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February 10, 2010

Board of Directors  
Liberty Township Volunteer  
Fire Department, Inc.  
P.O. Box 2123  
Chesterton, IN 46304

We have reviewed the audit report prepared by Ondrovich & Associates, PC, Independent Public Accountants, for the period January 1, 2006 to December 31, 2006. 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 Liberty Township Volunteer Fire Department, Inc., as of December 31, 2006, and the results of its operations for the 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.

STATE BOARD OF ACCOUNTS

Liberty Twp Volunteer Fire Dept Inc.  
Independent Auditor's Report and Financial Statements  
December 31, 2006 and December 31, 2005

## TABLE OF CONTENTS

Independent Auditor's Report.....	1
Statement of Financial Position.....	2-3
Statement of Activities.....	4
Statement of Cash Flows.....	5
Notes to Financial Statements.....	6-7

INDEPENDENT AUDITOR'S REPORT

To: Board of Directors  
Liberty Twp Volunteer Fire Dept Inc.  
Chesterton IN

I have audited the accompanying statement of financial position of Liberty Twp Volunteer Fire Dept Inc. as of December 31, 2006 and December 31, 2005 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Liberty Twp Volunteer Fire Dept Inc., as of December 31, 2006 and December 31, 2005 and the results of its operations and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

June 22, 2009

*Ondrovich & Associates PC*

Ondrovich & Associates, P.C.  
Certified Public Accountants

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**Liberty Twp Volunteer Fire Dept Inc.**  
**Statement of Financial Position**  
**For the Years Ended December 31, 2006 and December 31, 2005**

**ASSETS**

	<u>2006</u>	<u>2005</u>
<b>CURRENT ASSETS</b>		
Cash on hand	\$ 20	\$ 0
Apparatus Fund	19,320	119,240
Equipment Fund	69,482	45,972
Firemans 50/50 Fund	7,609	12,259
General Fund	99,920	121,957
Regular Savings	4,388	4,375
Repurchase Agreement #1 (4064)	0	6,979
<b>Total Current Assets</b>	<b>200,739</b>	<b>310,781</b>
<b>OTHER CURRENT ASSETS</b>		
Accounts receivable	310	310
Prepaid insurance	5,233	5,233
<b>Total Other Current Assets</b>	<b>5,543</b>	<b>5,543</b>
<b>PROPERTY AND EQUIPMENT</b>		
Net Property & Equipment (Note 3)	682,552	545,268
<b>TOTAL ASSETS</b>	<b>\$ 888,834</b>	<b>\$ 861,592</b>

The accompanying notes are an integral part of this statement

**Liberty Twp Volunteer Fire Dept Inc.**  
**Statement of Financial Position**  
**For the Years Ended December 31, 2006 and December 31, 2005**

**LIABILITIES AND NET ASSETS**

	<u>2006</u>	<u>2005</u>
<b>CURRENT LIABILITIES</b>		
Capital One	\$ 1,274	\$ 937
<b>Total Current Liabilities</b>	1,274	937
<b>LONG-TERM LIABILITIES</b>		
Contract liability	341,120	254,072
Command & Control vehicle	8,664	0
<b>Total Long-Term Liabilities</b>	349,784	254,072
<b>Total Liabilities</b>	351,058	255,009
<b>NET ASSETS</b>		
Unrestricted	537,775	606,583
Temporarily Restricted	0	0
Permanently Restricted	0	0
<b>Total Net Assets</b>	537,775	606,583
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 888,834	\$ 861,592

