



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B35592

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

January 21, 2010

Board of Directors
Perry Township Volunteer
Fire Department, Inc.
11 S. Williams Rd.
Evansville, IN 47712

We have reviewed the audit report prepared by Kemper CPA Group, LLP, Independent Public Accountants, for the period January 1, 2007 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 Perry Township Volunteer Fire Department, Inc., as of December 31, 2008, and the results of its operations for the twenty-four month 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.

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

STATE BOARD OF ACCOUNTS



To Board of Directors
of Perry Township Volunteer Fire Department, Inc.
Evansville, Indiana

In planning and performing our audit of the financial statements of Perry Township Volunteer Fire Department, Inc. as of and for the twenty-four month period ended December 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Perry Township Volunteer Fire Department, Inc.'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 was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We noted no deficiencies in Perry Township Volunteer Fire Department, Inc.'s internal control that we determined to be significant deficiencies.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies in Perry Township Volunteer Fire Department, Inc.'s internal control to be material weaknesses:

To the Board of Directors
of Perry Township Volunteer Fire Department, Inc.
Page 2

- There is an inadequate design of internal control over preparation of the financial statements. Personnel do not currently possess the skills necessary to draft financial statements and footnotes in accordance with generally accepted accounting principles. Material adjusting entries had to be made to the financial statements.
- During our review of Perry Township Volunteer Fire Department's internal control structure, we noted a lack of segregation of duties within both the cash receipts function and cash disbursements function.
 1. The treasurer collects all donations, makes deposits, and provides details of deposits to Bookkeeper and other management.
 2. The treasurer has check signing authority and approves invoices.
 3. The bookkeeper has authority to post general ledger adjustments without approval.
- There is not a formal policy to account for non-cash donations received.

This communication is intended solely for the information and use of management and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

August 5, 2009

Kemper CPA Group, LLP
Certified Public Accountants and Consultants



To the Board of Directors
of Perry Township Volunteer Fire Department, Inc.
Evansville, Indiana

We have audited the financial statements of Perry Township Volunteer Fire Department, Inc. for the twenty-four month period ended December 31, 2008 and have issued our report thereon dated August 5, 2009. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 27, 2009. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Perry Township Volunteer Fire Department, Inc. 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 twenty-four month period ended December 31, 2008. We noted no transactions entered into by the Organization during the period for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on 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. The most sensitive estimate affecting the financial statements was:

Management's estimate of the useful lives of fixed assets is based on the amount of time the organization intends to use the asset. We evaluated the key factors and assumptions used to develop the useful life in determining that it is reasonable in relation to the financial statements taken as a whole.

To the Board of Directors
of Perry Township Volunteer Fire Department, Inc.
Page 2

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 some of these misstatements. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

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 our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 5, 2009.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

To the Board of Directors
of Perry Township Volunteer Fire Department, Inc.
Page 3

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.

This information is intended solely for the use of the Board of Directors and management of Perry Township Volunteer Fire Department, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

August 5, 2009

Kemper CPA Group, LLP
Certified Public Accountants and Consultants

**PERRY TOWNSHIP VOLUNTEER
FIRE DEPARTMENT, INC.**

EVANSVILLE, INDIANA

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

December 31, 2008



PERRY TOWNSHIP VOLUNTEER FIRE DEPARTMENT, INC.

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Financial Statements:	
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Notes to Financial Statements	5 – 8
Supplementary Information:	
Schedule of Functional Expenses	9



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Perry Township Volunteer Fire Department, Inc.
P.O. Box 6486
Evansville, Indiana 47719

We have audited the accompanying statement of financial position of Perry Township Volunteer Fire Department, Inc. (a nonprofit organization) as of December 31, 2008 and the related statements of activities and cash flows for the twenty-four month period 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 that our audit provides 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 Perry Township Volunteer Fire Department, Inc. as of December 31, 2008, and the changes in its net assets and its cash flows for the twenty-four month period then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Perry Township Volunteer Fire Department, Inc. The accompanying schedule of functional expenses is presented for purposes of additional analysis, 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.

