



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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October 7, 2011

Board of Directors
Lake Hills Volunteer
Fire Department, Inc.
P.O. Box 285
Scherville, IN 46375

We have reviewed the audit report prepared by Matthew Hunniford & Co., PC, 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 Lake Hills Volunteer Fire Department, Inc., as of December 31, 2008 and 2007, and the results of its operations for the periods then ended, on the basis of accounting described in the report except for the effect of not recording the value of land and buildings separately.

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

STATE BOARD OF ACCOUNTS

**Lake Hills
Volunteer Fire Department, Inc.**

Financial Report

December 31, 2008 and 2007

TABLE OF CONTENTS

	Page
ACCOUNTANT'S REPORT	1
 FINANCIAL STATEMENTS	
Statements of Financial Position – Cash Basis.....	2
Statements of Revenue and Expenses – Cash Basis.....	3
Statements of Cash Flows – Cash Basis.....	4
Notes to Financial Statements	5 - 6



CERTIFIED PUBLIC ACCOUNTANTS • FINANCIAL PLANNING

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors,
Lake Hills Volunteer Fire Department, Inc.
Scherville, Indiana

We have audited the accompanying statements of financial position – cash basis of Lake Hills Volunteer Fire Department, Inc. as of December 31, 2008 and 2007, and the related statements of revenue and expenses – cash basis, and cash flows – cash basis 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 audits 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.

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As described in Note 1, these financial statements were prepared on the cash basis method of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

The Organization has not segregated the value of its real estate holding into separate land and building components. Each component should be valued separately to conform with generally accepted accounting principles. If the real estate were accounted for properly, land and buildings each would have its own value allowing for the depreciation of the building portion over its useful life. This would increase expenses by the calculated depreciation for the buildings annually and decrease book value of building by the amount of accumulated depreciation.

In our opinion, except for the effect of not recording the value of land and buildings separately, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Lake Hills Volunteer Fire Department, Inc. as of December 31, 2008 and 2007, and its revenue and expenses and cash flows for the years then ended, on the basis of accounting described in Note 1.

Matthew Hunniford & Co., P.C.

Highland, Indiana
September 29, 2009

LAKE HILLS VOLUNTEER FIRE DEPARTMENT, INC.

STATEMENT OF FINANCIAL POSITION - CASH BASIS
December 31, 2008 and 2007

	2008	2007
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 158,080	\$ 130,489
Property, equipment and fixtures, net	<u>1,032,422</u>	<u>872,079</u>
Total assets	<u><u>\$ 1,190,502</u></u>	<u><u>\$ 1,002,568</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Current portion long term debt	\$ 28,733	\$ 56,062
Long term debt, less current portion	<u>110,662</u>	<u>88,421</u>
Total liabilities	139,395	144,483
Net Assets, unrestricted	<u>1,051,107</u>	<u>858,085</u>
Total liabilities and net assets	<u><u>\$ 1,190,502</u></u>	<u><u>\$ 1,002,568</u></u>

LAKE HILLS VOLUNTEER FIRE DEPARTMENT, INC.

STATEMENT OF REVENUE AND EXPENSES - CASH BASIS
Years Ended December 31, 2008 and 2007

	2008	2007
REVENUE		
Township draws	\$ 303,837	\$ 99,900
Reimbursements	175,750	95,675
Donations and fund raisers	16,262	5,688
Total revenue	495,849	201,263
EXPENSES		
Operating Expenses		
Insurance	33,475	31,573
Food	5,960	7,905
Dispatcher fees	-	6,885
Repairs and maintenance	12,996	14,390
First aid supplies	1,493	510
Fuel	6,333	3,726
Clothing reimbursement	14,337	12,873
Training	6,137	7,099
Equipment and supplies	1,513	953
Depreciation and amortization	173,409	139,175
Total operating expenses	255,653	225,089
General and Administrative Expenses		
Utilities	9,082	8,774
Telephone	7,751	6,376
Professional fees	15,130	4,895
Office expense	5,514	4,344
Open house	-	196
Miscellaneous	4,875	7,997
Total general and administrative expenses	42,352	32,582
Total expenses	298,005	257,671
OTHER INCOME (EXPENSE)		
Interest income	1,143	2,711
Gain on the sale of assets	780	-
Interest expense	(6,745)	(6,631)
Total other expense	(4,822)	(3,920)
Increase (decrease) in net assets	\$ 193,022	\$ (60,328)
Net assets, beginning of year	858,085	918,413
Net assets, end of year	\$ 1,051,107	\$ 858,085

See Notes to Financial Statements

LAKE HILLS VOLUNTEER FIRE DEPARTMENT, INC.

