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May 27, 2009

Board of Directors
New Washington Volunteer Fire Department, Inc.
P.O. Box 159, 23511 Highway 62
New Washington, IN 47162

We have reviewed the audit report prepared by J. Rorrer & Co., P.C., Independent Public Accountants, for the period January 1, 2007 to December 31, 2007. 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 New Washington Volunteer Fire Department, Inc., as of December 31, 2007, 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.

We call your attention to the findings in the report. The report on internal control contains two audit findings.

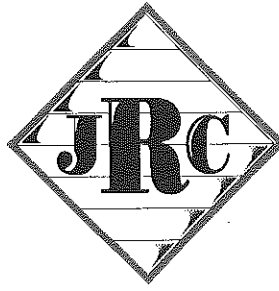
STATE BOARD OF ACCOUNTS

New Washington Volunteer Fire Department, Inc.
Audited Financial Statement
For the Year Ended
December 31, 2007

New Washington Volunteer Fire Department, Inc.

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J RORRER & CO., P.C. • CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Governing Officers of
New Washington Volunteer Fire Department Inc.

We have audited the accompanying statement of assets, liabilities, and net assets –modified cash basis of the New Washington Volunteer Fire Department Inc. (a nonprofit corporation) as of December 31, 2007 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 year then ended. These financial statements are the responsibility of the Corporation's management. 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 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, this financial statement has been 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 New Washington Volunteer Fire Department, Inc. as of December 31, 2007 and its support, revenue, and expenses for the year then ended, on the basis of accounting described in note 1.



J. Rorrer & Co. P.C.
Certified Public Accountants
September 15, 2008

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New Washington Volunteer Fire Department Inc.
Statement of Assets Liabilities and Net Assets
Modified Cash Basis
December 31, 2007

ASSETS

Current Assets:

Cash and cash equivalents	\$18,557
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Total Current Assets	18,557
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Property and Equipment:

Land	5,000
Buildings	646,567
Vehicles	553,873
Fire fighting equipment	120,563
Office	16,432
Furniture and fixtures station	9,689
Furniture and fixtures fairgrounds	12,877
Less Accum. Depreciation	(464,565)

Total Property and Equipment	900,436
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Total Assets	\$918,993
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LIABILITIES AND NET ASSETS

Current Liabilities:

Current portion long-term debt	53,772
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Total Current Liabilities	53,772
----------------------------------	--------

Long-Term Liabilities:

Long term debt	417,124
Less current portion	(53,772)

Total Long-Term Liabilities:	363,352
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Total Liabilities	417,124
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Net Assets:

Temporarily restricted	922
Unrestricted	500,947

Total Net Assets	501,869
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Total Liabilities and Net Assets	\$918,993
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See accompanying notes and auditor's report.

