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August 4, 2015

Board of Directors  
Sellersburg Volunteer Fire Department, Inc.  
426 E. Utica Street  
Sellersburg, IN 47172

We have reviewed the audit report prepared by Rodefer Moss & Co, PLLC, for the period January 1, 2014 to March 31, 2015. 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 Sellersburg Volunteer Fire Department, Inc., as of March 31, 2015, 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

SELLERSBURG VOLUNTEER FIRE DEPARTMENT, INC.

Financial Statements

For the Period January 1, 2014 through March 31, 2015

SELLERSBURG VOLUNTEER FIRE DEPARTMENT, INC.

Financial Statements

March 31, 2015

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### Independent Auditors' Report

To the Officers and Directors  
 Sellersburg Volunteer Fire Department, Inc.

We have audited the accompanying financial statements of Sellersburg Volunteer Fire Department, Inc. (a nonprofit organization), which comprise the statement of financial position as of March 31, 2015, and the related statements of activities and cash flows for the period January 1, 2014 through March 31, 2015, 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 accounting principles generally accepted in the United States of America; this includes 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.

#### **Auditors' 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 financial position of Sellersburg Volunteer Fire Department, Inc. as of March 31, 2015, and the changes in its net assets and its cash flows for the period January 1, 2014 through March 31, 2015, in accordance with accounting principles generally accepted in the United States of America.

*Rodefer Moss & Co, PLLC*

Rodefer Moss & Co, PLLC  
 New Albany, Indiana  
 July 22, 2015

## SELLERSBURG VOLUNTEER FIRE DEPARTMENT, INC.

## Statement of Financial Position

March 31, 2015

## ASSETS

Cash	\$ 157,487
Accounts receivable	1,936
Prepaid expenses	1,351
Investments	1,554,372
Property and equipment, net	<u>1,459,456</u>
 Total assets	 <u>\$ 3,174,602</u>

## LIABILITIES AND NET ASSETS

## Liabilities

Accounts payable	\$ 4,349
Accrued expenses	26,100
Accrued interest	8,147
Notes payable	<u>820,116</u>
 Total liabilities	 <u>858,712</u>

## Net Assets

Unrestricted	
Unrestricted	517,214
Board designated	<u>1,554,372</u>
 Total Unrestricted	 2,071,586
Temporarily restricted	<u>244,304</u>
 Total net assets	 <u>2,315,890</u>
 Total liabilities and net assets	 <u>\$ 3,174,602</u>

SELLERSBURG VOLUNTEER FIRE DEPARTMENT, INC.

Statement of Activities

For the Period January 1, 2014 through March 31, 2015

	Unrestricted	Temporarily Restricted	Total
Revenue, gains, and other support			
Contract services	\$ 1,439,468	\$ -	\$ 1,439,468
In-kind contributions	212,370	83,700	296,070
Interest and dividends	63,970	-	63,970
Realized and unrealized gain on investments	42,362	-	42,362
Rent	20,310	-	20,310
Fire/Haz Mat runs	7,625	-	7,625
Other	3,102	-	3,102
Ambulance services	1,259	-	1,259
	1,790,466	83,700	1,874,166
Net assets transferred to restrictions	(80,087)	80,087	-
Total revenue, gains, and other support	1,710,379	163,787	1,874,166
Expenses			
Salaries	671,914	-	671,914
Depreciation	303,607	-	303,607
Insurance	185,083	-	185,083
Employee benefits	104,367	-	104,367
Utilities and telephone	83,714	-	83,714
Interest	61,944	-	61,944
Payroll taxes	60,387	-	60,387
Fuel and oil	52,417	-	52,417
Fire and ambulance supplies	55,819	-	55,819
In-kind	47,370	-	47,370
Professional fees	26,883	-	26,883
Repair and maintenance	19,526	-	19,526
Incentive pay	19,522	-	19,522
Investment fees	19,498	-	19,498
Uniforms and protective clothing	19,280	-	19,280
Miscellaneous	18,315	-	18,315
IT supplies and services	17,213	-	17,213
Office	16,889	-	16,889
Training	5,766	-	5,766
Vending and food supplies	3,921	-	3,921
Dues and subscriptions	3,122	-	3,122
Radios and pagers	1,679	-	1,679
Travel	1,253	-	1,253
Billing services	1,114	-	1,114
Advertising	885	-	885
Amortization	256	-	256
Total expenses	1,801,744	-	1,801,744
Change in net assets	(91,365)	163,787	72,422
Net assets at beginning of year	2,162,951	80,517	2,243,468
Net assets at end of year	\$ 2,071,586	\$ 244,304	\$ 2,315,890

See notes to financial statements.