August 5, 2009

Kemper CPA Group, LLP
Certified Public Accountants and Consultants

PERRY TOWNSHIP VOLUNTEER FIRE DEPARTMENT, INC.

STATEMENT OF FINANCIAL POSITION

ASSETS	<u>December 31, 2008</u>
Current Assets	
Cash	\$ 412,899
Prepaid expenses	<u>5,200</u>
Total Current Assets	<u>418,099</u>
Property and Equipment	
Vehicles	1,862,334
Common equipment	493,771
Fire equipment	263,793
Building and grounds	166,011
Medical equipment	39,106
Office equipment	35,453
Software	<u>4,242</u>
Total	<u>2,864,710</u>
Less accumulated depreciation	<u>1,737,672</u>
Net Property and Equipment	1,127,038
Total Assets	<u><u>\$1,545,137</u></u>
LIABILITIES AND NET ASSETS	
Current Liabilities	
Current maturities of long-term debt	<u>\$ 27,100</u>
Total Current Liabilities	<u>27,100</u>
Long-Term Liabilities	
Long-term debt, less current maturities	<u>111,170</u>
Total Long-Term Liabilities	<u>111,170</u>
Net Assets, Unrestricted	1,406,867
Total Liabilities and Net Assets	<u><u>\$1,545,137</u></u>

See accompanying notes.

PERRY TOWNSHIP VOLUNTEER FIRE DEPARTMENT, INC.

STATEMENT OF ACTIVITIES

**Twenty-Four Month Period Ended
December 31, 2008**

UNRESTRICTED NET ASSETS

Revenues and Gains

Service contracts	\$ 510,750
Contributions	161,509
Service billings	13,641
Interest income	16,097
Gain on sale of equipment	<u>7,500</u>

Total Revenues and Gains 709,497

Expenses

Fire protection and emergency medical services	539,081
General and administrative	<u>27,210</u>

Total Expenses 566,291

CHANGE IN UNRESTRICTED NET ASSETS 143,206

Net Assets at Beginning of Period 1,263,661

NET ASSETS AT END OF PERIOD \$1,406,867

PERRY TOWNSHIP VOLUNTEER FIRE DEPARTMENT, INC.

STATEMENT OF CASH FLOWS

**Twenty-Four Month Period Ended
December 31, 2008**

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in unrestricted net assets	\$143,206
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
(Gain) on sale of asset	(7,500)
Depreciation	239,734
(Increase) decrease in:	
Accounts receivable	15,000
Increase (decrease) in:	
Accounts payable	<u>(8,412)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>382,028</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	(260,888)
Proceeds from disposal of property and equipment	<u>7,500</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(253,388)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Repayment of note payable	<u>(61,730)</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(61,730)</u>
INCREASE IN CASH	66,910
CASH AT BEGINNING OF PERIOD	345,989
CASH AT END OF PERIOD	<u><u>\$412,899</u></u>
Supplemental disclosures of cash flow information:	
Cash paid during the year for interest expense	<u>\$ 8,444</u>
Property and equipment purchased by issuing debt	<u>\$200,000</u>

See accompanying notes.

PERRY TOWNSHIP VOLUNTEER FIRE DEPARTMENT, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

Note 1 – Summary of Significant Accounting Policies

Nature of Operations

Perry Township Volunteer Fire Department, Inc. is a not-for-profit organization which provides fire protection and emergency medical services to the residents of Perry and Union Townships of Vanderburgh County, Indiana. Perry Township Volunteer Fire Department, Inc. is funded through service contracts with Perry and Union Townships, charitable contributions, and miscellaneous service billings for services rendered.

Basis of Accounting

The financial statements of Perry Township Volunteer Fire Department, Inc. have been prepared on the accrual basis of accounting which is generally accepted accounting in the United States of America.