The accompanying notes are an integral part of this statement

**Liberty Twp Volunteer Fire Dept Inc.**  
**Statement of Activities**  
**As of December 31, 2006 and 2005**

	<u>2006</u>	%	<u>2005</u>	%
<b><u>Operating Revenues</u></b>				
Contract revenue	\$ 209,086	79.48	\$ 194,844	75.07
Contributions	34,476	13.11	41,823	16.11
Waterhauling	1,880	0.71	3,605	1.39
<b>Total operating revenues</b>	<u>245,442</u>	<u>93.30</u>	<u>240,272</u>	<u>92.57</u>
<b><u>Other revenues</u></b>				
Insurance proceeds	2,674	1.02	85	0.03
Miscellaneous revenues	14,247	5.42	16,170	6.23
Interest income	706	0.27	3,023	1.16
<b>Total other revenues</b>	<u>17,627</u>	<u>6.70</u>	<u>19,278</u>	<u>7.43</u>
<b>Total revenues</b>	\$ 263,069	100.00	\$ 259,550	100.00
<b><u>Expenses-program services</u></b>				
Interest expense	15,748	5.99	8,824	3.40
Insurance	34,195	13.00	26,593	10.25
Repairs and maintenance	120,462	45.79	37,145	14.31
Fuel	8,121	3.09	6,970	2.69
Clothing	2,198	0.84	1,344	0.52
Fireman's compensation & reimbursement	18,220	6.93	14,627	5.64
Fundraising expense	6,104	2.32	6,855	2.64
Office expenses	2,157	0.82	3,565	1.37
Utilities	10,020	3.81	8,870	3.42
Depreciation	86,378	32.83	71,043	27.37
Professional fees	16,071	6.11	15,749	6.07
Christmas party	2,442	0.93	2,194	0.85
Training	2,805	1.07	444	0.17
Miscellaneous	2,942	1.12	2,582	0.99
Bank service charge	79	0.03	278	0.11
Fire prevention	1,789	0.68	0	0.00
Food and beverage	2,144	0.82	404	0.16
<b>Total Expenses</b>	<u>331,877</u>	<u>126.16</u>	<u>207,487</u>	<u>79.94</u>
<b>Change in net assets</b>	<u>(68,808)</u>	<u>(26.16)</u>	<u>52,063</u>	<u>20.06</u>
<b>Unrestricted net assets at beginning of year</b>	<u>\$ 606,583</u>		<u>\$ 554,520</u>	
<b>Unrestricted net assets at end of year</b>	<u>\$ 537,775</u>		<u>\$ 606,583</u>	

The accompanying notes are an integral part of this statement

**Liberty Twp Volunteer Fire Dept Inc.**  
**Statement of Cash Flows**  
**For the 1 month Ended December 31, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net change in net assets	\$ (68,808)	\$ 52,063
<b>Adjustments to reconcile net change in net assets to net</b>		
Depreciation	86,378	71,043
Gain or loss on sale of fixed assets	0	0
(Increase) decrease in assets:		
Accounts Receivable	0	19,105
Prepays	0	(2,514)
(Decrease) increase in operating liabilities:		
Accounts Payable	337	(803)
Total Adjustments	<u>86,715</u>	<u>79,264</u>
<b>Net Cash Provided By (Used in)</b>		
<b>Operating Activities</b>	17,907	85,811
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital Expenditures	<u>(223,661)</u>	<u>(50,447)</u>
<b>Net Cash Provided By (Used in)</b>		
<b>Investing Activities</b>	(223,661)	(50,447)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Notes Payable Borrowings	109,960	259,512
Notes Payable Repayments	<u>(14,248)</u>	<u>(5,440)</u>
<b>Net Cash Provided By (Used in)</b>		
<b>Financing Activities</b>	<u>95,713</u>	<u>254,072</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(110,042)	35,364
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<u>310,781</u>	<u>290,768</u>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<u>\$ 200,739</u>	<u>\$ 310,781</u>

The accompanying notes are an integral part of this statement

**Liberty Twp Volunteer Fire Dept Inc.**  
**Notes to Financial Statements**  
**December 31, 2006 and December 31, 2005**

**1. Organization**

The Organization is a not-for-profit corporation organized under the laws of the state of Indiana for the purpose of providing fire protection to the citizens of Liberty Township and Jackson Township, located in Porter County, Indiana. The Organization's major source of revenue results from annually renewable contracts with Liberty and Jackson Townships, which requires all monies received from the contracts to be used exclusively for the purpose of acquiring, operating and maintaining its apparatus and equipment to provide fire protection within the Townships.

