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STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

May 27, 2009

Board of Directors
Manchester Township Volunteer Fire
and Rescue Department, Inc.
10452 State Route 48
Aurora, IN 47001

We have reviewed the audit report prepared by Collins Heeb Miller & Co., Inc., Independent Public Accountants, for the period January 1, 2006 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 Manchester Township Volunteer Fire and Rescue Department, Inc., as of December 31, 2007 and 2006, and the results of its operations for the periods 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

**MANCHESTER TOWNSHIP VOLUNTEER FIRE AND
RESCUE DEPARTMENT, INC.**

**FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION**

YEARS ENDED DECEMBER 31, 2007 AND 2006

COLLINS HEEB MILLER & CO., INC.
CERTIFIED PUBLIC ACCOUNTANTS

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COLLINS HEEB MILLER & CO., INC.
CERTIFIED PUBLIC ACCOUNTANTS

4903 VINE STREET
CINCINNATI, OH 45217-1252

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Manchester Township Volunteer Fire and
Rescue Department, Inc.
Manchester, Indiana

We have audited the accompanying Statements of Financial Position of the Manchester Township Volunteer Fire and Rescue Department, Inc. (an Indiana not-for-profit organization) as of December 31, 2007 and 2006, the related Statements of Activities and Cash Flows for the years then ended. These financial statements are the responsibility of the Fire Department's directors. 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 the 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 Fire Department prepares its financial statements on the modified cash basis; accordingly, contracts receivable are not recorded as income until collected and certain expenses are recorded when paid rather than when the obligation is incurred, except that the statements include a provision for depreciation of improvements and equipment. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Manchester Township Volunteer Fire and Rescue Department, Inc. at December 31, 2007 and 2006 and its activities and cash flows for the years then ended, on the basis of accounting described in Note 1 in conformity with accounting principles generally accepted in the United States of America.

Collins Heeb Miller & Co.

August 22, 2008

MANCHESTER TOWNSHIP VOLUNTEER FIRE AND RESCUE DEPARTMENT, INC.

STATEMENTS OF FINANCIAL POSITION - MODIFIED CASH BASIS

December 31, 2007 and 2006

<u>ASSETS</u>	<u>2007</u>	<u>2006</u>
Cash:		
U.S. Bank:		
Checking account	\$ 2,501	\$ 3,167
Savings account	287,001	234,257
Fifth Third Bank:		
Checking account	<u>7</u>	<u>-</u>
Total cash	289,509	237,424
Property and equipment:		
Land	45,000	45,000
Firehouse buildings	571,037	571,037
Vehicles	595,175	542,000
Fire fighting equipment	66,200	28,200
Furniture and fixtures	<u>13,100</u>	<u>13,100</u>
	1,290,512	1,199,337
Less accumulated depreciation	<u>644,781</u>	<u>603,164</u>
Property and equipment - net	645,731	596,173
Total assets	<u>\$ 935,240</u>	<u>\$ 833,597</u>
	=====	=====
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable:		
Trade	\$ -	\$ -
Net assets:		
Unrestricted - General Fund	935,240	833,597
Total liabilities and net assets	<u>\$ 935,240</u>	<u>\$ 833,597</u>
	=====	=====

See accompanying notes.

MANCHESTER TOWNSHIP VOLUNTEER FIRE AND RESCUE DEPARTMENT, INC.

STATEMENTS OF ACTIVITIES - MODIFIED CASH BASIS

Years ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Changes in unrestricted assets:		
Support and revenue:		
Township contracts	\$ 84,000	\$ 61,000
Revenue sharing - riverboats	46,460	35,288
Manchester Township county taxes	-	36,000
Interest income	12,904	5,342
Refunds	130	42
Public support and donations	3,976	6,657
Fundraisers	9,802	7,446
Insurance claim	1,450	281
Ladies auxiliary	-	5,012
Radios donated by county	<u>38,000</u>	<u>-</u>
Total unrestricted revenue	196,722	157,068
Expenses:		
Operating expenses	53,462	52,581
Interest expense	-	-
Depreciation	<u>41,617</u>	<u>37,817</u>
Total expenses	95,079	90,398
Increase in unrestricted net assets	101,643	66,670
Net assets, beginning of year	<u>833,597</u>	<u>766,927</u>
Net assets, end of year	\$935,240 =====	\$833,597 =====

See accompanying notes.

