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August 20, 2014

Board of Directors  
Cleveland Township Volunteer Fire Department  
51233 County Road 5 N.  
Elkhart, IN 46514

We have reviewed the audit report prepared by Kruggel, Lawton & Company, LLC, 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 Cleveland Township Volunteer Fire Department, 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, except for the capitalization of certain equipment at appraised value rather than acquisition cost. Please refer to the Report of Independent Auditors and Note 1. We call your attention to this matter.

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

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner



**ANNUAL REPORT**  
December 31, 2011



Elkhart, Indiana

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# CLEVELAND TOWNSHIP VOLUNTEER FIRE DEPARTMENT, INC.

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Elkhart, Indiana

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## ANNUAL REPORT

December 31, 2011

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## REPORT OF INDEPENDENT AUDITORS

Board of Directors  
Cleveland Township Volunteer Fire Department, Inc.  
Elkhart, Indiana

We have audited the accompanying statements of assets, liabilities, and net assets - modified cash basis of Cleveland Township Volunteer Fire Department, Inc. as of December 31, 2011 and 2010, and the related statements of revenue and expenses - modified cash basis, expenses by functional and natural classification - modified cash basis, and cash flows - modified cash basis for the years 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 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 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 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 accounting principles generally accepted in the United States of America.

As also described in Note 1, the Organization has elected to record land and one building at appraised market value instead of cost. All other property and equipment has been recorded at cost. The effect of this departure has not been determined.

In our opinion, except for the effects of recording certain assets at appraised value instead of original cost, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Cleveland Township Volunteer Fire Department, Inc. as of December 31, 2011 and 2010, and its support, revenue, expenses, and changes in net assets and cash flows for the years then ended, on the basis of accounting described in Note 1.

Respectfully submitted,

*Kruggel, Lawton & Company, LLC*  
Certified Public Accountants

Elkhart, Indiana  
May 2, 2013

**Kruggel, Lawton & Company LLC** klcpas.com

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P: 574.264.2247 F: 574.266.0965

Members of the American Institute of Certified Public Accountants and the Indiana CPA Society

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**CLEVELAND TOWNSHIP VOLUNTEER FIRE DEPARTMENT, INC.**Elkhart, Indiana

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**STATEMENTS OF ASSETS, LIABILITIES, AND NET ASSETS - MODIFIED CASH BASIS**

December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash	121,404	85,167
Total Current Assets	121,404	85,167
<b>PROPERTY AND EQUIPMENT</b>		
Land	20,793	20,793
Buildings and improvements	391,054	385,723
Equipment	441,612	432,250
Vehicles	361,076	366,076
Total	1,214,535	1,204,842
Accumulated depreciation	860,013	834,225
Net Property and Equipment	354,522	370,617
<b>TOTAL ASSETS</b>	<b>475,926</b>	<b>455,784</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Other current liabilities	0	5,000
Total Current Liabilities	0	5,000
<b>NET ASSETS</b>		
Unrestricted	462,875	450,784
Temporarily restricted	13,051	0
Total Net Assets	475,926	450,784
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>475,926</b>	<b>455,784</b>

*The Notes to Financial Statements are an integral part of this statement.*

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**CLEVELAND TOWNSHIP VOLUNTEER FIRE DEPARTMENT, INC.**

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Elkhart, Indiana

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**STATEMENTS OF REVENUE AND EXPENSES - MODIFIED CASH BASIS**

For the Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b>UNRESTRICTED NET ASSETS</b>		
Revenue		
Contract revenue	584,282	621,348
Service revenue	102,607	93,897
Grant income	0	4,000
Other township income	17,418	0
Contributions	315	3,276
Other income	1,714	1,285
Interest income	1	398
Loss on disposal of assets	(5,923)	0
Total Revenue	700,414	724,204
Net assets reclassified:		
Restrictions satisfied by payments	19,101	0
Total Net Assets Reclassified	19,101	0
Expenses		
Program services	670,333	633,859
Supporting services:		
Management and general	25,479	5,469
Fundraising	11,612	0
Total Expenses	707,424	639,328
Increase In Unrestricted Net Assets	12,091	84,876
<b>TEMPORARILY RESTRICTED NET ASSETS</b>		
Revenue		
Fundraising events	32,141	0
Interest income	11	0
Total Contributions to Temporarily Restricted Net Assets	32,152	0
Net assets released from restrictions:		
Restrictions satisfied by payments	(19,101)	0
Total Net Assets Released from Restrictions	(19,101)	0
Increase In Temporarily Restricted Net Assets	13,051	0
<b>INCREASE IN NET ASSETS</b>	25,142	84,876
<b>NET ASSETS AT BEGINNING OF YEAR</b>	450,784	365,908
<b>NET ASSETS AT END OF YEAR</b>	475,926	450,784

