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June 4, 2009

Board of Directors
Zionsville Volunteer Fire Department
100 N. Ford Rd., P.O. Box 459
Zionsville, IN 46077

We have reviewed the audit report prepared by Gauthier & Kimmerling, 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 Zionsville Volunteer Fire Department, 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

**ZIONSVILLE VOLUNTEER
FIRE DEPARTMENT**

**REPORT ON AUDIT OF
FINANCIAL STATEMENTS**

DECEMBER 31, 2007 and 2006

ZIONSVILLE VOLUNTEER FIRE DEPARTMENT

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Independent Auditors' Report

To the Board of Directors
Zionsville Volunteer Fire Department
Zionsville, Indiana

We have audited the accompanying statements of financial position of Zionsville Volunteer Fire Department (the Department) as of December 31, 2007 and 2006, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Department'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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Department as of December 31, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated August 26, 2008, on our consideration of the Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Gauthier & Kimmerling LLC

August 26, 2008

**ZIONSVILLE VOLUNTEER FIRE DEPARTMENT
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31,**

	2007	2006
<u>ASSETS</u>		
Cash	\$ 284,594	\$ 258,693
Prepaid expenses	-	500
Accounts receivable	64,583	-
Grants receivable	47,210	-
Vehicles and equipment, net of accumulated depreciation of \$1,583,508 in 2007 and \$1,338,111 in 2006 (Note 4)	1,387,863	1,567,998
Total Assets	\$ 1,784,250	\$ 1,827,191
 <u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable	\$ -	\$ 48,018
Notes and leases payable (Note 5)	25,287	108,262
Total Liabilities	25,287	156,280
Net assets:		
Temporarily restricted	47,210	1,994
Unrestricted	1,711,753	1,668,917
Total Net Assets	1,758,963	1,670,911
Total Liabilities and Net Assets	\$ 1,784,250	\$ 1,827,191

The accompanying notes are an integral part of the financial statements.

**ZIONSVILLE VOLUNTEER FIRE DEPARTMENT
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31,**

	2007			2006		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE						
Grants (Note 6)	\$ -	\$ 156,527	\$ 156,527	\$ -	\$ 104,127	\$ 104,127
Contracts (Note 7)	77,080	-	77,080	401,300	-	401,300
Contributions	6,419	-	6,419	2,582	-	2,582
Ambulance revenue	149,786	-	149,786	15,721	-	15,721
Interest	8,415	-	8,415	8,284	-	8,284
Special events, net of expenses of \$11,651 in 2007 and \$8,244 in 2006	12,981	-	12,981	15,032	-	15,032
Other income	11,484	-	11,484	16,412	-	16,412
Total Revenue	266,165	156,527	422,692	459,331	104,127	563,458
Net assets released from restrictions	111,311	(111,311)	-	102,133	(102,133)	-
Total Revenue and Support	377,476	45,216	422,692	561,464	1,994	563,458
EXPENSES						
<i>Program:</i>						
Volunteer reimbursements	57,000	-	57,000	79,882	-	79,882
Insurance	2,875	-	2,875	26,634	-	26,634
Communication	-	-	-	23,409	-	23,409
Repairs and maintenance	-	-	-	17,388	-	17,388
Training	-	-	-	5,195	-	5,195
Travel	-	-	-	202	-	202
Interest	3,081	-	3,081	6,464	-	6,464
Gas and fuel	-	-	-	14,617	-	14,617
Depreciation	245,397	-	245,397	264,607	-	264,607
Minor equipment and supplies	10,565	-	10,565	34,601	-	34,601
Miscellaneous	5,027	-	5,027	5,192	-	5,192
<i>Administrative:</i>						
Office expenses	2,665	-	2,665	8,339	-	8,339
Legal and professional fees	8,030	-	8,030	7,935	-	7,935
Total Expenses	334,640	-	334,640	494,465	-	494,465
Increase in net assets	42,836	45,216	88,052	66,999	1,994	68,993
Net assets - beginning of year	1,668,917	1,994	1,670,911	1,601,918	-	1,601,918
Net assets - end of year	\$ 1,711,753	\$ 47,210	\$ 1,758,963	\$ 1,668,917	\$ 1,994	\$ 1,670,911

The accompanying notes are an integral part of the financial statements.

