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May 27, 2009

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

We have reviewed the audit report prepared by J. Rorrer & Co., PC, 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 Charlestown 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.

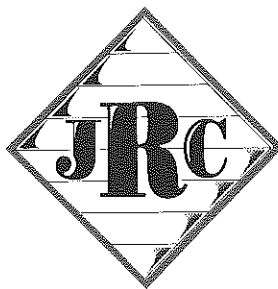
STATE BOARD OF ACCOUNTS

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

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 AUDITOR'S REPORT


To the Governing Officers of
Charlestown Volunteer Fire Department Inc.

We have audited the accompanying statement of assets, liabilities, and net assets –modified cash basis of the Charlestown 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 flow – modified cash basis for the year then ended. These financial statements are the responsibility of the Organization'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 Charlestown 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 30, 2008

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

ASSETS

| | |
|-------------------------------------|----------------------------------|
| Current Assets: | |
| Cash and cash equivalents | \$107,499 |
| Accounts receivable Fire District | <u>320</u> |
| Total Current Assets | 107,819 |
| Property and Equipment: | |
| Land | 43,400 |
| Buildings | 781,151 |
| Vehicles | 496,994 |
| Fire fighting equipment | 347,796 |
| Office | 10,168 |
| Furniture and fixtures | 41,923 |
| Computer system | 28,135 |
| Less Accum. Depreciation | <u>(811,129)</u> |
| Total Property and Equipment | <u>938,438</u> |
| Total Assets | <u><u>\$1,046,257</u></u> |

LIABILITIES AND NET ASSETS

| | |
|---|----------------------------------|
| Current Liabilities: | |
| Credit card payables | \$2,290 |
| Taxes payable | 2,806 |
| Current portion long-term debt | <u>37,082</u> |
| Total Current Liabilities | 42,178 |
| Long-Term Liabilities: | |
| Long term debt | 501,432 |
| Less current portion | <u>(37,082)</u> |
| Total Long-Term Liabilities: | <u>464,350</u> |
| Total Liabilities | 506,528 |
| Net Assets: | |
| Temporarily restricted | 10,285 |
| Unrestricted | <u>529,444</u> |
| Total Net Assets | 539,729 |
| Total Liabilities and Net Assets | <u><u>\$1,046,257</u></u> |

See accompanying notes and auditor's report.

Charlestown 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 | \$474,192 | 0 | \$474,192 |
| Miscellaneous Income | 1,000 | 0 | 1,000 |
| Vending | 2,586 | 0 | 2,586 |
| Insurance claims | 4,740 | 0 | 4,740 |
| Timber sales | 591 | 0 | 591 |
| Lieu of taxes | 9,142 | 0 | 9,142 |
| Homeland security grant | 0 | 0 | 0 |
| Crusade for children | 14,870 | 0 | 14,870 |
| EMS income | 3,822 | 0 | 3,822 |
| Net assets restricted | (9,300) | 9,300 | 0 |
| Interest income | 37 | 156 | 193 |
| Total Revenue | <u>501,680</u> | <u>9,456</u> | <u>511,136</u> |
| Expenses: | | | |
| Accounting | 12,295 | 0 | 12,295 |
| Bank charges | 0 | 8 | 8 |
| Billing service | 380 | 0 | 380 |
| Building maintenance | 13,178 | 0 | 13,178 |
| Clothing allowance | 46,390 | 0 | 46,390 |
| Communication radio | 16,065 | 0 | 16,065 |
| Contribution crusade for children | 14,908 | 0 | 14,908 |
| Vending expense | 1,841 | 0 | 1,841 |
| Depreciation | 49,964 | 0 | 49,964 |
| Department dinner and meals | 11,489 | 0 | 11,489 |
| Dues and subscriptions | 2,164 | 0 | 2,164 |
| Fuel | 36,743 | 0 | 36,743 |
| Interest on loans | 30,698 | 0 | 30,698 |
| Insurance | 27,845 | 0 | 27,845 |
| Ambulance expense | 3,302 | 0 | 3,302 |
| Miscellaneous expense | 2,775 | 0 | 2,775 |
| Office expense | 7,634 | 0 | 7,634 |
| Outside service | 3,025 | 0 | 3,025 |
| Personal turnout gear | 4,150 | 0 | 4,150 |
| Professional fees | 17,097 | 0 | 17,097 |
| Public relations | 4,338 | 0 | 4,338 |
| Small equipment and repairs | 4,964 | 0 | 4,964 |
| Station 1 expense | 10,336 | 0 | 10,336 |
| Station 2 expense | 4,877 | 0 | 4,877 |
| Station 3 expense | 7,626 | 0 | 7,626 |
| Station 4 expense | 4,083 | 0 | 4,083 |
| Supplies | 5,317 | 0 | 5,317 |
| Telephone | 7,304 | 0 | 7,304 |
| Training | 6,142 | 0 | 6,142 |
| Travel | 2,528 | 0 | 2,528 |
| Truck expense | 37,402 | 0 | 37,402 |
| Uniforms | 4,154 | 0 | 4,154 |
| Payroll expense | 37,536 | 0 | 37,536 |
| Total Expenses | <u>438,550</u> | <u>8</u> | <u>438,558</u> |
| Changes in Net Assets | <u>63,130</u> | <u>9,448</u> | <u>72,578</u> |
| Net Assets, beginning of year | <u>466,314</u> | <u>837</u> | <u>467,151</u> |
| Net Assets, end of year | <u>\$529,444</u> | <u>\$10,285</u> | <u>\$539,729</u> |

