STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

B34570

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

June 29, 2009

Board of Directors
McCutchanville Volunteer
Fire Department, Inc.
9219 Petersburg Rd.
Evansville, IN 47725

We have reviewed the audit report prepared by Brown, Smith and Settle, 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 McCutchanville 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 except for the effects of such adjustments, if any, that might have resulted had the collections of cash contributions gym fund rental income and expenditures been susceptible to satisfactory audit tests.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

STATE BOARD OF ACCOUNTS

McCUTCHANVILLE VOLUNTEER FIRE DEPARTMENT, INC.
A NONPROFIT ORGANIZATION

FINANCIAL STATEMENTS

DECEMBER 31, 2007

McCUTCHANVILLE VOLUNTEER FIRE DEPARTMENT, INC.
A NONPROFIT ORGANIZATION

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT	Page 1
FINANCIAL STATEMENTS	
Statement of Support, Revenue, and Expenses - Modified Cash Basis	2
Statement of Assets, Liabilities, and Net Assets - Modified Cash Basis	3
Statement of Functional Expenses - Modified Cash Basis	4
Notes to Financial Statements	5

Brown, Smith & Settle, LLC
Certified Public Accountants

777 Oak Hill Road
Evansville, Indiana 47711
Tel: 812 424-3388
Fax: 812 429-1567

Jerry A. Smith
Earl F. Settle
Lonny L. Dus
Stephen L. Reffett
Larry D. Bitter

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
McCutchanville Volunteer Fire Department, Inc.
9219 Petersburg Rd.
Evansville, IN 47725

We have audited the accompanying statement of assets, liabilities and net assets - modified cash basis of McCutchanville Volunteer Fire Department, Inc. (a nonprofit organization) as of December 31, 2007, and the related statement of support, revenue, and expenses - modified cash basis, and statement of functional expenses - 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described in Note 1, the organization prepares its financial statements on the basis of cash receipts and disbursements except that the statements include a provision for depreciation of property and equipment. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

No accounting controls are exercised over cash contributions or gym fund rental income or expenditures prior to the initial recording of such transactions in the accounting records. Accordingly, it was not practical to extend our examination of such receipts or disbursements beyond the amounts recorded.

In our opinion, except for such adjustments, if any, that might have resulted had the collection of cash contributions, gym fund rental income and expenditures referred to in the preceding paragraph been susceptible to satisfactory audit tests, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets - modified cash basis of McCutchanville Volunteer Fire Department, Inc., as of December 31, 2007, and the support, revenues and expenses - modified cash basis for the year then ended, on the basis of accounting described in Note 1.

Brown, Smith and Settle, LLC
December 1, 2008

McCutchanville Volunteer Fire Department, Inc.

A Nonprofit Organization

Statement of Support, Revenue, and Expenses

Modified Cash Basis

Year Ended December 31, 2007

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT				
RECEIVED DIRECTLY				
Contributions	$ 172,320	$ 0	$ 0	$ 172,320
TOTAL PUBLIC SUPPORT	172,320	0	0	172,320
GRANTS FROM GOVERNMENTAL AGENCIES	255,000	250,000	0	505,000
OTHER REVENUE				
Other income	18	0	0	18
Interest income	6,001	0	0	6,001
Rental income	10,389	0	0	10,389
Loss on disposal of assets	(320)	0	0	(320)
TOTAL OTHER REVENUE	16,088	0	0	16,088
NET SUPPORT AND REVENUE	443,408	250,000	0	693,408
NET ASSETS RELEASED FROM RESTRICTIONS	175,713	(175,713)	0	0
TOTAL SUPPORT AND REVENUE	619,121	74,287	0	693,408
FUNCTIONAL EXPENSES				
Program services	571,089	0	0	571,089
Administrative	90,018	0	0	90,018
Fund raising	13,028	0	0	13,028
TOTAL FUNCTIONAL EXPENSES	674,135	0	0	674,135
CHANGE IN NET ASSETS	(55,014)	74,287	0	19,273
NET ASSETS - BEGINNING OF YEAR	1,082,392	28,406	0	1,110,798
NET ASSETS - END OF YEAR	$ 1,027,378	$ 102,693	$ 0	$ 1,130,071