**ZIONSVILLE VOLUNTEER FIRE DEPARTMENT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,**

	2007	2006
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Changes in net assets	\$ 88,052	\$ 68,993
Adjustments to reconcile change in net assets to net cash provided by (used in) operations:		
Loss on disposal of equipment	-	6,900
Depreciation	245,397	264,607
Increase in grant receivable	(47,210)	-
Increase in accounts receivable	(64,583)	-
Decrease in accounts payable	(48,018)	(8,040)
Decrease in prepaid expenses	500	-
	174,138	332,460
Net Cash Provided By (Used In) Operating Activities		
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of vehicles	-	(66,775)
Purchase of equipment	(65,262)	(119,073)
	(65,262)	(185,848)
Net Cash Provided By (Used In) Investing Activities		
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Payments on notes and leases payable	(82,975)	(115,517)
	25,901	31,095
Net increase (decrease) in cash		
Cash - beginning of year	258,693	227,598
	\$ 284,594	\$ 258,693
Cash - end of year		
Interest paid during the year	\$ 3,081	\$ 6,464

The accompanying notes are an integral part of the financial statements.

ZIONSVILLE VOLUNTEER FIRE DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 and 2006

1. NATURE OF THE ORGANIZATION

Zionsville Volunteer Fire Department (the Department) was incorporated in 1958 to provide fire protection to the public under contracts with the Town of Zionsville and surrounding townships. Ongoing funding comes primarily from the contract with the Zionsville Fire Territory, billing for providing ambulance rescue services, private donations, and auxiliary fundraising for the department.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting – The Department maintains its accounting records on the accrual basis. Grants are recorded as temporarily restricted revenue and net assets until they are expended for their intended purpose.

Cash and cash equivalents – For purposes of the statements of cash flows, the Department considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Accounts receivable – Receivables deemed uncollectible upon periodic review by management are written off as bad debt expense. This method does not result in material differences in expense from the allowance method, which is prescribed by generally accepted accounting principles.

Property and equipment – are stated at cost or, for donations, at fair market value at the date of donation. Depreciation is computed over the estimated useful lives of the vehicles and equipment, generally 3 to 15 years, using the straight-line method.

Federal and state income taxes – The Department has been granted an exemption from income taxes as a not-for-profit organization under Section 501(c)(4) of the Internal Revenue Code; therefore, no expense or liability for income taxes has been recognized in the accompanying financial statements.

Use of estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts. Actual results may differ from these estimates.

3. CASH DEPOSITS

The Department maintains its cash balances in bank accounts, which at some times exceed federally insured limits. At December 31, 2007 and 2006, such excesses totaled \$155,632 and \$150,610, respectively. Management has not experienced any losses on and does not believe it is exposed to significant risk on such excess deposits.

4. VEHICLES AND EQUIPMENT

2007 and 2006 vehicles and equipment activity is summarized below:

	Fire Vehicles	Fire Equipment	Total	Accumulated Depreciation
Balance - January 1, 2006	\$ 2,096,167	\$ 779,094	\$ 2,875,261	\$ 1,221,604
Additions	66,775	119,073	185,848	264,607
Deletions	<u>(50,000)</u>	<u>(105,000)</u>	<u>(155,000)</u>	<u>(148,100)</u>
Balance - December 31, 2006	2,112,942	793,167	2,906,109	1,338,111
Additions	<u>-</u>	<u>65,262</u>	<u>65,262</u>	<u>245,397</u>
Balance - December 31, 2007	<u>\$ 2,112,942</u>	<u>\$ 858,429</u>	<u>\$ 2,971,371</u>	<u>\$ 1,583,508</u>

Depreciation expense, including the amortization of items acquired under capital lease obligations, was \$245,397 and \$264,607 in 2007 and 2006, respectively.

