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October 24, 2014

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

We have reviewed the audit report prepared by J Rorrer & Co., P.C., for the period January 1, 2012 to December 31, 2012. 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 Charlestown Township Volunteer Fire Department, as of December 31, 2012, 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.

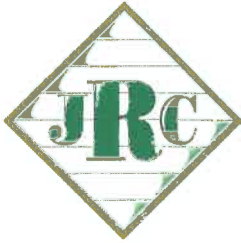
Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

**Charlestown Volunteer Fire Department, Inc.
Audited Financial Statements
For the Years Ended
December 31, 2012 and 2011**

Charlestown Volunteer Fire Department, Inc

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J RORRER & CO., P.C.
Certified Public Accountants

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

INDEPENDENT AUDITORS' REPORT

To the Board
Charlestown Volunteer Fire Department, Inc.

We have audited the accompanying financial statements of Charlestown Volunteer Fire Department Inc. (a nonprofit corporation), which comprise the statement of assets liabilities and net assets –modified cash basis as of December 31, 2012 and 2011 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, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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, 2012 and 2011 and its support, revenue, and expenses for the years then ended in accordance with the modified cash basis of accounting as described in Note 1.

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Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.



J Rorrer & Co. P.C.
Certified Public Accountants
August 15, 2013

Charlestown Volunteer Fire Department Inc.
Statement of Assets Liabilities and Net Assets
Modified Cash Basis
December 31, 2012 and 2011

ASSETS	2012	2011
Current Assets:		
Cash and cash equivalents	<u>\$266,846</u>	<u>\$273,994</u>
Total Current Assets	<u>266,846</u>	<u>273,994</u>
Property and Equipment:		
Land	75,400	75,400
Buildings	788,391	786,391
Vehicles	536,606	480,542
Fire fighting equipment	767,908	751,108
Office	22,237	22,236
Furniture and fixtures	45,390	45,390
Computer system	23,777	16,999
Less Accum. Depreciation	<u>(1,023,270)</u>	<u>(939,992)</u>
Total Property and Equipment	<u>1,236,439</u>	<u>1,238,074</u>
Total Assets	<u><u>\$1,503,285</u></u>	<u><u>\$1,512,068</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Taxes payable	1,171	26
Current portion long-term debt	<u>62,577</u>	<u>49,267</u>
Total Current Liabilities	63,748	49,293
Long-Term Liabilities:		
Long term debt	426,249	409,790
Less current portion	<u>(62,577)</u>	<u>(49,267)</u>
Total Long-Term Liabilities:	<u>363,672</u>	<u>360,523</u>
Total Liabilities	427,420	409,816
Net Assets:		
Temporarily restricted	17,697	16,783
Unrestricted	<u>1,058,168</u>	<u>1,085,469</u>
Total Net Assets	1,075,865	1,102,252
Total Liabilities and Net Assets	<u><u>\$1,503,285</u></u>	<u><u>\$1,512,068</u></u>

See accompanying notes and independent auditors' 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, 2012 and 2011

	Unrestricted	Temporarily Restricted	Audited 2012 Total	Unrestricted	Temporarily Restricted	Audited 2011 Total
Revenue:						
Contract income	\$388,561		\$388,561	\$382,916	0	\$382,916
Miscellaneous Income	1,347		\$1,347	14,664	0	14,664
Vending	1,915		\$1,915	1,527	0	1,527
Insurance claims	3,015		\$3,015	1,560	0	1,560
Lieu of taxes	6,627		\$6,627	6,248	0	6,248
Grant income	0	10,000	\$10,000	0	5,000	5,000
Crusade for children	44,330		\$44,330	54,408	0	54,408
Net assets restricted	2,500	(2,500)	\$0	(5,000)	5,000	0
Gain and loss on sale of assets	1,327		\$1,327	8,712	0	8,712
Interest income	60	27	\$87	63	31	94
Total Revenue	449,682	7,527	457,209	465,098	10,031	475,129
Expenses:						
Accounting	20,360		20,360	17,340	0	17,340
Bank charges	0		0	150	0	150
Building maintenance	2,929		2,929	16,138	0	16,138
Clothing allowance	51,635		51,635	57,853	0	57,853
Communication radio	1,549		1,549	808	0	808
Contribution	44,712		44,712	55,428	0	55,428
Department dinner and meals	1,407		1,407	1,285	0	1,285
Depreciation	118,328		118,328	108,325	0	108,325
Dues and subscriptions	2,022		2,022	1,652	0	1,652
Fuel	28,210		28,210	24,064	0	24,064
Insurance	32,463		32,463	27,440	0	27,440
Interest on loans	30,150		30,150	24,284	0	24,284
Miscellaneous expense	395		395	3,189	0	3,189
Office expense	4,755		4,755	6,380	0	6,380
Outside service	3,970		3,970	2,750	0	2,750
Payroll expense	48,275		48,275	46,643	0	46,643
Personal turnout gear	1,389		1,389	2,068	0	2,068
Professional fees	5,400		5,400	5,300	0	5,300
Public relations	3,161		3,161	2,831	0	2,831
Small equipment and repairs	6,290		6,290	7,976	0	7,976
Station 1 expense	14,721		14,721	11,606	0	11,606
Station 2 expense	4,050		4,050	4,243	0	4,243
Station 3 expense	5,019		5,019	7,554	0	7,554
Station 4 expense	3,562		3,562	3,427	0	3,427
Supplies	5,965		5,965	5,828	0	5,828
Telephone	4,750		4,750	5,475	0	5,475
Training	169		169	100	0	100
Truck expense	27,189	6,613	33,802	15,704	5,000	20,704
Uniforms	2,604		2,604	1,943	0	1,943
Vending expense	1,554		1,554	1,546	0	1,546
Total Expenses	476,983	6,613	483,596	469,330	5,000	474,330
Changes in Net Assets	(27,301)	914	(26,387)	(4,232)	5,031	799
Net Assets, beginning of year	1,085,469	16,783	1,102,252	1,089,701	11,752	1,101,453
Net Assets, end of year	\$1,058,168	\$17,697	\$1,075,865	\$1,085,469	\$16,783	\$1,102,252

See accompanying notes and independent auditors' report.

Charlestown Volunteer Fire Department Inc.
Statement of Cash Flows
Modified Cash Basis
December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Operating activities:		
Changes in net assets	(26,387)	\$799
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Gain on sale of assets	(1,327)	(8,712)
Increase (decrease) in accrued liabilities	1,145	(2,092)
Depreciation	<u>118,328</u>	<u>108,325</u>
Net cash provided by operating activities	<u>91,759</u>	<u>98,320</u>
Investing activities:		
Proceeds from sale of property and equipment	4,327	10,000
Purchase of property and equipment	<u>(119,693)</u>	<u>(76,000)</u>
Net cash used in investing activities	<u>(115,366)</u>	<u>(66,000)</u>
Financing activities:		
Proceeds from long term debt	83,195	16,559
Payments on long term debt	<u>(66,736)</u>	<u>(46,151)</u>
Net cash used in financing activities	<u>16,459</u>	<u>(29,592)</u>
Net increase (decrease) in cash and cash equivalents	(7,148)	2,728
Beginning Cash and Cash Equivalents	<u>273,994</u>	<u>271,266</u>
Ending Cash and Cash Equivalents	<u><u>\$266,846</u></u>	<u><u>\$273,994</u></u>
Supplemental disclosure:		
Interest paid	\$30,150	\$24,284
Taxes paid	\$0	\$0
Property and equipment purchased through long-term debt	\$83,195	\$16,559

See accompanying notes and independent auditors' report.

Charlestown Volunteer Fire Department, Inc.
Notes to the Financial Statements
December 31, 2012

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, 2012 and 2011 is \$17,697 and \$16,783 respectively.