See independent accountant's report and accompanying notes

McCutchanville Volunteer Fire Department, Inc.
A Nonprofit Organization
Statement of Assets, Liabilities, and Net Assets
Modified Cash Basis
December 31, 2007

ASSETS

CURRENT ASSETS	
Cash	$ 97,191
TOTAL CURRENT ASSETS	97,191
PROPERTY AND EQUIPMENT	3,606,591
Less accumulated depreciation	2,327,258
	1,279,333
OTHER ASSETS	
Organizational costs, net of accumulated amortization of $400	100
	100
TOTAL ASSETS	$ 1,376,624

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Withheld taxes	$ 1,881
Current portion of long-term obligations	54,783
TOTAL CURRENT LIABILITIES	56,664
LONG-TERM OBLIGATIONS, less current maturities	189,889
TOTAL LIABILITIES	246,553
NET ASSETS	
Unrestricted	1,027,378
Temporarily restricted	102,693
TOTAL NET ASSETS	1,130,071
TOTAL LIABILITIES AND NET ASSETS	$ 1,376,624

See independent accountant's report and accompanying notes

McCutchanville Volunteer Fire Department, Inc.
Statement of Functional Expenses
Modified Cash Basis
for the Year Ended December 31, 2007

	Program Services	Administration	Fund Raising	Total
Awards	$ 380	$ 42	$ 0	$ 422
Bank charges	0	401	0	401
Clothing allowance	38,348	0	0	38,348
Depreciation & amortization	193,868	21,541	0	215,409
Dues & licenses	1,258	140	0	1,398
Equipment	13,900	140	0	14,040
Food	664	74	0	738
Fuel	15,148	0	0	15,148
Fundraiser expense	0	0	12,924	12,924
Gym care	0	2,139	0	2,139
Insurance	38,149	4,239	0	42,388
Insurance - medical & life	23,924	2,658	0	26,582
Interest expense	13,283	1,476	0	14,759
Internet	539	60	0	599
Medical director	4,000	0	0	4,000
Miscellaneous	1,367	4,094	0	5,461
Occupancy	34,665	3,852	0	38,517
Payroll taxes	9,805	1,089	0	10,894
Physicals	2,165	241	0	2,406
Postage	1,724	192	0	1,916
Printing	241	0	104	345
Professional fees	0	28,855	0	28,855
Property taxes	1,899	211	0	2,110
Repairs & maintenance	38,558	4,284	0	42,842
Security	1,271	67	0	1,338
SIMPLE expense	2,769	308	0	3,077
Supplies	6,815	757	0	7,572
Telephone	2,600	289	0	2,889
Training	3,639	37	0	3,676
Uniforms & laundry	4,625	0	0	4,625
Wages	115,485	12,832	0	128,317
	$ 571,089	$ 90,018	$ 13,028	$ 674,135

See independent accountant's report and accompanying notes

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The organization's purpose is to provide fire protection and aid in other emergencies for persons and property in the area of McCutchanville and Center Township outside the city limits of Evansville and to aid other agencies on a mutual aid basis during times of need, with priority in McCutchanville and Center Township outside the city limits of Evansville. The organization, located in McCutchanville, Indiana, is supported primarily through allocations from the trustee of Center Township.

Basis of Accounting

The accompanying financial statements have been prepared on the modified cash basis of accounting. This basis differs from generally accepted accounting principles since it requires revenues and their related assets to be recorded when received rather than when earned and expenses and their related liabilities to be recorded when paid rather than when incurred.

Financial Statement Presentation

The organization complies with Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-For-Profit Organizations." Under SFAS No. 117, the organization is required to report information regarding its assets, liabilities, net assets, revenues and expenses according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Income Taxes

McCutchanville Volunteer Fire Department is a nonprofit organization exempt from federal, state and local income taxes under section 501(c) (4) of the United States Internal Revenue Code.

Property and Equipment

Property and equipment are carried at cost. Expenditures for replacements are capitalized and the replaced items are retired. Maintenance and repairs are charged to operations as incurred. Donations of property and equipment are recorded as support at their estimated fair market value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. The organization reports expirations of donor restrictions when the acquired assets are placed in service. At that time, temporarily restricted net assets are reclassified to unrestricted net assets. Provisions for depreciation of property and equipment are computed on the straight-line method based on their estimated useful lives. Upon disposition, the cost and accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected in operations for the period.