**2. Summary of Significant Accounting Policies**

These Financial Statements have been prepared in accordance with the Generally Accepted Accounting Principles in the United States of America. A summary of Liberty Twp Volunteer Fire Dept Inc.'s accounting policies are as follows:

**Inventories:**

Inventories are stated at the lower of cost or market, determined by the first-in first-out method.

**Net Assets:**

Net assets are reported separately for three classifications of net assets, if applicable, as follows: Unrestricted net assets represent net assets that are not restricted by donor-imposed stipulations. Temporarily restricted net assets represent the part of the net assets of the Organization resulting (a) from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations, (b) from other asset enhancements. Permanently restricted net assets represent the part of the net assets of the Organization resulting (a) from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization, (b) from other asset enhancements and diminishments subject to the same kinds of stipulations, and (c) from reclassifications from (or to) other classes of net assets as a consequence of donor-imposed stipulations.

**Use of Estimates:**

The preparation of financial statements in conformity with general accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Areas where estimates are used in the accompanying financial statements include depreciable lives of fixed assets. Actual results could differ from those estimates.

**Property, Plant and Equipment:**

Property, Plant and equipment are carried at cost. Donated assets are recorded at their fair market values at the date of donation. Depreciation is calculated on the straight-line method over the useful lives of the assets.

**Cash & Cash Equivalents:**

This account group consists of cash on deposit with financial institutions.

**Concentration of Credit Risk:**

At December 31, 2006, the Organization had deposits in excess of insurable limits at a financial institution.

**Income Taxes:**

The Organization is exempt from Federal and State income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state provisions. The agency is not classified as a private foundation.

**Liberty Twp Volunteer Fire Dept Inc.  
Notes to Financial Statements  
December 31, 2006 and December 31, 2005**

Donated Materials and Services:

Donated materials and services, when received, are reflected as in-kind contributions with an identical amount included in the appropriate functional expense. Donated services are recorded as in-kind contributions and related expense at the time the service is rendered. The value of these services is determined based on the comparable compensation which would be paid to an individual if they were to occupy these positions. Volunteers generously donate time in capacities not requiring specialized skills and, as such, are not recognized in the financial statements.

**3. Property and Equipment**

Property and Equipment at December 31, 2006 and December 31, 2005 consist of:

	<u>2006</u>		<u>2005</u>
Leasehold improvements	\$ 32,597	\$	32,597
Fire equipment and vehicles	1,833,484		1,609,823
Computer equipment	<u>10,975</u>		<u>10,975</u>
	1,877,056		1,653,395
Accumulated depreciation leasehold improvement	15,918		13,745
Accumulated depreciation fire quipment & vehicles	1,167,612		1,083,407
Accumulated depreciation computer equipment	<u>10,975</u>		<u>10,975</u>
	1,194,505		1,108,127
Net Plant, Property and Equipment	<u>\$ 682,552</u>	<u>\$</u>	<u>545,268</u>

Depreciation of Property and Equipment for the years ended December 31, 2006 and December 31, 2005 were 86,377.80 and 71,043.00 respectively.

As part of the Fire Protection Agreement between Liberty Township Volunteer Fire Department, Inc. (the Department) and Liberty Civil Township of Porter County, Indiana (the Township), the Township gives use, possession and control of certain Township owned vehicles and fire equipment to the Department. The Department agrees to maintain the firehouse at 47 W. 900 N and all fire fighting equipment in good operating condition. Either party of the Fire Protection Agreement can cancel the contract by providing written notice delivered sixty (60) days prior to the effective date of cancellation.