## SELLERSBURG VOLUNTEER FIRE DEPARTMENT, INC.

## Statement of Cash Flows

For the Period January 1, 2014 through March 31, 2015

## Cash Flows From Operating Activities

Cash received from service recipients	\$ 39,198
Cash received from contract and local support	1,589,224
Interest paid	(61,944)
Interest income	1,242
Cash paid to employees and suppliers	<u>(1,320,551)</u>
Net cash flows from operating activities	<u>247,169</u>

## Cash Flows From Investing Activities

Purchases of equipment	(71,822)
Purchases of investments	(540,918)
Proceeds from sale of investments	<u>497,704</u>
Net cash flows from investing activities	<u>(115,036)</u>

## Cash Flows From Financing Activities

Principal payments of debt	<u>(231,571)</u>
Net cash flows from financing activities	<u>(231,571)</u>
Net change in cash and cash equivalents	(99,438)
Cash and cash equivalents at the beginning of the year	<u>256,925</u>
Cash and cash equivalents at the end of the year	<u>\$ 157,487</u>

## Supplemental Disclosures

## Noncash Transactions

Use of vehicle donated to Organization	\$ 47,370
Buildings and equipment donated to Organization	<u>\$ 248,700</u>

## SELLERSBURG VOLUNTEER FIRE DEPARTMENT, INC.

## Statement of Cash Flows (Continued)

For the Period January 1, 2014 through March 31, 2015

## Reconciliation of change in net assets to net cash flows from operating activities

Change in net assets	\$ 72,422
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Depreciation	303,607
Amortization	256
Realized and unrealized gain on investments	(42,362)
Donated assets	(248,700)
Decrease in assets:	
Accounts receivable	113,428
Prepaid expenses	38,198
Increase (decrease) in liabilities:	
Accounts payable	(9,761)
Accrued expenses	12,523
Accrued interest	<u>7,558</u>
Net cash flows from operating activities	<u>\$ 247,169</u>

SELLERSBURG VOLUNTEER FIRE DEPARTMENT, INC.

Notes to Financial Statements

March 31, 2015

**NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities** - Sellersburg Volunteer Fire Department, Inc. ("Organization") is an Indiana nonprofit corporation serving parts of Clark County. The Organization operates a staff of volunteer firefighters to fight fires, to use and maintain rescue and fire fighting equipment, and to otherwise provide fire protection and prevention for the Town of Sellersburg and the Townships of Carr, Silver Creek, and Union.

**Basis of Accounting** - The accounting records of the Organization are maintained using the accrual method. Under this method of accounting, support, revenue and expenditures are identified with specific periods of time and are recorded as incurred along with assets acquired, without regard to the date of receipt or payment of cash. Financial statements prepared on this basis conform to the practices of business organizations in general with respect to such items as receivables, prepayments and accrual of liabilities.

**Change in Fiscal Year** - The Organization adopted a fiscal year end of March 31 and replaced the prior calendar year end of December 31. The period under audit covered the fifteen month transition from January 1, 2014 through March 31, 2015.

**Cash and Cash Equivalents** - The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**Accounts Receivable** - Accounts receivable are stated at the amount management expects to collect from outstanding balances at period-end. Based on management's assessment of the credit history with individuals having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at period-end will be immaterial. At March 31, 2015 the accounts receivable balance of \$1,936 was deemed collectible.

**Property and Equipment** - Property and equipment is stated at cost or, if donated, at the approximate fair market value at the date of donation. Depreciation is recorded using primarily the straight-line method over the estimated useful lives of the assets. Amortization is recorded using the straight-line method over fifteen years.

**Donated Property and Equipment** - Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose.

**Disposal of Equipment** - The Organization's policy with respect to retirements, sales and disposals of equipment is to remove the cost of the asset and the related accumulated depreciation from the accounts. The resulting gain or loss is reported as gain or loss on the sale of fixed assets.

**Trade-In of Equipment** - The Organization's policy with respect to the trade-in of equipment is to remove the cost of the asset traded and the related accumulated depreciation from the accounts. The remaining basis of the asset traded-in is added to the cost of the asset acquired. No gain or loss is recognized on trade-ins.

**Repairs and Maintenance** - Expenditures are charged to operations as incurred for maintenance, repairs and renewals which do not materially extend the useful life of the property.

**Advertising** - The Organization uses advertising to promote its programs. The costs of advertising are expensed as incurred. During the period ended March 31, 2015, advertising costs totaled \$885.