The purchase of the Ladder Truck 91 and related equipment for \$775,000 required contributions from the Department, the Town of Zionsville, Eagle Township, and Union Township. The underlying agreement between the entities specifies that title to the truck rests with the Department until the financing obligations are satisfied. At that time, the truck can be re-titled with each entity's ownership percentage being based on its contribution towards the purchase price. The ownership percentages should be as follows:

Zionsville Volunteer Fire Department	19%
Town of Zionsville	49%
Eagle Township	28%
Union Township	<u>4%</u>
Total	<u>100%</u>

5. NOTES AND LEASES PAYABLE

As of December 31, notes and leases payable consisted of the following:

	2007	2006
Note payable - ladder 91	\$ -	\$ 58,628
Note payable - rescue vehicle	<u>25,287</u>	<u>49,634</u>
Total	<u>\$ 25,287</u>	<u>\$ 108,262</u>

The last scheduled installment on the capital lease was paid in 2006.

(Continued)

5. NOTES AND LEASES PAYABLE – Continued

The promissory note payable to National City Bank (in the original amount of \$278,250) for Ladder Truck 91 requires payments of principal and interest to be made semi-annually in the amount of \$29,963. The note bears interest at the rate of 2.96% per annum. The entire balance of principal and interest was paid on July 30, 2007.

The promissory note payable to National City Bank (in the original amount of \$73,050) for a rescue vehicle requires six semi-annual payments of principal and interest. The first five payments are \$13,039 and the final payment is \$12,955. The note bears interest at the rate of 3.93% per annum and matures on August 2, 2008. The note is collateralized by the rescue vehicle.

Scheduled maturities of the notes payable are as follows:

	Year ending December 31,	
	2008	\$ 25,287
Total		<u>\$ 25,287</u>

6. GRANTS

The following is a schedule of grant activity which is temporarily restricted for equipment acquisition or debt service:

	<u>Town of Zionsville</u>	<u>State/ Federal</u>	<u>Other</u>	<u>Total</u>
Temporarily restricted net assets - 12/31/05	\$ -	\$ -	\$ -	\$ -
Received in 2006:				
Debt service	59,927	-	-	59,927
Fire gear/equipment	-	34,200	10,000	44,200
Spent in 2006	<u>(59,927)</u>	<u>(34,200)</u>	<u>(8,006)</u>	<u>(102,133)</u>
Temporarily restricted net assets - 12/31/06	-	-	1,994	1,994
Received in 2007:				
Reimbursements	5,890	3,500	-	9,390
Debt service	59,927	-	-	59,927
Fire gear/equipment	-	87,210	-	87,210
Spent in 2007	<u>(65,817)</u>	<u>(43,500)</u>	<u>(1,994)</u>	<u>(111,311)</u>
Temporarily restricted net assets - 12/31/07	<u>\$ -</u>	<u>\$ 47,210</u>	<u>\$ -</u>	<u>\$ 47,210</u>

7. CONTRACTS

The following contracts for fire services were in force during December 31:

	<u>2007</u>	<u>2006</u>
Eagle Township	\$ -	\$ 160,520
Town of Zionsville	-	240,780
Zionsville Fire Territory	<u>77,080</u>	<u>-</u>
Total	<u>\$ 77,080</u>	<u>\$ 401,300</u>

The Zionsville Fire Territory (the Territory), a government entity with taxing authority, was established in accordance with state statute in 2006 and began operations in January 2007. The Territory's full-time fire-fighting personnel were hired in April 2007.

Prior to January 1, 2007, the Department contracted directly with the Town and Eagle Township to provide fire and rescue equipment, as well as volunteer personnel. After January 1, 2007, the Department contracts with the Territory to provide the same equipment and services. The value of the Department's contract with the Territory is significantly reduced from contracts received by the Department in prior years because of the Territory's assumption of most operating expenses. In return for providing the rescue vehicles and equipment, the Department receives the revenue from their use.

The Board of Directors anticipates that as fire-fighting equipment needs replacement, the cost will be borne by the Territory. The Department's equipment may be transferred to the Territory to offset the cost of acquisitions.



Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance
with *Government Auditing Standards*

Board of Directors
Zionsville Volunteer Fire Department
Zionsville, Indiana

We have audited the financial statements of the Zionsville Volunteer Fire Department (the Department) as of and for the year ended December 31, 2007, and have issued our report thereon dated August 26, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Department's internal control over financial reporting 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 Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over financial reporting.

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 combination of control deficiencies, that adversely affects the entity'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 entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Department's Board of Directors, management, grantors, and certain regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties.

Gauthier & Kimmeling LLC

August 26, 2008