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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, 2008 to December 31, 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 Riley Fire Department, Inc., as of December 31, 2008, 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.

We call your attention to the findings in the report. Page 19 contains two current audit findings. The status of two prior audit findings can be found on page 20.

STATE BOARD OF ACCOUNTS

AUDITED FINANCIAL STATEMENTS

RILEY FIRE DEPARTMENT, INC.  
RILEY, INDIANA

December 31, 2008

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statement of financial position of Riley Fire Department, Inc. (a not-for-profit organization) as of December 31, 2008, and the related statements of activities, cash flows and functional expenses 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 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 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 audit provides 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 contribution 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, 2008, and the changes in its net assets and its cash flows for the year 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 April 2, 2009, on our consideration of Riley Fire Department, Inc.'s internal control over financial reporting and on 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 important for assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Riley Fire Department, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit 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.

*Kemp CPA Group LLP*

Terre Haute, Indiana  
April 2, 2009

STATEMENT OF FINANCIAL POSITION

RILEY FIRE DEPARTMENT, INC.

December 31, 2008

ASSETS

CURRENT ASSETS

Cash and cash equivalents  
Grant receivable

\$ 30,503  
11,134

TOTAL CURRENT ASSETS

41,637

PROPERTY AND EQUIPMENT, NET

697,230

\$ 738,867

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable  
Payroll liabilities  
Accrued interest  
Current portion of long-term debt

\$ 15,285  
4,332  
1,217  
18,993

TOTAL CURRENT LIABILITIES

39,827

LONG-TERM DEBT, less current maturities

596,692

NET ASSETS

Unrestricted

102,348

\$ 738,867

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

STATEMENT OF ACTIVITIES

RILEY FIRE DEPARTMENT, INC.

Year Ended December 31, 2008

SUPPORT AND REVENUE	
Contributions	\$ 475
Service contract revenue	269,893
Grants	774,418
Miscellaneous income	<u>15,320</u>
TOTAL SUPPORT AND REVENUE	
	1,060,106
EXPENSES	
Fire and emergency medical services	<u>935,111</u>
INCREASE IN UNRESTRICTED NET ASSETS	
	124,995
Unrestricted net deficit at beginning of year	( <u>22,647</u> )
UNRESTRICTED NET ASSETS AT END OF YEAR	
	<u>\$ 102,348</u>

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

STATEMENT OF CASH FLOWS

RILEY FIRE DEPARTMENT, INC.

Year Ended December 31, 2008

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in net assets	\$ 124,995
Adjustment to reconcile increase in net assets to cash provided by operating activities:	
Depreciation	72,841
Accounts receivable	1,676
Accounts payable	( 7,735 )
Payroll liabilities	834
Accrued interest	( 618 )
NET CASH PROVIDED BY OPERATING ACTIVITIES	191,993
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	( 119,734 )
NET CASH USED IN INVESTING ACTIVITIES	( 119,734 )
CASH FLOWS FROM FINANCING ACTIVITIES	
Decrease in cash overdraft	( 60 )
Proceeds from line-of-credit	86,900
Payments on line-of-credit	( 86,900 )
Payments on long-term debt	( 57,997 )
NET CASH USED IN FINANCING ACTIVITIES	( 58,057 )
NET INCREASE IN CASH AND CASH EQUIVALENTS	14,202
Cash and cash equivalents at beginning of year	16,301
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 30,503</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:	
Cash paid during the year for interest	<u>\$ 24,459</u>

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

STATEMENT OF FUNCTIONAL EXPENSES

RILEY FIRE DEPARTMENT, INC.

Year Ended December 31, 2008

Fire and Emergency Medical Services:	
Building maintenance	\$ 1,352
Fire prevention and emergency medical service equipment	5,965
Payroll expense	98,642
Training and education	1,239
Fuel	3,795
Insurance	31,453
Interest expense	23,841
Equipment maintenance	7,348
Utilities	11,166
Public relations	831
Supplies	3,718
Professional fees	5,293
Uniforms	1,450
Equipment expense (MCI grant)	16,889
Equipment expense (FEMA grant)	646,117
Miscellaneous expense	<u>3,171</u>
	TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION AND AMORTIZATION
	862,270
Depreciation and amortization of buildings and equipment	<u>72,841</u>
	TOTAL FUNCTIONAL EXPENSES
	<u>\$ 935,111</u>

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

NOTES TO FINANCIAL STATEMENTS

RILEY FIRE DEPARTMENT, INC.

December 31, 2008

**Note A - Summary of Significant Accounting Policies:**

*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.

*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.

*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.

*Use of Estimates* - Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

*Cash Equivalents* - 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.

*Concentration of Revenue* - Approximately 98% of the Organization's revenue for the year ended December 31, 2008 is provided from federal, state and local monies.

*Donated Property and Equipment* - Donated property and equipment is recorded as contributions in the statements at its fair market value at date of receipt. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose or for a specific time period.

*Donated 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.

*Functional Allocation of Expenses* - The costs of providing the Organization's various programs and supporting services have been summarized on a functional basis in the Statement of Activities and Statement of Functional Expenses. Accordingly, all costs have been allocated entirely to the Organization's fire and emergency medical services program.

*Accounts receivable* - Amounts recorded as accounts receivable represent grant funds that have not been received. Accounts receivable are stated at the unpaid balances.

*Restricted and Unrestricted Revenue* - Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

RILEY FIRE DEPARTMENT, INC.

December 31, 2008

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

*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 2008 was \$72,841.

*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.

**Note B - Property and Equipment:**

Property and equipment at December 31, 2008 was as follows:

	Balance January 1, 2008	Additions	Disposals	Balance December 31, 2008
Vehicles and equipment	\$1,204,287	\$ 119,734	\$ 0	\$1,324,021
Less: Accumulated depreciation	( 553,950)	( 72,841)	0	( 626,791)
	\$ 650,337	\$ 46,893	\$ 0	\$ 697,230

**Note C - Long-Term Debt:**

Long-term debt at December 31, 2008 consisted of the following:

Note to First Financial Bank, interest at 7.780% due \$1,500 bi-weekly, including interest, maturing June, 2022, collateralized by real estate	\$424,469
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	185,057
Note to First Financial Bank, interest at 4.45%, due \$887 monthly, including interest, maturing July, 2009, collateralized by equipment	<u>6,159</u>
	615,685
Less current portion	( 18,993)
<b>TOTALS</b>	<u>\$ 596,692</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

RILEY FIRE DEPARTMENT, INC.

December 31, 2008

**Note C - Long-Term Debt (Continued):**

Principal payments due on long-term debt during the years succeeding December 31, 2008, are as follows:

<u>Year</u>	<u>Amount</u>
2009	\$ 18,993
2010	13,842
2011	14,931
2012	16,105
2013	17,371
Thereafter	<u>534,443</u>
TOTAL	<u>\$615,685</u>

**Note D - Grants:**

During the current year, the Organization received funds from the U. S. Department of Homeland Security passed through the Federal Emergency Management Agency in the amount of \$581,505. The grant funds were used to purchase mobile radios, repeater equipment and fire education materials. The Organization purchased 7 mobile radios for their own use and as required by the grant spent \$318,286 to purchase 116 mobile radios for 13 other local volunteer fire departments and spent \$254,096 for repeater equipment which was attached to a radio tower for Vigo County. The remaining funds of \$9,123 were spent for a vehicular charger and fire education materials.

**Note E - Concentration of Credit Risk:**

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of temporary cash investments. The Organization places its temporary cash investments with financial institutions. As of December 31, 2008, the Organization does not have any deposits exceeding FDIC insured amounts.

The Organization is subject to a concentration of credit risk primarily from its dependence on tax levy revenue from Vigo County and Riley Fire Protection District.



**KEMPER**  
CPA GROUP LLP

Certified Public Accountants and Consultants

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**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors  
Riley Fire Department, Inc.  
Riley, Indiana 47871

Compliance

We have audited the compliance of Riley Fire Department, Inc. with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2008. Riley Fire Department, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Riley Fire Department, Inc.'s management. Our responsibility is to express an opinion on Riley Fire Department, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Riley Fire Department, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Riley Fire Department, Inc.'s compliance with those requirements.

In our opinion, Riley Fire Department, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008.

Internal Control Over Compliance

The management of Riley Fire Department, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Riley Fire Department, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Riley Fire Department, Inc.'s internal control over compliance.

A control deficiency in an organization's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of federal programs that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the organization's internal control.

Our consideration of the 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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described in the schedule of findings and questioned costs, we consider item 2008-1 to be a material weaknesses.

Riley Fire Department, Inc.'s response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Riley Fire Department, Inc.'s response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors of Riley Fire Department, Inc., management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Kemper CPA Group LLP*

Terre Haute, Indiana  
April 2, 2009

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

RILEY FIRE DEPARTMENT, INC.

December 31, 2008

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Homeland Security: Pass-through programs from: Federal Emergency Management Agency Assistance to Firefighter Program	97.044	\$ <u>581,505</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		\$ <u><u>581,505</u></u>

See accompanying notes to schedule of expenditures of federal awards.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

RILEY FIRE DEPARTMENT, INC.