Unrestricted Cash

Consists of seven 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, clothing allowance, cadets and fund raising activities. The balance of unrestricted cash as of December 31, 2012 and 2011 is \$249,149 and \$257,211 respectively.

Charlestown Volunteer Fire Department, Inc.
Notes to the Financial Statements
December 31, 2012

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, 2012 and 2011 consisted of the following:	<u>2012</u>	<u>2011</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.	\$152,438	\$178,429
Note payable to New Washington State Bank with two annual payments of \$9,733 bearing interest at 6% and collateral of real estate.	170,729	183,924
Note payable to New Washington State Bank with monthly payments of \$322 bearing interest at 4.50% and collateral of F-250 Truck.	9,954	13,279
Note payable to New Washington State Bank with monthly payments of \$1,543 bearing interest at 4.30% and collateral of 2008 Crimson.	70,481	0
Note payable to New Washington State Bank with monthly payments of \$552 bearing interest at 6% and collateral of Chevy Blazer	0	4,828
Note payable to First Savings Bank with monthly payments of \$308 bearing interest at 4.35% and collateral of F250 Truck.	12,489	15,568
Note payable to New Washington State Bank with monthly payments of \$320 bearing interest at 4.50% and collateral of F250 Truck.	<u>10,158</u>	<u>13,762</u>
Total	\$426,249	\$409,790
Less current portion	<u>62,577</u>	<u>49,267</u>
	<u>\$363,672</u>	<u>\$360,523</u>

Maturities of long term debt are as follows:

Year ending	<u>Amount</u>
<u>December</u>	
2013	\$62,577
2014	65,819
2015	67,606
2016	63,641
2017	48,679
Thereafter	<u>117,927</u>
	<u>\$426,249</u>

Charlestown Volunteer Fire Department, Inc.
Notes to the Financial Statements
December 31, 2012

Note 5-Donated Services

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

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, 2016. The future minimum lease under this lease is \$1.00 per year for a total of \$4.00 through the end of the lease. The Organization subleases a 2010 Crimson Fire Engine and a 2006 Ferrara Rescue Engine from the Charlestown – Oregon Townships Fire Protection District of Clark County, Indiana for the sum of \$1 per year per vehicle plus the Organization must provide maintenance and insurance for these vehicle. The lease is year to year.

Note 7-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. The fair value of the Organization's long term debt is estimated at \$426,249 and \$409,790 for 2012 and 2011, respectively based on the future cash flows associated with each note discounted using the Organization's current borrowing rate for similar debt.

Note 8-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 9-Subsequent Event

The Organization has evaluated subsequent events through August 15, 2013 the date which the financial statements were available to be issued.

Note-10 -Federal Financial Assistance:

The Organization was awarded a matching grant for the year 2011 and 2010 from the Department of Natural Resources. The approval project cost is \$10,000 for each year. The funds are to be used for equipment wild land and water handling and the state share is 50 percent and the Organizations share is 50 percent. As of December 31, 2012 funds received in 2012 were \$5,000 for each grant. The expenditures were \$10,256 for 2011 paid in 2011 and \$10,071 for 2010 paid in 2010.

The Organization was awarded matching grant for the year 2012 from Department of Natural Resources. The approved project cost is \$10,000 to be used for equipment and wild land and the state's share is 50 percent or \$5,000 and the Organization's is 50 percent. As of December 31, 2012 funds received were \$0 and expenditures were \$10,096.

Note 11- Functional Expense:

The Organization reports its expenses by natural classification in the statement of revenues and expenses and changes in net assets-modified cash basis. By function, costs were incurred as follows:

	<u>2012</u>	<u>2011</u>
Fire protection service	\$ 405,808	\$ 381,805
Administrative	33,076	35,551
Fund raising	<u>44,712</u>	<u>56,974</u>
	<u>\$ 483,596</u>	<u>\$ 474,330</u>