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June 18, 2009

Board of Directors
Bargersville Community Volunteer
Fire Department, Inc.
51 S. Baldwin St.
Bargersville, IN 46106

We have reviewed the audit report prepared by Blue & Company, LLC, Independent Public Accountants, for the period July 1, 2006 to June 30, 2008. 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 Bargersville Community Volunteer Fire Department, Inc., as of June 30, 2008 and 2007, 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.

We call your attention to the findings in the report. The management letter contains three comments.

STATE BOARD OF ACCOUNTS

**BARGERSVILLE COMMUNITY VOLUNTEER FIRE
DEPARTMENT, INC.**

FINANCIAL STATEMENTS

(MODIFIED CASH BASIS)

JUNE 30, 2008 AND 2007

BARGERSVILLE COMMUNITY VOLUNTEER FIRE DEPARTMENT, INC.

TABLE OF CONTENTS JUNE 30, 2008 AND 2007

	Page
Report of Independent Auditors	1
 Financial Statements	
Statements of Assets, Liabilities, and Net Assets – Modified Cash Basis	2
Statements of Revenues, Expenses, and Changes in Net Assets – Modified Cash Basis	3
Statements of Cash Flows – Modified Cash Basis	4
Notes to Financial Statements	5



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REPORT OF INDEPENDENT AUDITORS

The Board of Directors
Bargersville Community Volunteer Fire Department, Inc.
Bargersville, Indiana

We have audited the accompanying statements of assets, liabilities, and net assets - modified cash basis of Bargersville Community Volunteer Fire Department, Inc., as of June 30, 2008 and 2007, the related statements of revenues, expenses, and changes in net assets - modified cash basis, and statements of cash flows - modified cash basis for the years then ended. These financial statements are the responsibility of Bargersville Community Volunteer Fire Department, Inc.'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 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 the 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, these financial statements were prepared on the modified cash basis of accounting, which 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 assets, liabilities, and net assets of Bargersville Community Volunteer Fire Department, Inc., as of June 30, 2008 and 2007, and its revenues, expenses, changes in net assets, and its cash flows for the years then ended, on the basis of accounting described in note 1.

Blue & Co., LLC

February 4, 2009

BARGERSVILLE COMMUNITY VOLUNTEER FIRE DEPARTMENT, INC.

STATEMENTS OF ASSETS, LIABILITIES, AND NET ASSETS (MODIFIED CASH BASIS) JUNE 30, 2008 AND 2007

ASSETS

	<u>2008</u>	<u>2007</u>
Current assets		
Cash	\$ 478,650	\$ 88,320
Property and equipment		
Buildings and improvements	535,603	527,639
Equipment	787,133	783,593
Furniture and fixtures	171,593	165,348
Vehicles	<u>776,034</u>	<u>776,034</u>
	2,270,363	2,252,614
Less accumulated depreciation	<u>1,833,044</u>	<u>1,759,435</u>
Net property and equipment	437,319	493,179
Other assets		
Certificates of deposit	<u>1,443</u>	<u>1,388</u>
	<u>\$ 917,412</u>	<u>\$ 582,887</u>

LIABILITIES AND NET ASSETS

Unrestricted net assets	<u>\$ 917,412</u>	<u>\$ 582,887</u>
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See accompanying notes to financial statements.

BARGERSVILLE COMMUNITY VOLUNTEER FIRE DEPARTMENT, INC.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS (MODIFIED CASH BASIS) YEARS ENDED JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
Revenues		
Fire protection contracts	\$ 1,147,000	\$ 803,961
Donations, dues, fire runs, and other	6,078	9,828
Gain on sale of asset	6,500	152,799
Interest	3,259	11,413
Total revenues	<u>1,162,837</u>	<u>978,001</u>
Expenses		
Payroll and payroll taxes	630,106	564,957
Depreciation	73,609	63,739
Interest	-0-	9,401
Repairs and maintenance	27,245	54,761
Contract labor/temporary services	-0-	2,765
Insurance	-0-	3,956
Contributions - fire detection	-0-	91
Telephone and utilities	32,499	43,957
Supplies	18,544	30,033
Seminars and conventions	495	3,849
Miscellaneous	9,384	11,902
Medical supplies	231	759
Fuel	26,863	21,628
Professional fees	5,181	11,763
Licenses and fees	1,544	1,162
Office supplies and postage	2,420	4,492
Data processing and software	191	5,640
Dues and subscriptions	-0-	544
Total expenses	<u>828,312</u>	<u>835,399</u>
Change in unrestricted net assets	334,525	142,602
Unrestricted net assets, beginning of year	<u>582,887</u>	<u>440,285</u>
Unrestricted net assets, end of year	<u>\$ 917,412</u>	<u>\$ 582,887</u>

See accompanying notes to financial statements.