Intangibles

Intangible costs consist of organizational costs incurred in 2004 and are being amortized over 5 years using the straight-line method. Amortization expense for the year ended December 31, 2007 was $100.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Use of Estimates
The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contributions
The organization also complies with SFAS No. 116, "Accounting for Contributions Received and Contributions Made." In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished) in the reporting period in which the revenue is recognized.
All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Support, Revenue, and Expenses as net assets released from restrictions.

The value of contributed services meeting the requirements for recognition in the financial statements is not material and has not been recorded. Nevertheless, a substantial number of individuals volunteer significant amounts of their time and perform a variety of tasks that assist in the organization's program services and its fund raising campaigns.

NOTE 2 - PROPERTY AND EQUIPMENT
Property and equipment at December 31, 2007 consisted of the following:

	2007	
	Cost	Accumulated Depreciation
Land	$ 21,500	$ 0
Buildings	647,350	239,059
Office furniture and equipment	54,509	27,965
Fire and rescue equipment	518,005	373,560
Vehicles	2,365,227	1,572,392
Vehicle purchased under provisions of a capital lease	403,347	114,288
	$ 3,606,591	$ 2,327,258

Depreciation for the year ended December 31, 2007 was $215,309, including $40,335 related to vehicle purchased under provisions of a capital lease.

NOTE 3 - CONTINGENCY

McCutchanville Volunteer Fire Department, receives a significant portion of its funds from the trustee of Center Township. In the event the organization defaults in their performance according to the agreement, the trustee may terminate the agreement and exercise its right to retain the fire fighting equipment in order to continue fire protection in the jurisdiction.

NOTE 4 - LONG-TERM OBLIGATIONS

Long-term obligations at December 31, 2007, consisted of the following:

	2007	
	Current	Long-Term
Capital lease payable in 7 annual installments of $68,136 on specific equipment; the effective rate of interest is 4.47%, renewable annually if puchase option not exercised, matures August 2011. (A)	$ 54,783	$ 189,889

(A) Collateralized by specific equipment.

Future maturities of capital lease obligations as of December 31, 2007 were as follows:

Year Ending December 31,	Gross Lease Payments	Less Amount Representing Interest	Principal Portion
2008	$ 68,136	$ 10,912	$ 57,224
2009	68,136	8,358	59,778
2010	68,136	5,693	62,443
2011	68,136	2,909	65,227
	$ 272,544	$ 27,872	$ 244,672

Interest expense on these leases for the year ended December 31, 2007 was $14,609.

See note 2 for information related to cost, accumulated depreciation, and depreciation expense for vehicle purchased under the provisions of a capital lease.

NOTE 5 - FUNCTIONAL EXPENSES

The costs of providing services have been summarized on a functional basis in the statement of support, revenue, and expenses. Expenses specifically identified as relating to one of the functional categories are charged accordingly. Other expenses determined to relate to more than one of the categories are allocated based on estimated percentages. The allocated costs included various expense types.

NOTE 6 - CONCENTRATIONS OF CREDIT RISK
The organization maintains its cash balance at several financial institutions located in Evansville, Indiana. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to $100,000. At December 31, 2007, the organization's total uninsured balance was $6,034.

NOTE 7 - SIMPLE PLAN
The organization has a savings incentive match plan (SIMPLE Plan). The organization makes matching contributions up to 100% of the employee election, not to exceed 3% of the employee's wages. The organization's SIMPLE expense for the year ended December 31, 2007 $3,077.

NOTE 8 - ECONOMIC DEPENDENCE
The organization receives the majority of its support through funds from the trustee of Center Township, Indiana.

NOTE 9 - RESTRICTIONS ON NET ASSETS
Temporarily restricted net assets at December 31, 2007 represent amounts received but not yet expended for the cumulative firefighting building and equipment fund. Those restrictions are considered to expire when payments are made for the purchase of firefighting equipment or to purchase, construct, renovate or add to buildings. The organization has capitalized leases for equipment meeting the requirements of this restriction. These assets are released from restriction as payments are made. The total amount expended for this purpose during 2007 was $175,713. Total temporarily restricted net assets at December 31, 2007 was $102,693.

At December 31, 2007, the organziation's cash balance was not sufficient to meet the obligations of the donor imposed restrictions.