*The Notes to Financial Statements are an integral part of this statement.*

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**CLEVELAND TOWNSHIP VOLUNTEER FIRE DEPARTMENT, INC.**Elkhart, Indiana

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**STATEMENTS OF EXPENSES BY FUNCTIONAL AND NATURAL CLASSIFICATION  
- MODIFIED CASH BASIS**

For the Year Ended December 31, 2011

		<u>Supporting Services</u>		
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	398,289	0	0	398,289
Payroll taxes	30,238	0	0	30,238
Fuel expense	20,600	0	0	20,600
Insurance	26,744	0	0	26,744
Group insurance	29,549	0	0	29,549
Education	3,541	0	0	3,541
Expense allowance	11,954	0	0	11,954
Depreciation	40,677	0	0	40,677
Utilities	16,640	0	0	16,640
Medical	1,597	0	0	1,597
Retirement expense	28,108	0	0	28,108
Repairs and maintenance	47,182	0	0	47,182
Outside services	15,214	0	0	15,214
Information technology services	0	16,748	0	16,748
Office supplies	0	4,210	0	4,210
Bank fees	0	160	0	160
Miscellaneous	0	4,361	0	4,361
Fundraising expenses	0	0	11,612	11,612
<b>Total</b>	<b>670,333</b>	<b>25,479</b>	<b>11,612</b>	<b>707,424</b>

*The Notes to Financial Statements are an integral part of this statement.*

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**CLEVELAND TOWNSHIP VOLUNTEER FIRE DEPARTMENT, INC.**

Elkhart, Indiana

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**STATEMENTS OF EXPENSES BY FUNCTIONAL AND NATURAL CLASSIFICATION  
- MODIFIED CASH BASIS**

For the Year Ended December 31, 2010

	<u>Supporting Services</u>		
	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries and wages	375,074	0	375,074
Payroll taxes	34,107	0	34,107
Fuel expense	9,926	0	9,926
Insurance	42,268	0	42,268
Group insurance	29,613	0	29,613
Education	2,981	0	2,981
Expense allowance	10,623	0	10,623
Depreciation	36,928	0	36,928
Utilities	12,720	0	12,720
Medical	121	0	121
Retirement expense	25,892	0	25,892
Repairs and maintenance	39,833	0	39,833
Outside services	13,773	0	13,773
Office supplies	0	3,658	3,658
Bank fees	0	63	63
Miscellaneous	0	1,748	1,748
<b>Total</b>	<b>633,859</b>	<b>5,469</b>	<b>639,328</b>

*The Notes to Financial Statements are an integral part of this statement.*



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**CLEVELAND TOWNSHIP VOLUNTEER FIRE DEPARTMENT, INC.**

Elkhart, Indiana

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**STATEMENTS OF CASH FLOWS - MODIFIED CASH BASIS**

For the Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets	25,142	84,876
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Depreciation	40,677	36,928
Loss on disposal of assets	5,923	0
Donated assets	0	(3,276)
Adjustments for changes in operating assets and liabilities:		
Other current liabilities	(5,000)	(3,091)
Net Cash Flows from Operating Activities	66,742	115,437
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(30,505)	(31,095)
Net Cash Flows from Investing Activities	(30,505)	(31,095)
<b>INCREASE IN CASH</b>	36,237	84,342
<b>CASH AT BEGINNING OF YEAR</b>	85,167	825
<b>CASH AT END OF YEAR</b>	<b>121,404</b>	<b>85,167</b>