BARGERSVILLE COMMUNITY VOLUNTEER FIRE DEPARTMENT, INC.

STATEMENTS OF CASH FLOWS (MODIFIED CASH BASIS) YEARS ENDED JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
Operating activities		
Change in unrestricted net assets	\$ 334,525	\$ 142,602
Adjustments to reconcile change in unrestricted net assets to net cash flows from operating activities:		
Depreciation	73,609	63,739
Non-cash interest expense	-0-	9,401
Gain on sale of asset	-0-	(152,799)
Net cash flows from operating activities	<u>408,134</u>	<u>62,943</u>
Investing activities		
Purchase of property and equipment	(17,749)	(234,396)
Change in certificates of deposit	(55)	165,933
Net cash flows from investing activities	<u>(17,804)</u>	<u>(68,463)</u>
Net change in cash	390,330	(5,520)
Cash, beginning of year	<u>88,320</u>	<u>93,840</u>
Cash, end of year	<u>\$ 478,650</u>	<u>\$ 88,320</u>
Supplemental disclosure of cash flow information		
Gain on sale of asset arising from sale of asset in exchange for pay-off of related debt	\$ -0-	\$ 152,799
Interest expense arising from sale of asset in exchange for pay-off of related debt	\$ -0-	\$ 9,401

See accompanying notes to financial statements.

BARGERSVILLE COMMUNITY VOLUNTEER FIRE DEPARTMENT, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008 AND 2007

1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Bargersville Community Volunteer Fire Department, Inc. (the "Organization"), was incorporated in 1956 under the provisions of the Indiana Not-For-Profit Act of 1935. The Organization was established to provide voluntary fire protection for the town of Bargersville and its surrounding community and to promote spirit and welfare.

Financial Statement Presentation

These financial statements are presented on the modified cash basis of accounting. Under this basis, revenues are recognized when collected rather than when earned, and expenses are recognized when paid rather than when incurred. Consequently, the Organization has not recognized deferred revenue or accounts receivable from donors, accounts payable to vendors, and their related effects on the change in net assets in the accompanying financial statements.

The financial statements are prepared to present balances and financial activity according to the existence or absence of donor-imposed restrictions. All revenues and net assets are considered unrestricted under the requirements of Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations."

Management's Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with the modified cash basis of accounting. Those estimates and assumptions affect the reported amounts of assets and liabilities and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Property and Equipment

Property and equipment are recorded at cost and include expenditures which substantially increase the useful lives of existing assets. Maintenance, repairs, and minor improvements are expensed as incurred.

BARGERSVILLE COMMUNITY VOLUNTEER FIRE DEPARTMENT, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008 AND 2007

The Organization provides for depreciation of property and equipment by using straight-line and accelerated methods, over the properties' estimated useful lives. The useful lives of assets are as follows:

<u>Description</u>	<u>Useful Lives</u>
Buildings and improvements	5-39 years
Equipment	5-7 years
Furniture and fixtures	5-7 years
Vehicles	5-7 years

Income Taxes

No provision is shown for federal or Indiana income taxes because the Organization has been granted exemption from taxation as a not-for-profit organization under 501(c)(3) of the Internal Revenue Code.

2. LONG-TERM DEBT

The Organization's long-term debt was paid off during 2007 by the Bargersville Community Fire Protection District in exchange for equipment. The Organization recognized a gain on sale of equipment in the amount of \$152,799 in 2007.

3. CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash.

During 2008 and 2007, the Organization received 99 and 82 percent, respectively, of its revenues from the Bargersville Community Fire Protection District.



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STATE BOARD OF ACCOUNTS

February 4, 2009

Board of Directors
Bargersville Community Volunteer Fire Department, Inc.
Bargersville, Indiana

Dear Members of the Board:

We have audited the financial statements of Bargersville Community Volunteer Fire Department, Inc. (the "Organization") for the years ended June 30, 2008 and 2007, and have issued our report thereon dated as of the date of this letter.

Professional standards require that we provide you with the following information related to our audit.

OUR RESPONSIBILITY UNDER U.S. GENERALLY ACCEPTED AUDITING STANDARDS

As stated in our engagement letter, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the Organization. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Organization are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative

guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based upon management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Significant areas involving the use of estimates and assumptions include the depreciation of property and equipment.

The disclosures in the financial statements are neutral, consistent, and clear.

