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May 27, 2009

Board of Directors  
McCulloch Volunteer Firefighters  
Association, Inc.  
404 Hale Rd.  
Clarksville, IN 47129

We have reviewed the audit report prepared by McCauley, Nicolas & Company, LLC, Independent Public Accountants, for the period January 1, 2006 to December 31, 2006. 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 McCulloch Volunteer Firefighters Association, Inc., as of December 31, 2006, 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.

STATE BOARD OF ACCOUNTS

**McCULLOCH VOLUNTEER FIREFIGHTERS  
ASSOCIATION, INC.  
Clark County, Indiana**

**REPORT ON AUDITS OF  
FINANCIAL STATEMENT**

**for the years ended  
December 31, 2006 and 2005**

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**McCULLOCH VOLUNTEER FIREFIGHTERS ASSOCIATION, INC.**

**SCHEDULE OF ENTITY OFFICIALS**

OFFICE EXAMINED: 404 Hale Road, Clarksville, Indiana  
Clark County, Indiana

Period Examined: For the period ended December 31, 2006

Current Officer: James Perry Title: Chairman of Board  
Home Address: 601 Andalusia Avenue  
Clarksville, Indiana 47129

Current Officer: Thomas E. Sellmer Title: President, C.E.O.  
Home Address: 2438 Lapping Ct.  
Clarksville, Indiana 47129

Current Officer: Les Williamson Title: Vice President  
Home Address: 1512 McTavish Drive  
Clarksville, Indiana 47129

Current Officer: Al Williamson Title: Treasurer  
Home Address: 225 Ettels Ln, #1  
Clarksville, IN 47129

Current Officer: Stanley Kaskie Title: Secretary  
Home Address: 501 Parkwood Drive  
Clarksville, Indiana 47129

Current Officer: Earl Gentry Title: Director  
Home Address: 626 North Whitcomb Avenue  
Clarksville, Indiana 47129

Current Officer: David Tenney Title: Director  
Home Address: 2002 Schuler Drive  
Jeffersonville, Indiana 47130

## INDEPENDENT AUDITORS' REPORT

The Officials of the McCulloch Volunteer  
Firefighters Association, Inc.  
Clarksville, Indiana

We have audited the financial statements of the McCulloch Volunteer Firefighters Association, Inc. (the Entity) as of and for the years ended December 31, 2006 and 2005, as listed in the table of contents. These financial statements are the responsibility of the Entity'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, the Entity's policy is to prepare its financial statements on the cash receipts and disbursements 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 cash receipts and disbursements of the McCulloch Volunteer Firefighters Association, Inc., for the years ended December 31, 2006 and 2005, on the basis of accounting described in Note 1.

*McCauley, Nicolas & Company, LLC*

McCauley, Nicolas & Company, LLC  
Certified Public Accountants

Jeffersonville, Indiana  
May 22, 2008

**McCULLOCH VOLUNTEER FIREFIGHTERS ASSOCIATION, INC.**

**COMBINED STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CASH BALANCES**

as of and for the years ended December 31, 2006 and 2005

| <u>Fund</u>                   | 2006                       |                   |                      |                              |
|-------------------------------|----------------------------|-------------------|----------------------|------------------------------|
|                               | <u>January 1,<br/>2006</u> | <u>Receipts</u>   | <u>Disbursements</u> | <u>December 31,<br/>2006</u> |
| Cash - Operating Fund         | \$ 145,913                 | \$ 278,011        | \$ 299,170           | \$ 124,754                   |
| Cash - Food Fund - Station HQ | 1,425                      | 574               | 588                  | 1,411                        |
| Cash - Food Fund - Station #3 | 711                        | 1,956             | 1,611                | 1,056                        |
| Cash - Payroll Fund           | <u>5,798</u>               | <u>134,438</u>    | <u>136,137</u>       | <u>4,099</u>                 |
| Totals                        | <u>\$ 153,847</u>          | <u>\$ 414,979</u> | <u>\$ 437,506</u>    | <u>\$ 131,320</u>            |

  

| <u>Fund</u>                   | 2005                       |                   |                      |                              |
|-------------------------------|----------------------------|-------------------|----------------------|------------------------------|
|                               | <u>January 1,<br/>2005</u> | <u>Receipts</u>   | <u>Disbursements</u> | <u>December 31,<br/>2005</u> |
| Cash - Operating Fund         | \$ 125,126                 | \$ 127,207        | \$ 106,420           | \$ 145,913                   |
| Cash - Food Fund - Station HQ | 1,830                      | 1,557             | 1,962                | 1,425                        |
| Cash - Food Fund - Station #3 | 641                        | 2,022             | 1,952                | 711                          |
| Cash - Payroll Fund           | <u>4,683</u>               | <u>129,158</u>    | <u>128,043</u>       | <u>5,798</u>                 |
| Totals                        | <u>\$ 132,280</u>          | <u>\$ 259,944</u> | <u>\$ 238,377</u>    | <u>\$ 153,847</u>            |

\* See Note 2 for detail of account balances.

