



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B38333

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
Morgantown Rural Fire Department, Inc.
269 Highland Street
Morgantown, IN 46160

We have reviewed the audit report prepared by Woodbury and Company, LLC, Independent Public Accountants, for the period January 1, 2007 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 Morgantown Rural Fire Department, Inc., as of December 31, 2008 and 2007, and the results of its operations for the periods 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

Morgantown Rural Fire Department, Inc.
(An Indiana Not-For-Profit Corporation)
Morgantown, Indiana
Audited Financial Statements (Modified Cash Basis)
December 31, 2008 and 2007

Morgantown Rural Fire Department, Inc.
(An Indiana Not-For-Profit Corporation)
Morgantown, Indiana
Index to
Audited Financial Statements

December 31, 2008 and 2007

<u>Contents</u>	<u>Page</u>
Independent Auditor's Report.	1
Statements of Assets, Liabilities, and Net Assets - Modified Cash Basis	2
Statements of Revenues, Expenses, and Changes in Net Assets - Modified Cash Basis.	3
Statements of Cash Flows - Modified Cash Basis.	5
Notes to Audited Financial Statements	6

WOODBURY & COMPANY, LLC
CERTIFIED PUBLIC ACCOUNTANTS
2048 NORTH MORTON
FRANKLIN, INDIANA 46131

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Morgantown Rural Fire Department, Inc.
269 North Highland Street
Morgantown, Indiana 46160

We have audited the accompanying statements of assets, liabilities, and net assets - modified cash basis of Morgantown Rural Fire Department, Inc. (an Indiana not-for-profit corporation) as of December 31, 2008 and 2007, the related statements of revenues, expenses, and changes in net assets - modified cash basis, and statements of cash flows - modified cash basis for the years then ended. These financial statements are the responsibility of Morgantown Rural Fire Department, Inc.'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 1, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Morgantown Rural Fire Department, Inc. as of December 31, 2008 and 2007, and its revenues, expenses, changes in net assets, and its cash flows for the years then ended, on the basis of accounting described in Note 1.

September 26, 2009
Franklin, Indiana

Woodbury and Company, LLC

Morgantown Rural Fire Department, Inc.
 (An Indiana Not-For-Profit Corporation)
 Morgantown, Indiana
 Statements of Assets, Liabilities, and Net Assets -
 Modified Cash Basis
 As of December 31, 2008 and 2007

Assets

	<u>2008</u>	<u>2007</u>
Current Assets		
Cash and Cash Equivalents	\$ 45,056.22	\$ 91,888.61
Property and Equipment		
Building	187,376.94	187,376.94
Fair Booth Building	28,230.88	0.00
Fair Booth Equipment	983.12	0.00
Equipment	188,305.60	174,534.51
Vehicles	357,309.52	356,535.10
Land	10,000.00	10,000.00
	<u>772,206.06</u>	<u>728,446.55</u>
Less Accumulated Depreciation	(387,872.59)	(318,584.44)
Net Property and Equipment	<u>384,333.47</u>	<u>409,862.11</u>
Total Assets	\$ 429,389.69	\$ 501,750.72
	=====	=====

Liabilities & Net Assets

Current Liabilities		
Notes Payable - Current	\$ 24,528.05	\$ 37,168.16
Long-Term Liabilities		
Notes Payable - Long-Term	<u>130,027.06</u>	<u>155,005.36</u>
Total Liabilities	154,555.11	192,173.52
Net Assets:		
Unrestricted	274,834.58	309,577.20
Temporarily Restricted	0.00	0.00
Permanently Restricted	<u>0.00</u>	<u>0.00</u>
Total Net Assets	<u>274,834.58</u>	<u>309,577.20</u>
Total Liabilities & Net Assets	\$ 429,389.69	\$ 501,750.72
	=====	=====

NOTES ARE INTEGRAL TO THESE STATEMENTS
 SEE INDEPENDENT AUDITOR'S REPORT

Morgantown Rural Fire Department, Inc.
 (An Indiana Not-For-Profit Corporation)
 Morgantown, Indiana
 Statements of Revenues, Expenses, and
 Changes in Net Assets - Modified Cash Basis
 For the Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Unrestricted Net Assets		
Revenues		
Fund Raising Income	\$ 23,316.56	\$ 21,119.86
Ambulance Run Income	6,899.21	4,997.22
Donations	4,280.16	3,656.72
Miscellaneous Income	145.00	40.00
Interest	174.45	570.11
Contract Revenue	99,500.00	103,500.00
	<u>134,315.38</u>	<u>133,883.91</u>
Total Revenues		
Operating Expenses		
Fund Raising Expenses	11,333.44	10,086.32
Miscellaneous	3,666.65	5,045.19
Interest Expense	13,697.49	11,769.57
Truck & Gasoline Expense	4,682.13	4,556.65
Depreciation	68,929.76	63,491.06
Small Fire Equipment & Supplies	2,164.31	2,620.21
Insurance	20,960.00	19,524.28
Professional Fees	4,414.76	0.00
Maintenance & Repairs	5,357.76	5,028.16
Office Supplies & Expense	818.66	760.16
Oxygen	1,800.12	1,178.09
Training	9,665.00	3,477.40
Ambulance Supplies	8,268.14	7,523.71
Computer and Internet Expense	750.14	0.00
Telephone	3,341.10	0.00
Utilities	9,208.54	8,061.72
	<u>169,058.00</u>	<u>143,122.52</u>
Total Expenses		