MANCHESTER TOWNSHIP VOLUNTEER FIRE AND RESCUE DEPARTMENT, INC.

STATEMENTS OF CASH FLOWS

Years ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Increase in unrestricted net assets	\$101,643	\$ 66,670
Depreciation	<u>41,617</u>	<u>37,817</u>
Net cash provided (used in) operating activities	143,260	104,487
Cash flows from investing activities:		
Purchase of brush truck	(53,175)	-
Purchase of fire fighting equipment	(38,000)	-
Purchase of furniture and software	<u>-</u>	<u>(2,800)</u>
Net cash provided (used in) investing activities	(91,175)	(2,800)
Cash flows from financing activities:		
Proceeds from loan	-	-
Payments on truck loan	<u>-</u>	<u>(89,806)</u>
Net cash (used in) provided by financing activities	-	(89,806)
Net increase in cash	52,085	11,881
Cash at beginning of year	<u>237,424</u>	<u>225,543</u>
Cash at end of year	\$289,509 =====	\$237,424 =====

See accompanying notes.

MANCHESTER TOWNSHIP VOLUNTEER FIRE AND RESCUE DEPARTMENT, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

1. Summary of significant accounting policies

Organization and basis of accounting - Manchester Township Volunteer Fire and Rescue Department, Inc. was incorporated on December 5, 1968 in the State of Indiana as a not-for-profit organization to provide fire protection for the surrounding area of Manchester Township, Indiana, located in Dearborn County, Indiana. The Fire Department receives revenue from Manchester Township in Dearborn County from the collection of taxes assessed on personal property values within its district. The Fire Department contracts with the township to provide fire protection services for their area. The Fire Department provides emergency medical services in Manchester Township.

The Fire Department maintains its books, records and accounts on the modified cash basis and prepares its tax returns on the modified cash basis. Under this basis the accounts receivable and revenue are recorded as income when collected rather than when earned; accounts payable and expenses are generally recorded when paid rather than when incurred. The accompanying financial statements are prepared on the modified cash basis and therefore present the Fire Department's assets and liabilities resulting from cash transactions and its revenue received and expenses paid and its changes in cash, except that the statements include a provision for depreciation of buildings, improvements and equipment.

Income earned but not collected and expenses incurred but not paid are not included in the financial statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Estimates in financial statements - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Fund accounting - To ensure observance of limitations and restrictions placed on the use of resources available to the Fire Department, the accounts of the Fire Department are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Accordingly, all financial transactions have been recorded and reported by fund groups.

The assets, liabilities and fund balances of the Fire Department are reported in one self balancing fund group, as follows:

Unrestricted general operating funds which represent the portion of expendable funds that are available for support of the Fire Department's activities.

MANCHESTER TOWNSHIP VOLUNTEER FIRE AND RESCUE DEPARTMENT, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

1. Summary of significant accounting policies (continued)

Revenue recognition - All revenue received from township contracts, festival, and other revenue are considered available for unrestricted use unless specifically restricted by the board of directors.

Investment income - Investment income is recorded when earned and is considered available for unrestricted purposes unless specifically restricted.

Cash and cash equivalents - The Fire Department considers cash and cash equivalents to include cash on hand, cash in banks, certificates of deposit and all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Concentrations of credit risk - Financial instruments that potentially subject the Fire Department to concentrations of credit risk consist principally of temporary cash investments. The Fire Department places its temporary cash investments with financial institutions and limits the amount of credit exposure to any one financial institution. Accounts are insured by the Federal Deposit Insurance Corporation up to \$100,000. The Fire Department has two accounts at one local bank. Uninsured cash balances totaled \$189,502 at December 31, 2007.

Donated services - Donated services are normally reflected as revenue in the financial statements at their estimated value with a corresponding charge to expense. No amounts are reflected for donated services unless an objective basis is available to measure the value of such services.

A substantial number of individuals have donated significant amounts of their time to the Fire Department's fire fighting and fire prevention activities.