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

| | 2007 |
|---|------------------|
| Operating activities: | |
| Changes in net assets | \$72,578 |
| Adjustment to reconcile change in net assets to net cash provided by operating activities: | |
| Decrease (increase) in accounts receivable | 18,363 |
| Increase (decrease) in accrued liabilities | 1,522 |
| Depreciation | 49,964 |
| Net cash provided by operating activities | 142,427 |
| Investing activities: | |
| Purchase of equipment | (27,913) |
| Net cash used in investing activities | (27,913) |
| Financing activities: | |
| Debt reduction | (34,628) |
| Net cash used in financing activities | (34,628) |
| Net increase (decrease) in cash and cash equivalents | 79,886 |
| Beginning Cash and Cash Equivalents | 27,613 |
| Ending Cash and Cash Equivalents | \$107,499 |
| Supplemental disclosure: | |
| Interest paid | \$30,358 |
| Taxes paid | \$0 |

See accompanying notes and auditor's report.

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

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, 2007 is \$10,285.

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

Unrestricted Cash

Consists of five 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, and fund raising activities. The balance of unrestricted cash as of December 31, 2007 is \$97,214.

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 and capitalized at cost. It is the Organization policy to capitalize expenditures for those items in excess of \$500.

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 two annual payments of \$17,654, bearing interest at 5.5% and collateral of real estate. | \$268,916 |
| Note payable to New Washington State Bank with two annual payments of \$9,733 bearing interest at 6% and collateral of real estate. | 213,609 |
| Note payable to Citicorp with annual payments of \$119 bearing interest at 0% and collateral of ambulance cots. | 2,726 |
| Note payable to New Washington State Bank with two annual payments of \$4,345 bearing interest at 6% and collateral of two ambulances. | <u>16,181</u> |
| Total | \$501,432 |
| Less current portion | <u>37,082</u> |
| | <u>\$464,350</u> |

Maturities of long term debt are as follows:

| Year ending December | Amount |
|-------------------------|------------------|
| 2008 | 37,082 |
| 2009 | 39,060 |
| 2010 | 31,090 |
| 2011 | 32,864 |
| 2012 | 34,740 |
| Thereafter | <u>326,596</u> |
| | <u>\$501,432</u> |

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

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, 2011.

The Organization subleases the 2006 Pumper-Tanker from the Charlestown – Oregon Townships Fire Protection District of Clark County, Indiana for the sum of \$1 per year plus the Organization must provide maintenance and insurance for the vehicle. The lease is year to year.

Note 7-Accounts Receivable

Accounts receivable totaling \$320 is from Charlestown-Oregon Township Fire Protection District of Clark County. The Organization paid to equip the 2007 Pumper - Tanker owned by the district. The district did not have funds to equip so they agreed to pay back the Organization when the funds come available. This is at a zero interest rate and should be paid within 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 instrument: cash equivalents and accounts receivable.

The fair value of the Organization's long term debt is estimated at \$501,432 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 organization's cash balance may be in excess of federally insured limits.

The Organizations 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 11- Subsequent Event

In August, 2008 one of the Organization's volunteer's was charged with theft and fraud. The loss is estimated at \$6,000 from November 2007 to August 2008. The Organization immediately dismissed the volunteer.