NOTES ARE INTEGRAL TO THESE STATEMENTS
 SEE INDEPENDENT AUDITOR'S REPORT

Morgantown Rural Fire Department, Inc.
 (An Indiana Not-For-Profit Corporation)
 Morgantown, Indiana
 Statements of Revenues, Expenses, and
 Changes in Net Assets - Modified Cash Basis
 For the Years Ended December 31, 2008 and 2007

(Continued)

	<u>2008</u>	<u>2007</u>
Increase (Decrease) in Unrestricted Net Assets	\$ (34,742.62)	\$ (9,238.61)
Increase (Decrease) in Temporarily Restricted Net Assets	0.00	0.00
Increase (Decrease) in Permanently Restricted Net Assets	0.00	0.00
Net Assets at Beginning of Year	<u>309,577.20</u>	<u>318,815.81</u>
Net Assets at End of Year	\$ 274,834.58 =====	\$ 309,577.20 =====

NOTES ARE INTEGRAL TO THESE STATEMENTS
 SEE INDEPENDENT AUDITOR'S REPORT

Morgantown Rural Fire Department, Inc.
 (An Indiana Not-For-Profit Corporation)
 Morgantown, Indiana
 Statements of Cash Flows - Modified Cash Basis
 For the Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Decrease in unrestricted net assets	\$ (34,742.62)	\$ (9,238.61)
Adjustments to reconcile decrease in unrestricted net assets to net cash provided by (used for) operating activities:		
Depreciation	68,929.76	63,491.06
Noncash donation of property and equipment	<u>(2,532.00)</u>	<u>0.00</u>
Net cash provided by (used for) operating activities	31,655.14	54,252.45
Cash flows from investing activities:		
Purchase of property and equipment	<u>(40,869.12)</u>	<u>(221,358.92)</u>
Net cash provided by (used for) investing activities	(40,869.12)	(221,358.92)
Cash flows from financing activities:		
Loan proceeds	0.00	191,000.00
Loan payments	<u>(37,618.41)</u>	<u>(48,028.86)</u>
Net cash provided by (used for) financing activities:	<u>(37,618.41)</u>	<u>142,971.14</u>
Net decrease in cash and cash equivalents	(46,832.39)	(24,135.33)
Cash and cash equivalents at beginning of period	<u>91,888.61</u>	<u>116,023.94</u>
Cash and cash equivalents at end of period	\$ 45,056.22 =====	\$ 91,888.61 =====
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Interest	\$ 13,697.49	\$ 11,769.57

NOTES ARE INTEGRAL TO THESE STATEMENTS
 SEE INDEPENDENT AUDITOR'S REPORT

Morgantown Rural Fire Department, Inc.
(An Indiana Not-For-Profit Corporation)
Morgantown, Indiana
Notes to Audited Financial Statements
December 31, 2008 and 2007

NOTE 1 : SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Organization

Morgantown Rural Fire Department, Inc., (A Not-For-Profit Corporation), was organized December 27, 1949, to provide fire-protection and ambulance services to businesses and homes in the Morgantown, Indiana, area and surrounding communities.

Tax Status

The Organization operates as a nonprofit organization and was in the process of applying for exempt status during 2008. The Organization received its approval to be a 501(c)(3) public charity on May 18, 2009.

Basis of Presentation

The accompanying financial statements have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this basis, income is recognized when cash is received and expenses when cash is paid, except for long-term assets that are accounted for using the accrual method. The modified cash basis differs from generally accepted accounting principles primarily because the effects of outstanding revenues and obligations for expenses unpaid at the date of the financial statements are not included in the financial statements.

The Organization has adopted 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 financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization had only unrestricted net assets in 2008 and 2007.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

Morgantown Rural Fire Department, Inc.
(An Indiana Not-For-Profit Corporation)
Morgantown, Indiana
Notes to Audited Financial Statements
December 31, 2008 and 2007

(Continued)

NOTE 1 : SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property & Equipment

Property and equipment are recorded at cost less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the assets as follows:

<u>Assets</u>	<u>Years</u>
Building	39
Fire Equipment	5-7
Vehicles	5
Fair Booth Building	20

Maintenance, repairs, and minor renewals are charged to operations when they are incurred. Assets costing over \$500 are capitalized. When an asset is disposed of, its accumulated depreciation is deducted from the original cost, and any gain or loss arising from its disposal is credited or charged to earnings. The fair market value of contributed labor and materials were included in the fair booth building asset value at December 31, 2008.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization has cash in its checking and savings accounts. All these are included in its definition of cash.