Property and equipment - The Fire Department capitalizes the cost of all expenditures for building improvements, furniture and fire equipment in excess of \$100. Repairs and maintenance are expensed currently. Donations of property and equipment are recorded as unrestricted contributions at their estimated fair value. The cost of buildings, fire trucks, equipment, and furniture and fixtures are depreciated on the straight-line method over the estimated useful lives of the assets. The estimated useful lives are as follows:

Fire house buildings	33 years
Fire trucks	20 years
Ambulances	20 years
Fire fighting equipment	5 - 10 years
Furniture, fixtures and computers	5 - 10 years

The Fire Department has the use of a 1976 GMC truck that was purchased by Manchester Township. The Township maintains the title to the truck and the Fire Department has no ownership interest. Therefore, no amounts related to this truck have been included in the financial statements.

Income taxes - The Fire Department is exempt from federal and state income taxes and, accordingly, no provision for income taxes has been made in the financial statements on the income from the Fire Department's activities.

MANCHESTER TOWNSHIP VOLUNTEER FIRE AND RESCUE DEPARTMENT, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

2. Property and equipment

The following is a summary of property, vehicles and equipment at insured value or estimated cost and the accumulated depreciation thereon.

	<u>2007</u>	<u>2006</u>
Land - 10405 State Road 48	\$ -	\$ -
Firehouse, at cost	313,481	313,481
Land - 7893 State Road 48 - 3 acres	45,000	45,000
Firehouse, at cost	257,556	257,556
Fire trucks and equipment	595,175	542,000
Fire fighting equipment	66,200	28,200
Furniture, fixtures and computers	13,100	13,100
	<u>1,290,512</u>	<u>1,199,337</u>
Less accumulated depreciation	<u>644,781</u>	<u>603,164</u>
	\$ 645,731	\$ 596,173
	=====	=====

3. Land

In 1968 the Firehouse at 10405 State Road 48 was constructed on land owned by Manchester Township. The Township still owns the land the Firehouse is situated on.

4. Responsibilities for financial statements

The financial statements of Manchester Township Volunteer Fire and Rescue Department, Inc. were prepared in accordance with the comprehensive basis of accounting principles for organizations on the modified cash basis. The integrity and consistency of these financial statements, and of other data presented in this report, are the responsibility of the Fire Department's board of directors and properly include some amounts that are based upon estimates and judgments.

The Fire Department's directors are further responsible for maintaining a system of internal controls, including internal accounting control, that provides an appropriate division of responsibility and is designed to assure that the books and records reflect the transactions of the Fire Department and that its established policies and procedures are carefully followed. The system is constantly reviewed for its effectiveness and is augmented by written policies and guidelines, and the careful selection and training of qualified personnel.



COLLINS HEEB MILLER & CO., INC.
CERTIFIED PUBLIC ACCOUNTANTS

4903 VINE STREET
CINCINNATI, OH 45217-1252

INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

The Board of Directors
Manchester Township Volunteer Fire and
Rescue Department, Inc.
Manchester, Indiana

Our report on our audits of the basic financial statements of Manchester Township Volunteer Fire and Rescue Department, Inc. (an Indiana not-for-profit organization) for the years ended December 31, 2007 and 2006 appears on page 1. These audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information appearing on pages 9-10 is presented for purposes 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 audits 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.

Collins Heeb Miller & Co.

August 22, 2008

MANCHESTER TOWNSHIP VOLUNTEER FIRE AND RESCUE DEPARTMENT, INC.

OPERATING EXPENSES

Years ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Insurance and bonding	\$ 17,745	\$ 16,429
Telephone	1,342	1,472
Office supplies and postage	3,275	6,072
Auditing and accounting	-	-
Dues and subscriptions	536	165
Training and education	2,368	1,758
Operating supplies and equipment	721	3,023
Equipment repairs and maintenance	3,573	7,412
Truck repairs and maintenance	5,742	3,868
Building repairs and maintenance	3,671	4,521
Clothing and uniforms	-	-
Dues	273	-
Meetings	907	473
Promotion, gifts and memorials	-	48
Fund raiser expenses	3,360	1,664
Business gifts	35	372
Indiana taxes	145	125
Billing service fees	500	-
Bank fees and charges	1,854	488
Utilities	6,664	3,794
Trash collection	751	897
New Brush Truck	53,175	-
Loan payment	-	89,806
	<u>\$106,637</u>	<u>\$142,387</u>
	=====	=====

MANCHESTER TOWNSHIP VOLUNTEER FIRE AND RESCUE DEPARTMENT, INC.

SCHEDULE OF TOWNSHIP FINANCIAL ASSISTANCE

Years ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Manchester Township	\$84,000 =====	\$61,000 =====