**Income Taxes** - The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal or state income taxes is included in the accompanying financial statements. The Organization evaluates its uncertain tax positions in accordance with applicable standards. It has evaluated its tax positions, and believes that it has none that are uncertain.

SELLERSBURG VOLUNTEER FIRE DEPARTMENT, INC.  
Notes to Financial Statements (Continued)

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Basis of Presentation** - The Organization reports 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. In addition, the Organization is required to present a statement of cash flows.

**Board Designated Net Assets** - Represent amounts designated by the Board of Directors to retain as investments.

**Temporarily Restricted Net Assets** - Represent assets that are donor-restricted for a specific time period or for a specific purpose.

**Use of 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.

**Contributed Services** - During the period ended March 31, 2015, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization.

**Date of Management's Review** - Management has evaluated events and transactions occurring subsequent to the Statement of Financial Position date of March 31, 2015 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through July 22, 2015, the date these financial statements were available to be issued.

NOTE 2 - INVESTMENTS

Investments in marketable securities are stated at fair value. Fair values at March 31, 2015 are summarized as follows:

Mutual funds	\$ 574,673
Fixed income	505,100
Equities	267,900
Other alternative investment	91,263
Cash and cash equivalents	69,735
US Government fixed income	45,701
	<hr/>
	<u>\$ 1,554,372</u>

The following schedule summarizes the investment return for the period ended March 31, 2015:

Dividend and interest income	\$ 63,970
Realized and unrealized gain on investments	<u>42,362</u>
Total	<u><u>\$ 106,332</u></u>

Interest income includes interest earned from investments as well as money market funds, which are included in cash and cash equivalents in the Statement of Financial Position. Dividend income includes dividends received from common stocks and capital gain distributions from mutual funds.

SELLERSBURG VOLUNTEER FIRE DEPARTMENT, INC.  
Notes to Financial Statements (Continued)

**NOTE 3 - FAIR VALUE OF FINANCIAL INSTRUMENTS**

The carrying amounts of the Organization's cash, certain cash equivalents, receivables, payables, and accrued liabilities approximate fair value because of the short-term maturity of these instruments. The Organization has various financial assets that are measured at fair value on the financial statements using input from the three levels of the fair value hierarchy. A financial asset classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

The three levels are as follows:

- Level 1 - Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.
- Level 2 - Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability and inputs that are derived principally from or corroborated by observable market data by correlation or other means (market corroborated inputs).
- Level 3 - Unobservable inputs reflect the Organization's judgments about the assumptions market participants would use in pricing the asset or liability since limited market data exists. The Organization develops these inputs based on the best information available, including its own data.

Investments are valued at the closing price reported on the active market on which the individual investment is traded. There have been no changes in the methodologies used to value investments at March 31, 2015.

The following table represent the Organization's fair value hierarchy for its financial assets measured at fair value on a recurring basis as of March 31, 2015. All investments are included in Level 1 of the fair value hierarchy:

	<u>Cost</u>	<u>Fair Value</u>
Mutual funds	\$ 542,790	\$ 574,673
Fixed income	516,198	505,100
Equities	264,562	267,900
Other alternative investment	87,617	91,263
US Government fixed income	<u>46,688</u>	<u>45,701</u>
	<u><u>\$ 1,457,855</u></u>	<u><u>\$ 1,484,637</u></u>

**NOTE 4 - PROPERTY AND EQUIPMENT**

Property and equipment consists of the following:

Fire trucks, ambulances and autos	\$ 1,830,310
Fire and office equipment	1,217,196
Buildings and improvements	930,831
Furniture and fixtures	134,016
Closing costs	<u>3,067</u>
	4,115,420
Less accumulated depreciation and amortization	<u>(2,655,964)</u>
Property and equipment, net	<u><u>\$ 1,459,456</u></u>

SELLERSBURG VOLUNTEER FIRE DEPARTMENT, INC.  
Notes to Financial Statements (Continued)

NOTE 5 - LINES OF CREDIT

The Organization has an unsecured line of credit with JP Chase Morgan Bank in the amount of \$100,000. The line of credit was due to mature on April 14, 2015, and it was renewed. The interest rate charged on this line of credit is 4.25%. The balance at March 31, 2015 was \$0.

The Organization has an unsecured line of credit with New Washington State Bank that was initially in the amount of \$100,000. The line of credit matured on October 14, 2014 and was replaced with a second line of credit in the amount of \$100,000, which matures on October 17, 2015. The interest rate for the line of credit is 4.50%. The balance on the line of credit at March 31, 2015 was \$0.