Contributed Services

During the years ended December 31, 2008 and 2007, many individuals donated several hours of their time to this organization. Since most of the work does not require specialized skill, it has not been booked in the financial statements. During the year ended December 31, 2008, however, \$2,532 was given in contributed labor and materials on the construction of the fair booth building. That donation is included in donation income due to the nature of the work and the accrual method presentation of fixed assets. No donation revenue was booked for services for the year ended December 31, 2007.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

-7-

(CONTINUED)

Morgantown Rural Fire Department, Inc.
 (An Indiana Not-For-Profit Corporation)
 Morgantown, Indiana
 Notes to Audited Financial Statements
 December 31, 2008 and 2007

(Continued)

NOTE 1 : SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 amounts and disclosures. Accordingly, actual results could differ from those estimates. The main estimate used in these financial statements is the determination of estimated useful lives of property and equipment.

NOTE 2 : GOVERNMENT REVENUE

For the years ended December 31, 2008 and 2007, government contract sources were 74.08% and 77.31% respectively of the Organization's total revenue. Based on the tight budget at the state and local levels, the Organization's governmental contract income is suspect as to the increases and/or decreases it will receive.

Due to the nature of the Organization, all income is derived from the government, fundraising, and services performed in central Indiana.

NOTE 3 : LONG-TERM NOTES PAYABLE

	<u>2008</u>	<u>2007</u>
Note payable - secured by Ambulance with interest at the rate of 8.75% in 10 semi-annual installments of \$6,824.29	\$ 0.00	\$ 12,787.60
 Note payable - secured by Building with an adjustable interest rate (8.5% for 2007) and monthly payments of \$52.16	 0.00	 1,651.94

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

Morgantown Rural Fire Department, Inc.
 (An Indiana Not-For-Profit Corporation)
 Morgantown, Indiana
 Notes to Audited Financial Statements
 December 31, 2008 and 2007

(Continued)

NOTE 3 : LONG-TERM NOTES PAYABLE (Continued)

	<u>2008</u>	<u>2007</u>
Note payable - secured by 2007 Sterling tanker, 1991 Spartan pumper, and 1999 Chevy Rescue with interest at 7.5% payable in 84 monthly payments of \$2,940.66 each	154,555.11	177,733.98
	<u>154,555.11</u>	<u>192,173.52</u>
Less current portion	<u>(24,528.05)</u>	<u>(37,168.16)</u>
Total long-term notes payable at December 31,	\$130,027.06	\$155,005.36
	=====	=====

NOTE 4: LOAN MATURITIES

The aggregate loan repayments to be made for the succeeding years are as follows:

<u>As of December 31, 2008</u>	
December 31, 2009	\$ 24,528.05
December 31, 2010	26,432.23
December 31, 2011	28,484.24
December 31, 2012	30,695.55
December 31, 2013	<u>33,078.51</u>
Total	\$ 143,218.58
	=====
<u>As of December 31, 2007</u>	
December 31, 2008	\$ 37,168.16
December 31, 2009	24,493.10
December 31, 2010	26,394.57
December 31, 2011	28,443.65
December 31, 2012	<u>30,651.80</u>
Total	\$ 147,151.28
	=====

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

Morgantown Rural Fire Department, Inc.
 (An Indiana Not-For-Profit Corporation)
 Morgantown, Indiana
 Notes to Audited Financial Statements
 December 31, 2008 and 2007

(Continued)

NOTE 5: LEASE AGREEMENTS

On January 16, 2007, the Morgantown Rural Fire Department, Inc. entered into two agreements with the Jackson Township, Morgan County, Indiana, Trustee to lease a fire station located at 4205 State Road 252, Martinsville, Indiana, a 2001 International fire truck, and a 1996 Ford fire truck. The lease term for both leases began on January 16, 2007, and expires January 16, 2012. Under both leases, use of the building and equipment is considered a part of the contract for fire protection that exists between the two entities. No formal rent payments are paid, but the Fire Department must pay for insurance and maintenance on the equipment leased and all contents of the fire station. Since these statements are presented on the modified cash basis of accounting, the additional contract income and corresponding rent expense are not reflected in these financial statements.

NOTE 6: FUNCTIONAL ALLOCATION OF EXPENSES

Expenses are reported according to their natural classification in the Statements of Revenues, Expenses, and Changes in Net Assets. Functional expenses were as follows for the years ended December 31, 2008 and 2007:

	Year Ended <u>December 31, 2008</u>	Year Ended <u>December 31, 2007</u>
Program services	\$ 145,139	\$ 128,635
General & administrative	10,479	4,402
Fundraising	<u>13,440</u>	<u>10,086</u>
 Total expenses	 \$ 169,058 =====	 \$ 143,123 =====

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT