



STATE OF INDIANA
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July 7, 2009

Board of Directors
Riley Fire Department, Inc.
P.O. Box 41
Riley, IN 47871

We have reviewed the audit report prepared by Kemper CPA Group, LLP, 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 Riley 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 not recording services donated by the volunteer firefighters.

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

STATE BOARD OF ACCOUNTS

AUDITED FINANCIAL STATEMENTS

RILEY FIRE DEPARTMENT, INC.
RILEY, INDIANA

December 31, 2007 and 2006

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Riley Fire Department, Inc.
Riley, Indiana

We have audited the accompanying statements of financial position of Riley Fire Department, Inc. (a not-for-profit organization) as of December 31, 2007 and 2006, and the related statements of activities and changes in net assets (deficit), cash flows and functional expenses for the years 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 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 management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As explained in Note A to the financial statements, labor donated by the volunteer firefighters is not recorded as a donation in the financial statements. In our opinion, accounting principles generally accepted in the United States of America require that such donated services be recorded at fair value at the date of receipt. It was not practicable to determine the effects of the unrecorded donated services on the financial statements.

In our opinion, except for the effects of not recording services donated by the volunteer firefighters, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Riley Fire Department, Inc. 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.

Kemper CPA Group LLP

Terre Haute, Indiana
July 29, 2008

STATEMENTS OF FINANCIAL POSITION

RILEY FIRE DEPARTMENT, INC.

ASSETS

	December 31, 2007	December 31, 2006
CURRENT ASSETS		
Cash and cash equivalents	\$ 16,301	\$ 254
Accounts receivable	12,810	36,633
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	29,111	36,887
PROPERTY AND EQUIPMENT, NET		
	650,336	637,717
	<hr/>	<hr/>
	\$ 679,447	\$ 674,604
	<hr/>	<hr/>
LIABILITIES AND NET ASSETS (DEFICIT)		
CURRENT LIABILITIES		
Cash overdraft	\$ 60	\$ 5,459
Accounts payable	23,018	1,946
Payroll liabilities	3,499	3,071
Accrued interest	1,835	2,253
Current portion of long-term debt	31,427	38,363
	<hr/>	<hr/>
TOTAL CURRENT LIABILITIES	59,839	51,092
LONG-TERM DEBT, less current maturities	642,255	673,346
NET DEFICIT		
Unrestricted	(22,647)	(49,834)
	<hr/>	<hr/>
	\$ 679,447	\$ 674,604
	<hr/>	<hr/>

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

STATEMENTS OF ACTIVITIES AND CHANGES IN NET DEFICIT

RILEY FIRE DEPARTMENT, INC.

	Year Ended December 31,	
	2007	2006
SUPPORT AND REVENUE		
Contributions	\$ 1,350	\$ 550
Service contract revenue	215,500	236,157
Grants	83,230	0
Miscellaneous income	13,069	6,941
	<hr/>	<hr/>
TOTAL SUPPORT AND REVENUE	313,149	243,648
EXPENSES		
Fire and emergency medical services	285,962	260,934
	<hr/>	<hr/>
INCREASE (DECREASE) IN UNRESTRICTED NET DEFICIT	27,187	(17,286)
Unrestricted net deficit at beginning of year	(49,834)	(32,548)
	<hr/>	<hr/>
UNRESTRICTED NET DEFICIT AT END OF YEAR	(\$ 22,647)	(\$ 49,834)

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

STATEMENTS OF CASH FLOWS
RILEY FIRE DEPARTMENT, INC.

	Year Ended December 31,	
	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net deficit	\$ 27,187	(\$ 17,286)
Adjustment to reconcile increase (decrease) in net deficit to cash provided by operating activities:		
Depreciation	68,752	68,923
Decrease (increase) in accounts receivable	23,823	(36,633)
Increase (decrease) in accounts payable	21,072	(1,259)
Increase in payroll liabilities	428	110
(Decrease) increase in accrued interest	(418)	806
NET CASH PROVIDED BY OPERATING ACTIVITIES	140,844	14,661
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(81,371)	0
NET CASH USED IN INVESTING ACTIVITIES	(81,371)	0
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in cash overdraft	(5,399)	5,459
Payments to the Fire Protection District	0	(176,000)
Proceeds from line-of-credit	0	240,000
Payments on line-of-credit	0	(240,000)
Proceeds from long-term debt	0	200,356
Payments on long-term debt	(38,027)	(44,496)
Proceeds from related party loans	4,070	10,609
Payments on related party loans	(4,070)	(10,609)
NET CASH USED IN FINANCING ACTIVITIES	(43,426)	(14,681)
NET INCREASE (DECREASE) IN CASH	16,047	(20)
Cash and cash equivalents at beginning of year	254	274
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 16,301	\$ 254
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	\$ 53,799	\$ 36,683

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

STATEMENTS OF FUNCTIONAL EXPENSES

RILEY FIRE DEPARTMENT, INC.

	<u>Year Ended December 31,</u>	
	<u>2007</u>	<u>2006</u>
Fire and Emergency Medical Services:		
Building maintenance	\$ 7,651	\$ 2,496
Fire prevention and emergency medical service equipment	3,738	3,584
Payroll expense	92,204	92,653
Training and education	340	312
Fuel	2,162	1,657
Insurance	27,290	26,693
Interest expense	53,381	37,489
Equipment maintenance	4,751	6,794
Utilities	12,803	12,040
Public relations	94	35
Supplies	2,613	2,663
Professional fees	4,443	4,090
Uniforms	495	0
Miscellaneous expense	5,245	1,505
	<hr/>	<hr/>
TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION AND AMORTIZATION	217,210	192,011
Depreciation and amortization of buildings and equipment	68,752	68,923
	<hr/>	<hr/>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 285,962</u>	<u>\$ 260,934</u>

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

NOTES TO FINANCIAL STATEMENTS

RILEY FIRE DEPARTMENT, INC.

