certified Public Accountants