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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

January 13, 2011

Board of Directors
McCutchanville Volunteer Fire
Department, Inc.
9219 Petersburg Rd.
Evansville, IN 47725

We have reviewed the audit report prepared by Brown, Smith & Settle, LLC, 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 McCutchanville 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 except for the effects of such adjustments, if any, that might have resulted had the collection of cash contributions, gym fund rental income and expenditures been susceptible to satisfactory audit tests.

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

STATE BOARD OF ACCOUNTS

**McCUTCHANVILLE VOLUNTEER FIRE DEPARTMENT, INC.
A NONPROFIT ORGANIZATION**

FINANCIAL STATEMENTS

DECEMBER 31, 2008

McCUTCHANVILLE VOLUNTEER FIRE DEPARTMENT, INC.
A NONPROFIT ORGANIZATION

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Brown, Smith & Settle, LLC
Certified Public Accountants

777 Oak Hill Road
Evansville, Indiana 47711
Tel: 812 424-3388
Fax: 812 429-1567

Jerry A. Smith
Earl F. Settle
Lonny L. Dus
Stephen L. Reffett
Larry D. Bitter

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
McCutchanville Volunteer Fire Department, Inc.
9219 Petersburg Rd.
Evansville, IN 47725

We have audited the accompanying statement of assets, liabilities and net assets - modified cash basis of McCutchanville Volunteer Fire Department, Inc. (a nonprofit organization) as of December 31, 2008, and the related statement of support, revenue, and expenses - modified cash basis, and statement of functional expenses - modified cash basis for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

No accounting controls are exercised over cash contributions or gym fund rental income and expenditures prior to the initial recording of such transactions in the accounting records. Accordingly, it was not practical to extend our examination of such receipts or disbursements beyond the amounts recorded.

As described in Note 1, the organization prepares its financial statements on the basis of cash receipts and disbursements except that the statements include a provision for depreciation of property and equipment. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, except for such adjustments, if any, that might have resulted had the collection of cash contributions, gym fund rental income and expenditures been susceptible to satisfactory audit tests, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets - modified cash basis of McCutchanville Volunteer Fire Department, Inc., as of December 31, 2008, and the support, revenues and expenses - modified cash basis for the year then ended, on the basis of accounting described in Note 1.

Brown, Smith and Settle, LLC

October 30, 2009

McCutchanville Volunteer Fire Department, Inc.
A Nonprofit Organization
Statement of Support, Revenue, and Expenses
Modified Cash Basis
Year Ended December 31, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
PUBLIC SUPPORT				
RECEIVED DIRECTLY				
Contributions	\$ 170,289	\$ 0	\$ 0	\$ 170,289
TOTAL PUBLIC SUPPORT	<u>170,289</u>	<u>0</u>	<u>0</u>	<u>170,289</u>
GRANTS FROM GOVERNMENTAL AGENCIES	<u>285,000</u>	<u>250,000</u>	<u>0</u>	<u>535,000</u>
OTHER REVENUE				
Other income	7,833	0	0	7,833
Interest income	6,371	0	0	6,371
Rental income	17,660	0	0	17,660
Gain on disposal of assets	23,238	0	0	23,238
TOTAL OTHER REVENUE	<u>55,102</u>	<u>0</u>	<u>0</u>	<u>55,102</u>
NET SUPPORT AND REVENUE	510,391	250,000	0	760,391
NET ASSETS RELEASED FROM RESTRICTIONS	<u>113,689</u>	<u>(113,689)</u>	<u>0</u>	<u>0</u>
TOTAL SUPPORT AND REVENUE	<u>624,080</u>	<u>136,311</u>	<u>0</u>	<u>760,391</u>
FUNCTIONAL EXPENSES				
Program services	606,335	0	0	606,335
Administrative	97,467	0	0	97,467
Fund raising	12,133	0	0	12,133
TOTAL FUNCTIONAL EXPENSES	<u>715,935</u>	<u>0</u>	<u>0</u>	<u>715,935</u>
CHANGE IN NET ASSETS	(91,855)	136,311	0	44,456
NET ASSETS - BEGINNING OF (As Restated)	<u>1,058,058</u>	<u>72,013</u>	<u>0</u>	<u>1,130,071</u>
NET ASSETS - END OF YEAR	<u>\$ 966,203</u>	<u>\$ 208,324</u>	<u>\$ 0</u>	<u>\$ 1,174,527</u>

See independent auditors' report and accompanying notes

McCutchanville Volunteer Fire Department, Inc.
A Nonprofit Organization
Statement of Assets, Liabilities, and Net Assets
Modified Cash Basis
December 31, 2008