New Washington Volunteer Fire Department Inc.
Statement of Revenue and Expenses and Changes in Net Assets
Modified Cash Basis
For the Year Ending December 31, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Audited 2007 Total</u>
Revenue:			
Contract income	\$176,000	0	\$176,000
Miscellaneous income	3,697	0	3,697
Rental	50	0	50
Insurance claims	2,100	0	2,100
Grants	166,757	0	166,757
Misc fund raising and donations	2,406	0	2,406
Gaming income	3,520	0	3,520
Picnic income	15,413	0	15,413
Crusade for children	31,918	0	31,918
EMS income	10,583	0	10,583
Interest income	358	0	358
Total Revenue	<u>412,802</u>	<u>0</u>	<u>412,802</u>
Expenses:			
Accounting	4,550	0	4,550
Bank charges	8	0	8
Billing service	1,150	0	1,150
Building maintenance	5,724	0	5,724
Clothing allowance	9,959	0	9,959
Communication radio	4,688	0	4,688
Contribution crusade for children	32,137	0	32,137
Departmental dinner	3,422	0	3,422
Depreciation	68,455	0	68,455
Dues and subscriptions	1,267	0	1,267
Fuel	12,844	0	12,844
Interest on loans	28,802	0	28,802
Insurance	34,041	0	34,041
Ambulance expense	752	0	752
Miscellaneous expense	2,241	0	2,241
Office expense	3,102	0	3,102
Picnic expense	10,219	0	10,219
Personal turnout gear	909	0	909
Public relations	3,832	0	3,832
Small equipment and repairs	4,800	0	4,800
Station 1 expense	8,661	0	8,661
Station 2 expense	2,838	0	2,838
Fairgrounds expense	1,448	0	1,448
Miscellaneous fund raising expense	373	0	373
Supplies	3,161	0	3,161
Telephone	6,618	0	6,618
Training	3,129	0	3,129
Travel	27	0	27
Truck expense	13,465	0	13,465
Professional fees	153	0	153
Uniforms	485	0	485
Gaming expense	2,748	0	2,748
Total Expenses	<u>276,008</u>	<u>0</u>	<u>276,008</u>
Changes in Net Assets	<u>136,794</u>	<u>0</u>	<u>136,794</u>
Net Assets, beginning of year	<u>365,075</u>	<u>0</u>	<u>365,075</u>
Net Assets, end of year	<u>\$501,869</u>	<u>\$0</u>	<u>\$501,869</u>

New Washington Volunteer Fire Department Inc.
Statement of Cash Flows
Modified Cash Basis
December 31, 2007

	2007
Operating activities:	
Changes in net assets	\$136,794
Adjustment to reconcile change in net assets to net cash provided by operating activities:	
Decrease (increase) in receivable	0
Increase (decrease) in accrued liabilities	0
Depreciation	68,455
Net cash provided by operating activities	205,249
Investing activities:	
Purchase and sell of equipment	(171,289)
Net cash used in investing activities	(171,289)
Financing activities:	
Debt reduction	(50,531)
Net cash used in financing activities	(50,531)
Net increase (decrease) in cash and cash equivalents	(\$16,571)
Beginning Cash and Cash Equivalents	\$35,128
Ending Cash and Cash Equivalents	\$18,557
Supplemental disclosure:	
Interest paid	\$28,377
Taxes paid	\$0

See accompanying notes and auditor's report.

New Washington Volunteer Fire Department, Inc.
Notes to the Financial Statements
December 31, 2007

Note 1- Nature of Activities and Significant Accounting Policies

Nature of Activities:

New Washington 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 Washington Township, Bethlehem Township, Owen Township, and a part of Oregon Township all of Clark County, Indiana

Basis of Presentation:

The Corporation 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 Corporation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalent.

Revenue:

The Corporation has an annual contract with the New Washington Fire Protection District of Clark County, Indiana. They receive funds twice a year from the District when collected by the District. In the event the tax revenues of the District are less than anticipated, than the Corporation shall be paid an amount less than the contract amount.

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 Corporation is a not-for-profit with the IRS and 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. The Corporation is recognized by the Indiana Department of Revenue as a non for profit Domestic Corporation.

Note 2-Cash:

Unrestricted Cash consists of six accounts. One main operating account is used for receipts and disbursements. Separate accounts are used for gaming, insurance, EMS income, vending and fund raising activities. The balance of unrestricted cash as of December 31, 2007 is \$17,635.

New Washington Volunteer Fire Department, Inc.
 Notes to the Financial Statements
 December 31, 2007

Temporarily restricted cash consist of one account the funded depreciation account. The Corporation shall reserve \$2,500 twice a year into this account. The funds shall be for emergency capital expenditures or replacement of fire fighting equipment. The Corporation shall not make expenditures from such account without written approval from the District. With funds being low for several years the District gave the Corporation approval to spend the funds and to not deposit into this account for 2007. The balance in this account for 2007 is \$922.

Note 3-Property Plant and Equipment:

It is the Organization's policy to capitalize property and equipment over \$200. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. 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.