December 31, 2008

**Note A - Basis of Presentation:**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Riley Fire Department, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

SUMMARY OF AUDITOR'S RESULTS

RILEY FIRE DEPARTMENT, INC.

December 31, 2008

**Financial Statements**

Type of auditor's report issued: Qualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes
- Significant deficiency(ies) identified that are not considered to be material weakness(es) No
- Noncompliance material to financial statements noted? No

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified? Yes
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? No

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section 510(a)? No

Identification of major programs:

CFDA Number(s)

97.044

Name of Federal Program or Cluster

Assistance to Firefighters Program

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as a low-risk auditee? No



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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  
Riley Fire Department, Inc.  
Riley, Indiana 47871

We have audited the financial statements of Riley Fire Department, Inc. as of and for the year ended December 31, 2008 and have issued our report thereon dated April 2, 2009. 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 Riley Fire Department, Inc.'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 Riley Fire Department, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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

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 affect Riley Fire Department, Inc.'s ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of Riley Fire Department, Inc.'s financial statements that is more than inconsequential will not be prevented or detected by Riley Fire Department, Inc.'s internal control. We consider the deficiencies described in the schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

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 Riley Fire Department, Inc.'s internal control.

Internal Control Over Financial Reporting (Continued)

Our consideration of the 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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described in the schedule of findings and questioned costs, we consider items 2008-1 and 2008-2 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Riley Fire Department, Inc. financial statements are free of material misstatement, we performed tests of its compliance with certain provision 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*.

Riley Fire Department, Inc.'s responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit those responses, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Directors of Riley Fire Department, Inc., management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Kempe CPA Group LLP*

Terre Haute, Indiana  
April 2, 2009

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

RILEY FIRE DEPARTMENT, INC.

December 31, 2008

FINDINGS - FINANCIAL REPORTING AND FEDERAL AWARDS

MATERIAL WEAKNESSES

**FINDING 2008-1 Segregation of Duties**

*Condition:* We noted that a lack of segregation of duties exists for all cash accounts.

*Criteria:* The basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction.

*Effect:* Because all duties are performed by the same individual, the Organization is at risk for errors and irregularities to occur and not be detected in the processing of transactions.

*Recommendation:* We recommend that the Organization separate duties among employees to the extent possible, especially in those offices where cash is handled. We recommend that procedures are established that allow for different employees to handle transactions involving cash such as one employee opens the mail, prepares a list of cash received and prepares the deposit slip. Bank statements and cancelled checks should be received and reviewed by someone other than the individual responsible for reconciling them. The Organization Treasurer should review the bank reconciliations after they are prepared.

*Management's Response:* The Organization acknowledges this is a problem and will separate duties among employees to the extent possible.

FINDINGS - FINANCIAL REPORTING

MATERIAL WEAKNESSES

**FINDING 2008-2 Financial Statement Preparation**

*Condition:* We noted that the Organization's accounting staff does not have the skills necessary to draft financial statements and footnotes prepared in accordance with accounting principles generally accepted in the United States of America.

*Criteria:* The accounting staff of the Organization should possess the necessary accounting expertise to prepare financial statements in accordance with accounting principles generally accepted in the United States of America.

*Effect:* Financial statements are not prepared by the Organization's accounting staff in accordance with accounting principles generally accepted in the United States of America.

*Recommendation:* We recommend, to the extent practicable, that the accounting staff develop procedures to allow them to prepare financial statements in accordance with accounting principles generally accepted in the United States of America.

*Management's Response:* The Organization acknowledges this is a problem; however, the cost of correcting this material weakness would exceed the benefits to be derived.

RILEY FIRE DEPARTMENT, INC.

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

December 31, 2008

FINDING 2007-1 Segregation of Duties

*Condition:* We noted that a lack of segregation of duties exists for all cash accounts.

*Recommendation:* We recommend that the Organization separate duties among employees to the extent possible, especially in those offices where cash is handled. We recommend that procedures are established that allow for different employees to handle transactions involving cash such as one employee opens the mail, prepares a list of cash received and prepares the deposit slip. Bank statements and cancelled checks should be received and reviewed by someone other than the individual responsible for reconciling them. The Organization Treasurer should review the bank reconciliations after they are prepared.

*Current status:* Repeated as 2008-1.

FINDING 2007-2 Financial Statement Preparation

*Condition:* We noted that the Organization's accounting staff does not have the skills necessary to draft financial statements and footnotes prepared in accordance with accounting principles generally accepted in the United States of America.

*Recommendation:* We recommend, to the extent practicable, that the accounting staff develop procedures to allow them to prepare financial statements in accordance with accounting principles generally accepted in the United States of America.

*Current status:* Repeated as 2008-2.