See notes to financial statements.

**McCULLOCH VOLUNTEER FIREFIGHTERS ASSOCIATION, INC.**

**COMBINED STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CASH BALANCES**

for the years ended December 31, 2006 and 2005

| <b><u>CASH RECEIPTS</u></b>                        | <u>2006</u> | <u>2005</u> |
|--|-------------|-------------|
| Fire Protection contract - Jeffersonville Township | \$ 176,938  | \$ 209,158  |
| Fire Protection contract - Town of Clarksville     | 42,182      | 40,560      |
| FEMA grant   | 169,508     | 1,626       |
| Other grant income                                 | 18,838      | -           |
| Interest income                                    | 2,096       | 1,458       |
| Other income                                       | 2,887       | 3,563       |
| Concession machine income                          | 2,530       | 3,550       |
| Transfers  | -           | 29          |
|  | <hr/>       | <hr/>       |
| Total Cash Receipts                                | 414,979     | 259,944     |
|  | <hr/>       | <hr/>       |
| <b><u>CASH DISBURSEMENTS</u></b>                   |             |             |
| Apparatus  | 193,852     | 11,252      |
| Insurance  | 18,553      | 27,193      |
| Utilities  | 8,162       | 7,120       |
| Supplies   | 7,878       | 9,138       |
| Car allowance                                      | 4,054       | 2,469       |
| Radios and monitors                                | 11,512      | 5,899       |
| Building repairs and supplies                      | 6,439       | -           |
| Fuel   | 6,347       | 5,306       |
| Professional fees                                  | 4,086       | 3,926       |
| Training   | 3,006       | 1,170       |
| Employee benefits                                  | 33,102      | 32,103      |
| Miscellaneous                                      | 3,503       | 2,782       |
| Food and entertainment                             | 2,199       | 3,914       |
| Salaries   | 125,233     | 117,117     |
| Payroll taxes                                      | 9,580       | 8,959       |
| Transfers  | -           | 29          |
|  | <hr/>       | <hr/>       |
| Total Cash Disbursements                           | 437,506     | 238,377     |
|  | <hr/>       | <hr/>       |
| Change in cash                                     | (22,527)    | 21,567      |
| Cash, beginning of year                            | 153,847     | 132,280     |
|  | <hr/>       | <hr/>       |
| Cash, end of year                                  | \$ 131,320  | \$ 153,847  |
|  | <hr/>       | <hr/>       |

See notes to financial statements.

# McCULLOCH VOLUNTEER FIREFIGHTERS ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of McCulloch Volunteer Firefighters Association, Inc. (the Entity) is presented to assist in understanding the Entity's financial statements. The financial statements and notes are representations of the Entity's management, who is responsible for their integrity and objectivity. These accounting policies have been consistently applied in the preparation of the financial statements.

The more significant accounting policies of the Entity are as follows:

#### Nature of Operations

The Entity was organized as a nonprofit corporation under the laws of the State of Indiana in 1961. The Entity was formed for community service. In carrying out this basic purpose, the Entity has established facilities, equipment, and trained personnel to protect and save the lives and property of all Clarksville and Jeffersonville Township residents from the ravages of fire and the destruction normally associated with it.

The Entity also responds with trained personnel to protect and save the lives and property of residents from any other disasters which might occur in the community.

#### Basis of Accounting

The financial statements have been prepared on the cash receipts and disbursements basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under that basis, the only asset recognized is cash and no liabilities are recognized. All transactions are recognized as either cash receipts or disbursements and non-cash transactions are not recognized.

#### Donated Services

Donated services have not been valued and are not reflected in this report. This practice has been followed inasmuch as no objective basis is felt to be available to measure such values. However, a number of people, including the volunteer firefighters, have contributed substantial amounts of time to the operations of the Entity.

**McCULLOCH VOLUNTEER FIREFIGHTERS ASSOCIATION, INC.**

NOTES TO FINANCIAL STATEMENTS—Continued

**NOTE 2—CASH FUNDS**

The Entity maintains an operating fund which generally includes one checking account, one money market account and certificates of deposit. The checking account is used to account for all operating cash disbursements. The money market account is an interest-bearing account. The Entity also invested in certificates of deposit with 30-day terms that automatically renew upon expiration. In addition to the operating fund, the Entity maintained the McCulloch Volunteer Firefighters Food Fund (generally two separate accounts) and the McCulloch Volunteer Firefighters Payroll Fund (one account).