Note 4-Long Term Notes Payable:

Long-term notes payable at December 31, 2007 consisted of the following:

Note payable to New Washington State Bank with semi annual payments of \$13,391 bearing interest at 6% and collateral of real estate. Matures July 2019.	\$227,806
Note payable to New Washington State Bank with semi annual payments of \$15,508 bearing interest at 6.5% and collateral of real estate. Matures February 2014.	\$161,947
Note payable to New Washington State Bank with annual payment of \$8,126 bearing interest at 6% and collateral of vehicles. Matures August 2009.	\$15,000
Note payable to New Washington State Bank with annual payment of \$6,492 bearing interest 7.5% and collateral of vehicles.	<u>\$12,371</u>
Total	\$417,124
Less current portion	<u>53,772</u>
	<u>\$363,352</u>

Maturities of long term debt are as follows:

Year ending	Amount
December	
2008	53,772
2009	44,123
2010	38,685
2011	41,162
2012	43,798
Thereafter	<u>195,584</u>
	<u>\$417,124</u>

New Washington Volunteer Fire Department, Inc.
Notes to the Financial Statements
December 31, 2007

Note 5-Leases:

The Corporation subleases two vehicles #8007 staff from Clark County Sheriff's Department and a Dodge Brush truck from Indiana Department of Natural Resources for the sum of \$1 per year plus the Corporation must provide maintenance and insurance for the vehicle. The lease is for the term of one year.

Note 8 - Donated Services:

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

Note 9 - Fair Value of Financial Instruments:

The carrying amount of the following financial instruments approximate fair value because of the short maturity of the instruments: cash equivalents.

The fair value of the company's long-term debt is estimated at \$417,124 based on the future cash flows associated with each note discounted using the company's current borrowing rate for similar debt.

Note 10 - Concentration of Credit Risk and Economic Dependence:

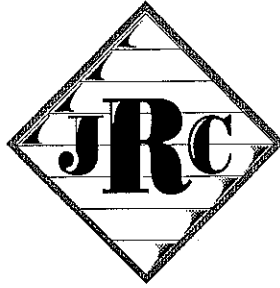
The Organization maintains its cash at a financial institution located in Charlestown, Indiana. The balances are insured by the Federal Deposit Insurance Corporation up to \$100,000. During the year, the Association's cash balance may be in excess of federally insured limits.

The Organization has only one customer New Washington Fire Protection District of Clark County, Indiana. However, their services will always be needed by the public.

Note 11 - Federal Financial Assistance:

The Organization has been awarded a grant from Federal Emergency Management Agency to purchase air filtering system and turnout gear. Revenue is recognized when received and the purchases were capitalized when purchases. Grant activity for the year ended December 31, 2007 was as follows.

	<u>2007</u>
Grant receipts	\$166,757
Grant expenditures	<u>153,660</u>
Balance on grant	\$ 13,097



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To the Governing Officers of
New Washington Volunteer Fire Department Inc.

In planning and performing our audit of the financial statements of New Washington Volunteer Fire Department Inc. as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered New Washington Volunteer Fire Department's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

The Corporation requires a budget each year to determine the funds needed by the District. Budget amounts should be compared to actual amounts several times each year and a comparison of over and under budget issued at a monthly meetings with the Treasurer's Report. This is to help the Department from over spending

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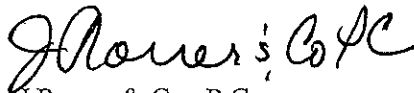
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The Organization has four credit cards for officer's use at their discretion. The officers must turn in receipts and they should be matched to each statement for verification. However 67% of all transaction had no backup and approval. The officers understand the importance of internal control and have implemented controls over the credit cards.

This communication is intended solely for the information and use of management, State Board of Accounts and The New Washington Volunteer Fire Department, and is not intended to be and should not be used by anyone other than these specified parties.



J Rorrer & Co., P.C.
Certified Public Accountants
Sellersburg, IN

September 15, 2008