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 this financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Perry Township Volunteer Fire Department, Inc. has only unrestricted net assets at December 31, 2008.

Income Tax Status

Perry Township Volunteer Fire Department, Inc. qualifies as a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

PERRY TOWNSHIP VOLUNTEER FIRE DEPARTMENT, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

Note 1 – Summary of Significant Accounting Policies (Continued)

Cash

Cash consists of deposit accounts with one local financial institution. These accounts are insured up to \$250,000 as of December 31, 2008 by the Federal Deposit Insurance Company. Cash balances exceeding this limit for the year ended December 31, 2008 totaled approximately \$163,000.

Property and Equipment

It is the Organization's policy to capitalize property and equipment over \$1,000. Property and equipment are stated at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets. The assets estimated useful lives are listed below:

<u>Property type</u>	<u>Years</u>
Furniture and equipment	3 – 10
Buildings and improvements	20 – 39
Vehicles	5 – 20

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contributed Services

The Organization uses trained volunteer firefighters and emergency medical technicians to provide all program services and most administrative functions. As a volunteer fire department, the Organization would not otherwise hire employees to perform these services. The volunteer services do not meet the criteria for recognition in the financial statements.

PERRY TOWNSHIP VOLUNTEER FIRE DEPARTMENT, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

Note 1 – Summary of Significant Accounting Policies (Concluded)

Expense Allocation

Directly identifiable expenses are charged to program services. General and administrative expenses include those expenses that are not directly identifiable with any other specific functions but provide for the overall support and direction of the Organization.

Concentration

Approximately 72% of the Organization's support for the twenty-four month period ended December 31, 2008 came from service contracts with Perry and Union Townships Trustees. Voluntary contributions from the residents of Perry and Union Townships constituted approximately 23% of the Organization's support.

Contributions

Contributions of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted donations whose restrictions are met within the same year as received are reported as unrestricted donations. The donations are reported at fair value at the date the donations are received.

Contributions of land, buildings, and equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Contributions of long-lived assets with explicit restrictions that specify how the assets are to be used and contributions of cash or other assets that must be used to acquire long-lived assets are reported as restricted support.

PERRY TOWNSHIP VOLUNTEER FIRE DEPARTMENT, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

Note 2 – Notes Payable

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

	<u>Amount</u>
Installment note dated 10/24/2007, due 11/05/2012. Nineteen payments of \$8,483 due quarterly and one irregular payment estimated at \$27,679 includes interest at 4.79% yearly. Secured by fire apparatus.	\$138,270
Less current portion	(27,100)
Long-term portion of notes payable	<u>\$111,170</u>

Principal payments on all long-term debt, for each of the years subsequent to December 31, 2008 consist of the following:

<u>Years Ending</u>	<u>Amount</u>
December 31, 2009	\$ 27,100
December 31, 2010	29,097
December 31, 2011	30,524
December 31, 2012	51,549
	<u>\$138,270</u>

----- SUPPLEMENTARY INFORMATION -----

PERRY TOWNSHIP VOLUNTEER FIRE DEPARTMENT, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

**Twenty-Four Month Period Ended
December 31, 2008**

Fire Protection and Emergency Medical Services	
Building and grounds	\$ 15,526
Clothing	2,751
Depreciation	239,734
Dues and subscriptions	2,309
Equipment repairs and maintenance	41,435
Fuel and oil	32,024
Insurance	88,916
Interest	8,444
Meals and entertainment	3,174
Medical director fees	2,500
Miscellaneous	705
Personnel	2,477
Public relations	7,123
Rewards program	7,970
Training	5,357
Truck repairs and maintenance	55,242
Utilities	23,394
Total Fire Protection and Emergency Medical Services	<u>\$539,081</u>
General and Administrative	
Bank service charges	\$ 283
Office expense	11,435
Postage and delivery	964
Professional fees	13,383
Signs	1,145
Total General & Administrative	<u>\$ 27,210</u>