A breakdown of the Cash Funds at December 31, 2006 and 2005, is as follows:

|                             | <u>2006</u>       | <u>2005</u>       |
|-----------------------------|-------------------|-------------------|
| <u>Operating Fund</u>       |                   |                   |
| Checking (1)                | \$ 9,421          | \$ 25,795         |
| Money market (1)            | 57,324            | 63,236            |
| Certificates of Deposit (1) | <u>58,009</u>     | <u>56,882</u>     |
| Total Operating Fund        | <u>\$ 124,754</u> | <u>\$ 145,913</u> |
| <u>Food Fund</u>            |                   |                   |
| Checking – Station HQ (1)   | \$ 1,411          | \$ 1,425          |
| Checking – Station #3 (1)   | <u>1,056</u>      | <u>711</u>        |
| Total Food Fund             | <u>\$ 2,467</u>   | <u>\$ 2,136</u>   |
| <u>Payroll Fund</u>         |                   |                   |
| Checking (2)                | <u>\$ 4,099</u>   | <u>\$ 5,798</u>   |

(1) Maintained at Stock Yards Bank

(2) Maintained at PNC Bank

**NOTE 3—CONTRACTS**

The Entity has a contract with the Town of Clarksville through December 31, 2009, and a contract that is annually renewed with the Jeffersonville Township, currently renewable through December 31, 2008.

**McCULLOCH VOLUNTEER FIREFIGHTERS ASSOCIATION, INC.**

NOTES TO FINANCIAL STATEMENTS—Continued

**NOTE 4—FEMA GRANT**

During 2006, the Entity was awarded additional funds through a grant from the Federal Emergency Management Agency (FEMA) totaling approximately \$169,500. These funds were used to purchase various firefighting equipment including coats, pants, helmets and goggles. These costs are included in "Apparatus" expense in the Combined Statements of Receipts, Disbursements, and Cash Balances. Local match funds were required to be obtained totaling approximately \$18,800, which is included in "Other grant income" in the Combined Statements of Receipts, Disbursements and Cash Balances."

**NOTE 5—PENSIONS**

The Entity established a retirement plan during a prior year with funds previously set aside from the operating account. The defined benefit pension plan is handled by an outside carrier. The eligibility requirements to be met are a minimum of 18 years of age and a maximum of 60 years of age. The monthly retirement benefit is calculated in the following manner: total years of service multiplied by \$15. Any service over 25 years will be credited on a 2 for 1 basis. Past and future service calculated as of December 31, 1989 is limited to 30 years. Past service is limited to 25 years; future service is limited to 30 years. Service prior to December 31, 1964 is excluded. The minimum benefit is \$37.50 per month and the maximum benefit is \$450. Total contribution to the retirement plan was \$22,000 and \$21,918 for 2006 and 2005, respectively, and is included as part of "Employee benefits" in the Statements of Cash Receipts and Disbursements and Changes in Net Cash.

**NOTE 6—PAYROLL**

The Jeffersonville Township funds the Entity's payroll fund to compensate the volunteer firefighters for their services as outlined in their contract. The compensation does not affect the firefighters' volunteer status under the law of the state of Indiana.

**NOTE 7—CONCENTRATION OF RISK**

The Entity maintains cash balances at two banks. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$100,000. At December 31, 2006, the Entity's uninsured cash balances totaled approximately \$35,400.

Approximately 53% and 96% of the Entity's revenue was generated from two fire protection contracts in 2006 and 2005, respectively. The Entity does not anticipate any material changes to the contracts.

**INDEPENDENT AUDITORS' REPORT  
ON SUPPLEMENTARY INFORMATION**

The Officials of the McCulloch  
Volunteer Firefighters Association, Inc.  
Clarksville, Indiana

Our report on our audits of the financial statements of the McCulloch Volunteer Firefighters Association, Inc. for the years ended December 31, 2006 and 2005 appears on page 2. We conducted our audits in accordance with auditing standards generally accepted in the United States of America for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information, for the years ended December 31, 2006 and 2005, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*McCauley, Nicolas & Company, LLC*