*The Notes to Financial Statements are an integral part of this statement.*

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# **CLEVELAND TOWNSHIP VOLUNTEER FIRE DEPARTMENT, INC.**

Elkhart, Indiana

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## **NOTES TO MODIFIED CASH BASIS FINANCIAL STATEMENTS**

December 31, 2011 and 2010

### **NATURE OF ACTIVITIES**

Cleveland Township Volunteer Fire Department, Inc. ("the Organization") is a non-profit corporation that is retained by a local municipality on an annual basis to provide fire services. The Organization is supported primarily by a fee for service contract with Cleveland Township in Elkhart, Indiana. The Organization received and deposited contract revenue of \$584,282 and \$621,348 during 2011 and 2010, respectively. In addition to contract fees provided by the township, the township also provides additional "emergency" funding to the Organization when it experiences negative cash flows. The funding provided to the Organization from Cleveland Township in 2011 consists of contract payments of \$473,476, as well as additional emergency funding of approximately \$110,806. In addition, during 2011 Cleveland Township paid expenses on behalf of the Organization in the amount of \$17,418 directly to its vendors. The funding provided to the Organization from Cleveland Township in 2010 consists of contract payments of \$356,057, as well as additional emergency funding of approximately \$225,000. Additionally, the Organization provides ambulatory services for which the Organization is also compensated by either individuals, their insurance companies, or both.

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **BASIS OF PRESENTATION**

The Organization's policy is to prepare its financial statements on the modified cash basis of accounting. Certain revenues are recognized when received rather than when earned, and certain expenses and purchases of assets are recognized when cash is disbursed rather than when the obligation is incurred.

The Organization adheres to Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, which sets standards for reporting on financial statements of not-for-profit organizations. ASC 958-205 requires the classification and presentation of net assets in three categories: unrestricted, temporarily restricted, and permanently restricted net assets. Thus, the accompanying financial statements report information regarding its assets, liabilities, net assets, support, revenue and expenses according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets represent the part of the net assets of the Organization that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Unrestricted net assets include expendable funds available for the support of the Organization.

Temporarily restricted net assets represent the part of the net assets of the Organization resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by the passage of time or by actions of the Organization. Temporarily restricted net assets also include cumulative appreciation and reinvested gains on permanently restricted net assets, which have not been appropriated by management of the Organization.

Permanently restricted net assets represent the part of the net assets of the Organization resulting 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.

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# **CLEVELAND TOWNSHIP VOLUNTEER FIRE DEPARTMENT, INC.**

Elkhart, Indiana

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## **NOTES TO MODIFIED CASH BASIS FINANCIAL STATEMENTS**

December 31, 2011 and 2010

### **CASH**

For the purposes of the Statements of Cash Flows - Modified Cash Basis, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash is held at local banks and is insured up to the respective limits by the FDIC.

### **PROPERTY AND EQUIPMENT**

Donations of property and equipment are recorded as unrestricted support at their estimated fair value 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. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Donated assets for the years ended December 31, 2011 and 2010 were \$0 and \$3,276, respectively.

Purchased property and equipment are stated at cost, except for land, building and improvements located at 29500 County Road 12, and land located at 51233 County Road 5, Elkhart, Indiana which are stated at the appraised market value as appraised on March 23, 1991. These assets represent approximately 8% of total net book value of property and equipment at December 31, 2011 and 2010. Expenditures for additions, improvements, and replacements are added to the property and equipment accounts. Repairs and maintenance are charged to expense as incurred. When equipment is retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the respective accounts and any gain or loss arising from the disposition is reflected in income. Depreciation is provided for over the estimated useful lives of the assets by the straight-line method. Depreciation expense was \$40,677 and \$36,928 for the years ended December 31, 2011 and 2010, respectively.

A summary of the range of lives by asset category follows:

Buildings and improvements	15 - 40 years
Equipment	5 - 10 years
Vehicles	10 years

### **CONTRIBUTIONS**

Contributions received 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 support that increases those net asset classes.

A donor restriction expires when a stipulated time restriction ends or when a purpose restriction is accomplished. Upon expiration, temporarily restricted assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restrictions are met in the fiscal year in which the contributions are recognized.