ASSETS

CURRENT ASSETS	
Cash	\$ 2,161
Cash - restricted	<u>208,324</u>
TOTAL CURRENT ASSETS	<u>210,485</u>
PROPERTY AND EQUIPMENT	
Less accumulated depreciation	3,676,994
	<u>2,517,409</u>
	<u>1,159,585</u>
OTHER ASSETS	
Deposit on equipment purchase	<u>497,565</u>
	<u>497,565</u>
TOTAL ASSETS	<u>\$ 1,867,635</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Withheld taxes	\$ 3,210
Current portion of long-term obligations	<u>135,089</u>
TOTAL CURRENT LIABILITIES	<u>138,299</u>
LONG-TERM OBLIGATIONS,	
less current maturities	<u>554,809</u>
TOTAL LIABILITIES	<u>693,108</u>
NET ASSETS	
Unrestricted	966,203
Temporarily restricted	<u>208,324</u>
TOTAL NET ASSETS	<u>1,174,527</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,867,635</u>

See independent auditors' report and accompanying notes

McCutchanville Volunteer Fire Department, Inc.
Statement of Functional Expenses
Modified Cash Basis
for the Year Ended December 31, 2008

	Program Services	Administration	Fund Raising	Total
Awards	\$ 189	\$ 21	\$ 0	\$ 210
Bank charges	0	461	0	461
Clothing allowance	41,333	0	0	41,333
Depreciation & amortization	175,064	19,452	0	194,516
Dues & licenses	1,340	149	0	1,489
Equipment	7,234	73	0	7,307
Food	1,080	120	0	1,200
Fuel	21,733	0	0	21,733
Fundraiser expense	0	0	11,992	11,992
Gym care	0	3,535	0	3,535
Insurance	39,622	4,402	0	44,024
Insurance - medical & life	21,922	2,436	0	24,358
Interest expense	10,016	1,113	0	11,129
Internet & cable	2,041	227	0	2,268
Medical director	4,000	0	0	4,000
Miscellaneous	2,874	8,615	0	11,489
Occupancy	28,831	3,203	0	32,034
Payroll taxes	11,400	1,267	0	12,667
Physicals	2,842	316	0	3,158
Postage	1,877	209	0	2,086
Printing	328	0	141	469
Professional fees	0	27,844	0	27,844
Property taxes	1,652	184	0	1,836
Repairs & maintenance	53,613	5,957	0	59,570
Security	1,357	71	0	1,428
SIMPLE expense	3,425	381	0	3,806
Supplies	7,009	779	0	7,788
Telephone	3,273	364	0	3,637
Training	2,964	30	0	2,994
Travel	2,145	238	0	2,383
Uniforms & laundry	13,503	0	0	13,503
Wages	143,256	15,917	0	159,173
Website design	412	103	0	515
	<u>\$ 606,335</u>	<u>\$ 97,467</u>	<u>\$ 12,133</u>	<u>\$ 715,935</u>

See independent auditors' report and accompanying notes

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The organization's purpose is to provide fire protection and aid in other emergencies for persons and property in the area of McCutchanville and Center Township outside the city limits of Evansville and to aid other agencies on a mutual aid basis during times of need, with priority in McCutchanville and Center Township outside the city limits of Evansville. The organization, located in McCutchanville, Indiana, is supported primarily through allocations from the trustee of Center Township.

Basis of Accounting

The accompanying financial statements have been prepared on the modified cash basis of accounting. This basis differs from generally accepted accounting principles since it requires revenues and their related assets to be recorded when received rather than when earned and expenses and their related liabilities to be recorded when paid rather than when incurred.

Financial Statement Presentation

The organization complies with Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-For-Profit Organizations." Under SFAS No. 117, the organization is required to report information regarding its assets, liabilities, net assets, revenues and expenses according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Income Taxes

McCutchanville Volunteer Fire Department is a nonprofit organization exempt from federal, state and local income taxes under section 501(c) (4) of the United States Internal Revenue Code.

Property and Equipment

Property and equipment are carried at cost. Expenditures for replacements are capitalized and the replaced items are retired. Maintenance and repairs are charged to operations as incurred. Donations of property and equipment are recorded as support at their estimated fair market value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. The organization reports expirations of donor restrictions when the acquired assets are placed in service. At that time, temporarily restricted net assets are reclassified to unrestricted net assets. Provisions for depreciation of property and equipment are computed on the straight-line method based on their estimated useful lives. Upon disposition, the cost and accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected in operations for the period.

Intangibles

Intangible costs consist of organizational costs incurred in 2004 and are being amortized over 5 years using the straight-line method. Amortization expense for the year ended December 31, 2008 was \$100.

McCutchanville Volunteer Fire Department, Inc.

Notes to Financial Statements

December 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Use of Estimates

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

Contributions

The organization also complies with SFAS No. 116, "Accounting for Contributions Received and Contributions Made." In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Support, Revenue, and Expenses as net assets released from restrictions.

The volunteer fire fighters contribute significant amounts of their time providing fire fighting and emergency response services. The value of these services has not been recorded in the financial statements.