December 31, 2007 and 2006

Note A - Summary of Significant Accounting Policies:

Nature of Organization - The purpose of the Organization is to provide fire protection and emergency medical services to persons who reside in Riley Township in Vigo County, Indiana.

Income Tax Status - The Riley Fire Department, Inc. is a wholly-exempt not-for-profit corporation organized in accordance with Section 501(c)(4) of the Internal Revenue Code. As a result, the Organization's income is exempt from federal and state income taxes. It is classified as other than a private foundation.

Basis of Presentation - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its 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 financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Contributions - Contributions are recorded when received by the Organization, or when an unconditional promise to give has been made, and are considered available for unrestricted use unless specifically restricted by the donor.

Basis of Accounting - The financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Statement of Cash Flows - For purposes of the Statement of Cash Flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents include cash on hand and amounts due from banks.

Estimates - 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.

Property and Equipment - Purchased fixed assets are stated at cost. Additions and betterments are charged to the property accounts while maintenance and repairs, which do not improve or extend the life of the respective assets, are expensed currently. Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the assets. Depreciation and amortization for 2007 and 2006 were \$68,752 and \$68,923, respectively.

Allocated Expenses - Expenses by function have been allocated entirely to the Organization's fire and emergency medical services program.

Contributed Services - The Organization is a voluntary organization, and as such, services are contributed, be it in connection with service on the board of directors or in providing fire protection and emergency medical services. It is not practical to measure the extent of the services provided for the periods under audit, to recognize these services as revenue, or to value services not recognized as revenue.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

RILEY FIRE DEPARTMENT, INC.

December 31, 2007 and 2006

Note A - Summary of Significant Accounting Policies (Continued):

Reclassifications - Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

Note B - Concentration of Credit Risk:

The Organization is subject to a concentration of credit risk primarily from its dependence on tax levy revenue from Vigo County and Riley Township. (See Note D).

The Organization maintains its cash balances in one financial institution. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. In 2007 and 2006, the Organization's bank balances did not exceed FDIC insured limits.

Note C - Property and Equipment:

Property and equipment at December 31, 2007 and 2006 was as follows:

	Balance January 1, 2007	Additions	Disposals	Balance December 31, 2007
Vehicles and equipment	\$1,122,916	\$ 81,371	\$ 0	\$1,204,287
Less: Accumulated depreciation	(485,199)	(68,752)	0	(553,951)
	<u>\$ 637,717</u>	<u>\$ 12,619</u>	<u>\$ 0</u>	<u>\$ 650,336</u>
	Balance January 1, 2006	Additions	Disposals	Balance December 31, 2006
Vehicles and equipment	\$1,122,916	\$ 0	\$ 0	\$1,122,916
Less: Accumulated depreciation	(416,276)	(68,923)	0	(485,199)
	<u>\$ 706,640</u>	<u>(\$ 68,923)</u>	<u>\$ 0</u>	<u>\$ 637,717</u>

Note D - Funding:

Funding of the Organization for the years ended 2007 and 2006 was primarily provided by the Riley Fire Protection District. The District receives property taxes and passes these funds to the Organization for fire protection services.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

RILEY FIRE DEPARTMENT, INC.

December 31, 2007 and 2006

Note D - Funding (Continued):

The amounts provided were as follows:

	<u>December 31,</u> 2007	<u>December 31,</u> 2006
Vigo County Treasurer, passed through to Riley Fire Protection District	\$215,500	\$236,157

Note E - Long-Term Debt:

Long-term debt at December 31, 2007 and 2006 consisted of the following:

	<u>2007</u>	<u>2006</u>
Note to First Financial Bank, interest at 6.0%, due \$9,504 semiannually, including interest, maturing January, 2008, collateralized by a rescue vehicle	\$ 9,401	\$ 27,066
Note to First Financial Bank, interest at 7.780%, due \$1,500 bi-weekly, including interest, maturing June, 2022, collateralized by real estate	454,863	458,333
Note to Terre Haute Savings Bank, interest at 7.50%, due \$1,861 monthly, including interest, Interest rate change every 3 years, maturing December, 2021, collateralized by real estate	193,153	200,356
Note to First Financial Bank, interest at 4.45%, due \$887 monthly, including interest, maturing July, 2009, collateralized by equipment	<u>16,265</u>	<u>25,954</u>
	673,682	711,709
Less current portion	(31,427)	(38,363)
TOTALS	<u>\$642,255</u>	<u>\$673,346</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

RILEY FIRE DEPARTMENT, INC.

December 31, 2007 and 2006

Note E - Long-Term Debt (Continued):

Principal payments due on long-term debt during the years succeeding December 31, 2007, are as follows:

<u>Year</u>	<u>Amount</u>
2008	\$ 31,427
2009	18,971
2010	13,842
2011	14,931
2012	16,105
Thereafter	<u>578,406</u>
TOTAL	<u>\$673,682</u>

The carrying amount of the notes approximates the fair market value of the debt.

Note F - Grants:

During the current year, the Organization received funds from two local agencies in the amount of \$83,230. The grant funds were used to purchase equipment and they were not donor restricted.

Note G - Related Party Transactions:

During the years ended December 31, 2007 and 2006, two board members provided short-term loans of \$4,070 and \$10,609, respectively, to the Organization. The loans were paid in full prior to December 31, 2007 and 2006. No interest was charged to the Organization.