STATEMENT OF CASH FLOWS - CASH BASIS
Years Ended December 31, 2008 and 2007

	2008	2007
Cash Flows from Operating Activities		
Increase (decrease) in net assets	\$ 193,022	\$ (60,328)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities		
Depreciation and amortization	173,409	139,175
Gain on the sale of equipment	(780)	-
Net cash provided by operating activities	365,651	78,847
Cash Flows from Investing Activities		
Purchase of property, equipment and fixtures	(333,972)	(130,866)
Proceeds from sale of assets	1,000	-
Net cash used in investing activities	(332,972)	(130,866)
Cash Flows from Financing Activities		
New borrowings on installment note	153,265	-
Principal payments on installment note	(158,353)	(27,236)
Net cash used in financing activities	(5,088)	(27,236)
Net increase (decrease) in cash	27,591	(79,255)
Cash and cash equivalents, beginning of year	130,489	209,744
Cash and cash equivalents, end of year	\$ 158,080	\$ 130,489
Supplemental disclosures:		
Cash paid for interest	\$ 6,745	\$ 6,631

LAKE HILLS VOLUNTEER FIRE DEPARTMENT, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Operations and Significant Accounting Policies

Nature of Operations: Lake Hills Volunteer Fire Department, Inc. (the Organization) is a nonprofit volunteer fire fighting and emergency ambulance unit, which provides fire, emergency medical, and other emergency services to unincorporated St. John Township, Indiana. St. John Township pays Lake Hills an annual sum agreed to by contract each year to provide these services.

Basis of Accounting: The Organization prepares its financial statements on the cash basis method of accounting. Under this method, revenues are recognized when collected rather than when earned, and expenditures are recognized when paid rather than when incurred. Consequently, all receivables, payables and other liabilities are not included in the financial statements.

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

Cash Equivalents: Cash equivalents consist of short-term, highly liquid investments that are readily convertible into cash within ninety (90) days of purchases.

Fixed Assets: Fixed assets are carried at cost. Depreciation expense is computed using the straight-line method over the estimated useful life of the assets.

Income Taxes: Lake Hills Volunteer Fire Department, Inc. is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Note 2. Fixed Assets

As of December 31, 2008 and 2007, fixed assets consist of:

	2008	2007
Buildings and land	\$ 363,406	\$ 363,406
Fire equipment	1,452,789	1,122,820
Office equipment	71,750	68,847
Building improvements	78,190	78,190
	<hr/> 1,966,135	<hr/> 1,633,263
Less accumulated depreciation and amortization	933,713	761,184
	<hr/>	<hr/>
Property, equipment, and fixtures, net	\$ 1,032,422	\$ 872,079

LAKE HILLS VOLUNTEER FIRE DEPARTMENT, INC.

NOTES TO FINANCIAL STATEMENTS

Note 3. Notes Payable

The following is a summary of notes payable at December 31, 2008 and 2007.

	<u>2008</u>	<u>2007</u>
Note payable due in semi-annual installments of \$30,788. Interest at 4.16%. Note is secured by fire truck.	\$ -	\$ 144,483
Note payable due in semi-annual installments of \$17,256. Interest at 4.37%. Note is secured by fire truck and vehicle.	139,395	-
	<u>139,395</u>	<u>144,483</u>
Less: current portion of note payable	<u>(28,733)</u>	<u>(56,062)</u>
Long-term portion of note payable	<u>\$ 110,662</u>	<u>\$ 88,421</u>

The following summarizes long-term debt principal payments by year:

Fiscal year ending December 31, 2009	28,732
2010	30,002
2011	31,328
2012	32,712
2013	16,621
	<u>\$ 139,395</u>

Note 4. Concentration of Credit Risk

The Company maintains several bank accounts in one bank. Balances on deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to specified limits. Balances in excess of FDIC limits are uninsured. Total cash held by the bank was \$158,080 and \$210,612 at December 31, 2008 and 2007.