The Organization had two lines of credit with Your Community Bank. The first line of credit in the amount of \$150,000 matured on August 24, 2014 and was not renewed. The second line of credit is in the amount of \$100,000 and is secured by motor vehicles. That line of credit matured on April 24, 2015 and was renewed to a new maturity date of April 24, 2016. The interest rate for both lines of credit was 1.50% over the index, with a floor of 5.00%. At March 31, 2015 the interest rate was 5.00%. The balance on the open line of credit at March 31, 2015 was \$0.

NOTE 6 - NOTE PAYABLE

The Organization has a note from New Washington State Bank, secured by real estate. The note matures on December 31, 2023. The interest rate on the note is 4.9%. The note is secured by real estate. At March 31, 2015 the balance of the note payable was \$820,116.

A five-year summary of debt payments is presented below:

Year ending March 31,	
2016	\$ 97,175
2017	100,175
2018	105,083
2019	110,232
2020	115,634
Thereafter	<u>291,817</u>
	<u>\$ 820,116</u>

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

At March 31, 2015 the balance of temporarily restricted net assets totaled \$244,304. Of this amount, \$160,604 represented restrictions placed on the future sale of certain vehicles under the contract with Clark County, Indiana, which is further discussed in Note 8. The remaining \$83,700 of restricted assets was due to restrictions on certain assets received under the government surplus program. These assets are restricted for eighteen months after being put into use.

NOTE 8 - CONCENTRATIONS

The Organization entered into a contract with Clark County, Indiana (Tri-Township Fire Protection District, Inc.) on November 11, 2014. Under the contract, the Organization will provide fire protection services in exchange for funding from Clark County, Indiana. The contract term began January 1, 2015 and expires December 31, 2015.

The Organization is materially dependent on Clark County, Indiana for its funding. In the period ended March 31, 2015 the Organization received 88 percent of its revenue from Clark County, Indiana.

SELLERSBURG VOLUNTEER FIRE DEPARTMENT, INC.  
Notes to Financial Statements (Continued)

**NOTE 9 - LEASES**

The Organization leases several properties in Clark County, Indiana from the Tri-Township Fire Protection District, Inc. The leases began December 1, 1991 with rent in the amount of \$1 per year for a period of forty-eight years and six months. Management was unable to determine the fair market value of the leased property; thus, the value of such leases was not recorded as in-kind revenue or in-kind expense.

On November 11, 2014 the Organization entered into a new agreement with the Tri-Township Fire Protection District, Inc. Under the new agreement, the Organization leases certain fire stations, equipment, vehicles, and personal property from the Tri-Township Fire Protection District, Inc. The lease began January 1, 2015 with rent in the amount of \$1 per year.

The Organization leases a house to two individual tenants. The first lease agreement began on February 25, 2013 and is a month-to-month lease agreement with rent of \$475 due on the first day of every month. The second lease agreement began on March 25, 2013 and is a month-to-month lease agreement with rent of \$475 due on the first day of every month.

**NOTE 10 - EMPLOYMENT CONTRACT**

In March 1992, the Organization entered into a long-term employment contract with the President of the Organization, Mark Ball. A twenty-year contract began on January 1, 1993, and ended on January 1, 2013. In March 2012, this contract was extended at half of the salary for an additional two years, from January 1, 2013 to January 1, 2015. The contract was not renewed after its expiration on January 1, 2015.

**NOTE 11 - RETIREMENT PLAN**

The Organization established a 401(k) deferred compensation plan on January 1, 1997. When established, the Plan covered all full-time employees over the age of 21. New employees must complete at least one year of service and attain the age of 21 to be eligible.

Under this Plan, the Organization has agreed to make a matching contribution of 50 percent of each eligible employee's elective deferrals up to 12 percent of wages. In April 2010, the Organization amended the Plan to include a 401(k) deferred compensation bonus incentive based on the years of service with the Organization. The Organization's matching contribution expense was \$23,798 for the period ended March 31, 2015.

**NOTE 12 - RISKS AND UNCERTAINTIES**

Investments in marketable securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain marketable securities, it is at least reasonably possible that changes in the values could materially affect the amounts reported in the Statement of Financial Position.

**NOTE 13 - RELATED PARTIES**

The collateral on the Organization's debt, described in Note 6, is owned by Clark County, Indiana (Tri Township Fire Protection District, Inc.). Additionally, the Organization leases several properties from Clark County, Indiana, as discussed in Note 9.

For the period ended March 31, 2015, Clark County, Indiana provided funding to the Organization in the amount of \$1,439,468 and donated buildings and vehicles in the amount of \$212,370. The Organization's economic dependency on Clark County, Indiana is described in Note 8.