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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, 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 McCulloch Volunteer Firefighters Association, 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.

STATE BOARD OF ACCOUNTS

**McCULLOCH VOLUNTEER FIREFIGHTERS
ASSOCIATION, INC.
Clark County, Indiana
REPORT ON AUDITS OF
FINANCIAL STATEMENT
for the years ended
December 31, 2007 and 2006**

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McCULLOCH VOLUNTEER FIREFIGHTERS ASSOCIATION, INC.

SCHEDULE OF ASSOCIATION OFFICIALS

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

Period Examined: For the period ended December 31, 2007

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: Charles R. Goldman Title: Vice President

Home Address: 3211 Plaza Dr. Apt. 30
New Albany, Indiana 47150

Current Officer: Keith A. Sellmer Title: Treasurer

Home Address: 1715 Tennyson Drive
Clarksville, IN 47129

Current Officer: Stan 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 Association) as of and for the years ended December 31, 2007 and 2006, as listed in the table of contents. These financial statements are the responsibility of the Association'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 Association'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, 2007 and 2006, on the basis of accounting described in Note 1.

McCaughey Nicolas & Company, LLC

McCaughey, Nicolas & Company, LLC
Certified Public Accountants

Jeffersonville, Indiana
January 21, 2009

McCULLOCH VOLUNTEER FIREFIGHTERS ASSOCIATION, INC.

COMBINED STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CASH BALANCES

as of and for the years ended December 31, 2007 and 2006

<u>Fund</u>	2007			
	<u>January 1, 2007</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>December 31, 2007</u>
Cash - Operating Fund	\$ 124,754	\$ 176,762	\$ 136,911	\$ 164,605
Cash - Food Fund - Station HQ	1,411	1,307	1,100	1,618
Cash - Food Fund - Station #3	1,056	1,464	1,563	957
Cash - Payroll Fund	<u>4,099</u>	<u>135,819</u>	<u>136,416</u>	<u>3,502</u>
Totals	<u>\$ 131,320</u>	<u>\$ 315,352</u>	<u>\$ 275,990</u>	<u>\$ 170,682</u>

<u>Fund</u>	2006			
	<u>January 1, 2006</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>December 31, 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>

* See Note 2 for detail of account balances.

McCULLOCH VOLUNTEER FIREFIGHTERS ASSOCIATION, INC.

COMBINED STATEMENTS OF RECEIPTS AND DISBURSEMENTS

for the years ended December 31, 2007 and 2006

<u>CASH RECEIPTS</u>	<u>2007</u>	<u>2006</u>
Fire Protection contract - Jeffersonville Township	\$ 263,319	\$ 176,938
Fire Protection contract - Town of Clarksville	43,870	42,182
FEMA grant	-	169,508
Other grant income	-	18,838
Interest income	3,123	2,096
Other income	2,269	2,887
Concession machine income	2,771	2,530
Total Cash Receipts	<u>315,352</u>	<u>414,979</u>
 <u>CASH DISBURSEMENTS</u>		
Apparatus	30,019	193,852
Insurance	28,387	18,553
Utilities	9,805	8,162
Supplies	8,379	7,878
Car allowance	3,754	4,054
Radios and monitors	3,790	11,512
Building repairs and supplies	7,504	6,439
Fuel	6,231	6,347
Professional fees	2,673	4,086
Training	1,981	3,006
Employee benefits	31,259	33,102
Miscellaneous	3,511	3,503
Food and entertainment	2,663	2,199
Salaries	126,367	125,233
Payroll taxes	9,667	9,580
Total Cash Disbursements	<u>275,990</u>	<u>437,506</u>
Change in cash	39,362	(22,527)
Cash, beginning of year	<u>131,320</u>	<u>153,847</u>
Cash, end of year	<u>\$ 170,682</u>	<u>\$ 131,320</u>

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 Association) is presented to assist in understanding the Association's financial statements. The financial statements and notes are representations of the Association'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 Association are as follows:

Nature of Operations

The Association was organized as a nonprofit corporation under the laws of the State of Indiana in 1961. The Association was formed for community service. In carrying out this basic purpose, the Association 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 Association 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 Association.

McCULLOCH VOLUNTEER FIREFIGHTERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS—Continued

NOTE 2—CASH FUNDS

The Association maintains an operating fund which generally includes one checking account and one money market account. However, at the end of 2007, the Association was in the process of switching accounts to a different financial institution. As a result, at December 31, 2007, there were two checking accounts and two money market accounts. The checking accounts are used to account for all operating cash disbursements. The money market accounts are interest-bearing accounts. The Association also invested in certificate of deposits with 6 month terms that automatically renew upon expiration. In addition to the operating fund, the Association 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, 2007 and 2006 is as follows:

<u>Operating Fund</u>	<u>2007</u>	<u>2006</u>
Checking (1)	\$ 4,628	\$ 9,421
Checking (3)	435	-
Money market (1)	35,672	57,324
Money market (3)	64,124	-
Certificates of Deposit (1)	<u>59,746</u>	<u>58,009</u>
Total Operating Fund	<u>\$ 164,605</u>	<u>\$ 124,754</u>
<u>Food Fund</u>		
Checking – Station HQ (1)	\$ 1,618	\$ 1,411
Checking – Station #3 (1)	<u>957</u>	<u>1,056</u>
Total Food Fund	<u>\$ 2,575</u>	<u>\$ 2,467</u>
<u>Payroll Fund</u>		
Checking (2)	<u>\$ 3,502</u>	<u>\$ 4,099</u>

- (1) Maintained at Stock Yards Bank
- (2) Maintained at PNC Bank
- (3) Maintained at National City Bank

NOTE 3—CONTRACTS

The Association 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, 2009.