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

We encountered no significant difficulties in dealing with management in performing and completing our audit.

CORRECTED AND UNCORRECTED MISSTATEMENTS

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

The following material misstatements detected as a result of audit procedures for June 30, 2007 are:

- ✓ An adjustment to properly record certificates of deposit at year-end. This adjustment decreased the change in net assets by \$173,770.
- ✓ An adjustment to properly record fixed assets, accumulated depreciation, and depreciation expense at June 30, 2007. This adjustment increased the change in net assets by \$170,657.
- ✓ An adjustment to properly record notes payable at June 30, 2007. This adjustment increased the change in net assets by \$152,799.

The following material misstatements detected as a result of audit procedures for June 30, 2008 are:

- ✓ An adjustment to properly record fixed assets, accumulated depreciation, and depreciation expense at June 30, 2008. This adjustment decreased the change in net assets by \$55,860.

DISAGREEMENTS WITH MANAGEMENT

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of the audit.

MANAGEMENT REPRESENTATIONS

We have requested certain representations from management that are included in the management representation letter dated as of the date of this letter.

OTHER AUDIT FINDINGS OR ISSUES

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

INTERNAL CONTROL MATTERS

In planning and performing our audit of the financial statements of the Organization as of and for the year ended June 30, 2008 and 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization's internal control over financial reporting (internal control) 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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

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. We consider the following deficiency to be a significant deficiency in internal control:

Identification of material misstatements from US GAAP during the audit

During the audit, we noted certain adjustments which we proposed to the Organization for posting which the Organization reviewed and agreed were necessary to post in order for the financial statements to be in accordance with US GAAP. The need to post certain adjustments as a result of the audit process is a reflection of the nature of the Organization. The Organization basically operates on a cash basis during the year with accrual-basis adjustments only being determined and posted through the audit process. While the need to make these adjustments is technically a significant deficiency in internal controls related to financial reporting, the Organization has chosen this approach as it has judged the cost to exceed the benefit of maintaining its records on the accrual basis and including these specific adjustments on a monthly basis. The use of the cash method on a monthly basis throughout the year gives the Board information to manage the operations of the Organization in a sufficient manner in its estimation. This matter will be noted annually in accordance with professional standards.

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. We believe that the following deficiency constitutes a material weakness:

We are required to give consideration to the Organization's ability to prepare financial statements and related note disclosures, as well as the oversight of the financial reporting process by those charged with governance. The Organization does not have in place controls that would assure the preparation of internal financial statements and related note disclosures in accordance with generally accepted accounting principles.

The Organization engages the independent auditors to draft the financial statements, which includes drafting the primary financial statements and the disclosures, as well as performing procedures to ensure that the disclosures are complete. Once drafted, the financial statements are submitted to the Organization for review and approval. While this practice is common and practical, we must inform those charged with governance that this must be considered a material weakness in internal control since the financial statement preparation cannot be performed in-house.

OUR RECOMMENDATIONS FOR YOUR ORGANIZATION

During the course of an audit, we frequently become aware of matters which are opportunities to strengthen internal controls or improve operating efficiency or effectiveness.

CURRENT YEAR RECOMMENDATION

During the course of our 2008 and 2007 audit, we have developed the following recommendations for your consideration.

Dual signatures

During discussions with management and review of check copies as part of the audit process, we noted checks over \$10,000 without dual signatures. We recommend that management enforce the dual signature requirement for all checks greater than \$10,000.

Review of bank reconciliations

During discussions with management as part of the audit process, we noted that bank statements are received by the Assistant Chief/Treasurer, who also prepares the bank reconciliations. After the preparation of bank reconciliations, we noted there are no procedures in place for further review. We recommend that the Chief and/or Board of Directors review the bank reconciliation after completion. Given the limited number of personnel involved in the recordkeeping process, this additional control procedure would strengthen the oversight of the cash cycle.

Review of QuickBooks check register

During discussions with management as part of the audit process, we noted there are no procedures in place to review the cash disbursements process. We recommend that the Chief and/or Board of Directors review the check register periodically. Given the limited number of personnel included in the recordkeeping process, this additional control procedure would strengthen the oversight of the cash disbursements cycle.

This communication is intended solely for the information and use of management, the Board of Directors and its relevant committees (including as applicable the Audit and Finance Committee), and others within the Organization, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate this opportunity to be of service and extend our thanks to everyone at the Organization for their cooperation and assistance. We would be pleased to discuss any of the above matters with you at your convenience.

Very truly yours,

Blue & Co., LLC