NOTE 2 - PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2008 consisted of the following:

	2008	
	Cost	Accumulated Depreciation
Land	\$ 21,500	\$ 0
Buildings	682,490	254,278
Office furniture and equipment	61,384	33,683
Fire and rescue equipment	540,747	410,904
Vehicles	1,964,462	1,663,749
Vehicle and office equipment purchased under provisions of a capital lease	406,411	154,795
	<u>\$ 3,676,994</u>	<u>\$ 2,517,409</u>

Depreciation for the year ended December 31, 2008 was \$194,416, including \$40,514 related to a vehicle purchased under provisions of a capital lease.

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

NOTE 3 - LONG-TERM OBLIGATIONS

Long-term obligations at December 31, 2008, consisted of the following:

	2008	
	Current	Long-Term
Capital lease payable in annual installments of \$68,136 on specific equipment; the effective rate of interest is 4.47%, renewable annually if purchase option not exercised, matures August 2011. (A)	\$ 59,777	\$ 127,670
Capital lease payable in annual installments of \$768 on specific equipment; the effective rate of interest is 11.4%, renewable annually if purchase option not exercised, matures June 2012. (A)	488	1,963
Capital lease payable in semi-annual installments of \$47,644 on specific equipment; the effective rate of interest is 4.25%, renewable annually if purchase option not exercised, matures November 2014. (A)	74,824	425,176
	\$ 135,089	\$ 554,809

(A) Collateralized by specific equipment.

Future maturities of capital lease obligations as of December 31, 2008 were as follows:

Year Ending December 31,	Gross Lease Payments	Less Amount Representing Interest	Principal Portion
2009	\$ 164,191	\$ 29,102	\$ 135,089
2010	164,191	23,164	141,027
2011	164,191	16,962	147,229
2012	96,172	10,484	85,688
2013	95,287	6,756	88,531
Thereafter	95,287	2,953	92,334
	\$ 779,319	\$ 89,421	\$ 689,898

Interest expense for the year ended December 31, 2008 was \$11,129.

See note 2 for information related to cost, accumulated depreciation, and depreciation expense for a vehicle purchased under the provisions of a capital lease.

McCutchanville Volunteer Fire Department, Inc.

Notes to Financial Statements

December 31, 2008

NOTE 4 - CONTINGENCY

McCutchanville Volunteer Fire Department, Inc. receives a significant portion of its funds from the trustee of Center Township. In the event the organization defaults in their performance according to the agreement, the trustee may terminate the agreement and exercise its right to retain the fire fighting equipment in order to continue fire protection in the jurisdiction.

McCutchanville Volunteer Fire Department, Inc. is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, and injuries to the volunteer firemen. The organization carries commercial insurance in amounts sufficient to insure itself against claims

NOTE 5 - FUNCTIONAL EXPENSES

The costs of providing services have been summarized on a functional basis in the statement of support, revenue, and expenses. Expenses specifically identified as relating to one of the functional categories are charged accordingly. Other expenses determined to relate to more than one of the categories are allocated based on estimated percentages. The allocated costs included various expense types.

NOTE 6 - CONCENTRATIONS OF CREDIT RISK

The organization maintains its cash balance at several financial institutions located in Evansville, Indiana. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2008, the organization's no uninsured balances.

NOTE 7 - SIMPLE PLAN

The organization has a savings incentive match plan (SIMPLE Plan). The organization makes matching contributions up to 100% of the employee election, not to exceed 3% of the employee's wages. The organization's SIMPLE expense for the year ended December 31, 2008 \$3,806.

NOTE 8 - ECONOMIC DEPENDENCE

The organization receives the majority of its support through funds from the trustee of Center Township, Indiana.

NOTE 9 - RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets at December 31, 2008 represent amounts received but not yet expended for the Cumulative Firefighting Building and Equipment Fund. Those restrictions are considered to expire when payments are made for the purchase of firefighting equipment or to purchase, construct, renovate or add to buildings. The organization has capitalized leases for equipment meeting the requirements of this restriction. These assets are released from restriction as the capital lease payments are made. The total amount expended for this purpose during 2008 was \$113,689. Total temporarily restricted net assets at December 31, 2008 was \$208,324.

McCutchanville Volunteer Fire Department, Inc.

Notes to Financial Statements

December 31, 2008

NOTE 10 - NET ASSET RESTATEMENT

The organization identified expenditures incurred in prior years that satisfy the purpose restrictions of the Cumulative Firefighting Building and Equipment Fund. Unrestricted net assets and temporarily restricted net assets as of December 31, 2007 are restated on the Statement of Support, Revenue, and Expenses to reflect the release of the net assets from restriction. The restatement increased unrestricted net assets by \$30,680 and decreased temporarily restricted by \$30,680 as previously reported at December 31, 2007. The restatement had no effect on the total increase in net assets as previously reported at December 31, 2007.

NOTE 11 - RELATED PARTY TRANSACTIONS

The organization purchases fire and rescue equipment from a company which employs the Division Chief of McCutchanville Volunteer Fire Department, Inc. Total purchases from the company was \$10,700 for the year ended December 31, 2008.