McCULLOCH VOLUNTEER FIREFIGHTERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS—Continued

NOTE 4—FEMA GRANT

During 2006, the Association was awarded funds through a grant from the Federal Emergency Management Agency (FEMA) totaling approximately \$169,500. 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 and Disbursements for the year ended December 31, 2006. These funds were used to purchase various firefighting equipment including coats, pants, helmets and goggles. Expenses totaling approximately \$20,400 and \$166,900 are included in "Apparatus" expense in the Combined Statements of Receipts and Disbursements for the years ended December 31, 2007 and 2006, respectively.

NOTE 5—PENSIONS

The Association 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 approximately \$21,000 and \$22,000 for 2007 and 2006, respectively, and is included as part of "Employee benefits" in the Combined Statements of Receipts and Disbursements.

NOTE 6—PAYROLL

The Jeffersonville Township funds the Association'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 Association maintains cash balances at three banks. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$100,000. At December 31, 2007, the Association's uninsured cash balances totaled approximately \$35,200.

Approximately 97% and 53% of the Association's revenue was generated from two fire protection contracts in 2007 and 2006, respectively. The Association does not anticipate any material changes to the contracts.

NOTE 8—TAX STATUS

The Association is exempt from federal income taxes under Section 501(c)(4) of the Internal Revenue Code. Accordingly, no provision for income taxes is reflected in the financial statements.



**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, 2007 and 2006 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, 2007 and 2006, 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
January 21, 2009

McCULLOCH VOLUNTEER FIREFIGHTERS ASSOCIATION, INC.

STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS - OPERATING FUND

as of and for the years ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<u>CASH RECEIPTS</u>		
Fire Protection contract - Jeffersonville Township	\$ 127,500	\$ 42,500
Fire Protection contract - Town of Clarksville	43,870	42,182
FEMA grant	-	169,508
Other grant income	-	18,838
Interest income	3,123	2,096
Other income	<u>2,269</u>	<u>2,887</u>
 Total Cash Receipts	 <u>\$ 176,762</u>	 <u>\$ 278,011</u>
<u>CASH DISBURSEMENTS</u>		
Apparatus	\$ 30,019	\$ 193,852
Insurance	28,387	17,929
Utilities	9,805	8,162
Supplies	8,379	7,878
Car allowance	3,754	4,054
Radios and monitors	3,790	11,512
Building repairs and supplies	7,504	6,439
Fuel	6,231	6,347
Professional fees	2,673	4,086
Training	1,981	3,006
Employee benefits	31,259	33,102
Miscellaneous	<u>3,129</u>	<u>2,803</u>
 Total Cash Disbursements	 <u>\$ 136,911</u>	 <u>\$ 299,170</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, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<u>CASH RECEIPTS</u>		
Concession machine income	\$ <u>1,307</u>	\$ <u>574</u>
Total Cash Receipts	\$ <u><u>1,307</u></u>	\$ <u><u>574</u></u>
<u>CASH DISBURSEMENTS</u>		
Food and entertainment expenses	\$ <u>1,100</u>	\$ <u>588</u>
Total Cash Disbursements	\$ <u><u>1,100</u></u>	\$ <u><u>588</u></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, 2007 and 2006

<u>CASH RECEIPTS</u>	<u>2007</u>	<u>2006</u>
Concession machine income	\$ <u>1,464</u>	\$ <u>1,956</u>
Total Cash Receipts	\$ <u>1,464</u>	\$ <u>1,956</u>
<u>CASH DISBURSEMENTS</u>		
Food and entertainment expenses	\$ <u>1,563</u>	\$ <u>1,611</u>
Total Cash Disbursements	\$ <u>1,563</u>	\$ <u>1,611</u>

McCULLOCH VOLUNTEER FIREFIGHTERS ASSOCIATION, INC.

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

as of and for the years ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<u>CASH RECEIPTS</u>		
Fire Protection contract – Jeffersonville Township	\$ 135,819	\$ 134,438
Total Cash Receipts	<u>\$ 135,819</u>	<u>\$ 134,438</u>
<u>CASH DISBURSEMENTS</u>		
Salaries	\$ 126,367	\$ 125,233
Payroll taxes	9,667	9,580
Insurance	-	624
Miscellaneous	<u>382</u>	<u>700</u>
Total Cash Disbursements	<u>\$ 136,416</u>	<u>\$ 136,137</u>