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# **CLEVELAND TOWNSHIP VOLUNTEER FIRE DEPARTMENT, INC.**

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Elkhart, Indiana

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## **NOTES TO MODIFIED CASH BASIS FINANCIAL STATEMENTS**

December 31, 2011 and 2010

### **INCOME TAXES**

The Organization's tax exempt status as a not-for-profit organization under IRC Section 501(c)(3) was reinstated as of August 10, 2011. The Organization's 501(c)(3) status was automatically revoked as of May 15, 2010 as a result of the Organization's failure to file federal form 990 for three consecutive reporting periods. The Organization was operating under the premise that it was not required to file form 990 since it should be treated as an affiliate of a governmental unit under guidelines outlined in Revenue Procedure 95-48 which exempts organizations from the filing requirement, but it had not obtained an official determination from the IRS. The Organization has since requested the determination from the IRS but has not yet received a response as of the date of these financial statements. However, the Internal Revenue Service has determined that the Organization is not a private foundation within the meaning of Section 509(a). The Organization is also considered to be exempt under corresponding provisions of Indiana tax law.

The Income Taxes Topic, FASB ASC 740, clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. ASC 740 requires an enterprise to disclose the nature of uncertain tax positions taken, if any, when filing its income tax return utilizing a two-step process to recognize and measure any uncertain tax positions taken. The entity recognizes a tax benefit only if it is more likely than not the position would be sustained in a tax examination, with a tax examination being presumed to occur. No tax benefit will be recorded on tax positions not meeting the more likely than not test. Interest and penalties accrued or incurred, if any, as a result of applying ASC 740 will be recorded to interest expense and other expense, respectively.

Based on its evaluation, the Organization has concluded that there are no uncertain tax positions requiring recognition in its financial statements. The Organization's evaluation was performed for all federal and state tax periods still subject to examination. The Organization's 2008 through 2010 federal and state exempt organization returns remain subject to examination by the IRS and state taxing authority.

### **NOTE 2 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at December 31, 2011 consist of funds raised by the membership of the fire department through various fundraisers including, but not limited to, a "fill the boot" event to collect cash contributions, a fish fry, and the sale of Christmas trees, as well as, interest accumulated from the deposit accounts containing such funds. The use of the funds is determined by vote of the membership. Common uses include the purchase of fire gear not provided to the membership by the department, the purchase of assets for the department by the membership, and the funding of other purchases not within the department's budget. The funds are not under the direct control of management or the Board of Directors. The funds are released from restriction as expended. During the year ended December 31, 2011, the membership raised \$32,141 through the fundraising events and expended \$19,101 for the aforementioned purposes, including \$2,132 for assets reflected in Property and Equipment on the Statement of Assets, Liabilities, and Net Assets - Modified Cash Basis. Temporarily restricted net assets available to the membership were \$13,051 at December 31, 2011.

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# **CLEVELAND TOWNSHIP VOLUNTEER FIRE DEPARTMENT, INC.**

Elkhart, Indiana

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## **NOTES TO MODIFIED CASH BASIS FINANCIAL STATEMENTS**

December 31, 2011 and 2010

### **NOTE 3 - CONCENTRATIONS**

The Organization receives most of its operating support from a fee for service contract with Cleveland Township in Elkhart, Indiana. The Organization contracts with Cleveland Township to provide fire protection to the township's residents. If the municipality decides not to renew its annual contract with the Organization or significantly reduces the Organization's allocated funds, the Organization would not be able to operate.

### **NOTE 4 - RETIREMENT PLAN**

On October 10, 2002, the organization joined the Indiana Public Employees Retirement Fund (P.E.R.F.). All employees are eligible to participate by contributing 3% of their wages. The Organization matches 7.50% of all participating employees' wages. The Organization incurred expenses of \$28,108 and \$25,892 during the years ended December 31, 2011 and 2010, respectively.

### **NOTE 5 - SUBSEQUENT EVENTS**

The Subsequent Events Topic of the Financial Accounting Standards Board Accounting Standards Codification (ASC) 855 establishes general standards for non-public entities of accounting for and disclosing events that occur after the balance sheet date but before financial statements are available to be issued. Financial statements are considered available to be issued when they are complete in a form and format that complies with accounting principles generally accepted in the United States of America and all approvals necessary for issuance have been obtained. Accordingly, management has evaluated events or transactions that occurred after the most recent balance sheet date of December 31, 2011 through May 2, 2013, the date the financial statements were available to be issued. Management is not required to and has not evaluated events or transactions that occurred after May 2, 2013. No events or transactions occurred in the mandatory evaluation period requiring recognition or disclosure in the financial statements.