McCauley, Nicolas & Company, LLC  
Certified Public Accountants

Jeffersonville, Indiana  
May 22, 2008

**McCULLOCH VOLUNTEER FIREFIGHTERS ASSOCIATION, INC.**

**STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS - OPERATING FUND**

as of and for the years ended December 31, 2006 and 2005

|  | <u>2006</u>           | <u>2005</u>           |
|--|-----------------------|-----------------------|
| Fire Protection contract - Jeffersonville Township | \$ 42,500             | \$ 80,000             |
| Fire Protection contract - Town of Clarksville     | 42,182                | 40,560                |
| FEMA grant   | 169,508               | 1,626                 |
| Other grant income                                 | 18,838                | -                     |
| Interest income                                    | 2,096                 | 1,458                 |
| Other income                                       | <u>2,887</u>          | <u>3,563</u>          |
| <br>Total Cash Receipts                            | <br><u>\$ 278,011</u> | <br><u>\$ 127,207</u> |

**CASH DISBURSEMENTS**

|                               |                       |                       |
|-------------------------------|-----------------------|-----------------------|
| Apparatus                     | \$ 193,852            | \$ 11,252             |
| Insurance                     | 17,929                | 25,490                |
| Utilities                     | 8,162                 | 7,120                 |
| Supplies                      | 7,878                 | 9,138                 |
| Car allowance                 | 4,054                 | 2,469                 |
| Radios and monitors           | 11,512                | 5,899                 |
| Building repairs and supplies | 6,439                 | -                     |
| Fuel                          | 6,347                 | 5,306                 |
| Professional fees             | 4,086                 | 3,926                 |
| Training                      | 3,006                 | 1,170                 |
| Employee benefits             | 33,102                | 32,103                |
| Miscellaneous                 | 2,803                 | 2,518                 |
| Transfer to Food Fund         | <u>-</u>              | <u>29</u>             |
| <br>Total Cash Disbursements  | <br><u>\$ 299,170</u> | <br><u>\$ 106,420</u> |

**McCULLOCH VOLUNTEER FIREFIGHTERS ASSOCIATION, INC.**

**STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS -  
FOOD FUND - STATION HEADQUARTERS**

as of and for the years ended December 31, 2006 and 2005

|                                  | <u>2006</u>   | <u>2005</u>     |
|----------------------------------|---------------|-----------------|
| <b><u>CASH RECEIPTS</u></b>      |               |                 |
| Concession machine income        | \$ <u>574</u> | \$ <u>1,557</u> |
| Total Cash Receipts              | \$ <u>574</u> | \$ <u>1,557</u> |
| <b><u>CASH DISBURSEMENTS</u></b> |               |                 |
| Food and entertainment expenses  | \$ <u>588</u> | \$ <u>1,962</u> |
| Total Cash Disbursements         | \$ <u>588</u> | \$ <u>1,962</u> |

**McCULLOCH VOLUNTEER FIREFIGHTERS ASSOCIATION, INC.**

**STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS -  
FOOD FUND - STATION #3**

as of and for the years ended December 31, 2006 and 2005

| <b><u>CASH RECEIPTS</u></b>          | <u>2006</u>     | <u>2005</u>     |
|--------------------------------------|-----------------|-----------------|
| Concession machine income            | \$ 1,956        | \$ 1,993        |
| Transfer to Operating Fund           | <u>-</u>        | <u>29</u>       |
| Total Cash Receipts                  | <u>\$ 1,956</u> | <u>\$ 2,022</u> |
| <br><b><u>CASH DISBURSEMENTS</u></b> |                 |                 |
| Food and entertainment expenses      | <u>\$ 1,611</u> | <u>\$ 1,952</u> |
| Total Cash Disbursements             | <u>\$ 1,611</u> | <u>\$ 1,952</u> |

**McCULLOCH VOLUNTEER FIREFIGHTERS ASSOCIATION, INC.**

**STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS -  
PAYROLL FUND**

as of and for the years ended December 31, 2006 and 2005

|  | <u>2006</u>       | <u>2005</u>       |
|--|-------------------|-------------------|
| <b><u>CASH RECEIPTS</u></b>                        |                   |                   |
| Fire Protection contract – Jeffersonville Township | <u>\$ 134,438</u> | <u>\$ 129,158</u> |
| Total Cash Receipts                                | <u>\$ 134,438</u> | <u>\$ 129,158</u> |
| <b><u>CASH DISBURSEMENTS</u></b>                   |                   |                   |
| Salaries   | \$ 125,233        | \$ 117,117        |
| Payroll taxes                                      | 9,580             | 8,959             |
| Insurance  | 624               | 1,703             |
| Miscellaneous                                      | <u>700</u>        | <u>264</u>        |
| Total Cash Disbursements                           | <u>\$ 136,137</u> | <u>\$ 128,043</u> |