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October 29, 2014

Board of Directors
Brown County Volunteer Fire Department, Inc.
231 E. Main Street
P.O. Box 183
Nashville, IN 47448

We have reviewed the audit report prepared by Horizon CPA Services, Inc., for the period January 1, 2011 to December 31, 2011. 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 Brown County Volunteer Fire Department, Inc., as of December 31, 2011, 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.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner



**BROWN COUNTY VOLUNTEER
FIRE DEPARTMENT, INC.
AUDITED FINANCIAL STATEMENTS
Year Ended December 31, 2011**

HORIZON
cpa services

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INDEPENDENT AUDITOR'S REPORT


Board of Directors
Brown County Volunteer Fire Department, Inc.
Nashville, Indiana

We have audited the statement of financial position - modified cash basis of Brown County Volunteer Fire Department, Inc. (an Indiana nonprofit corporation) as of December 31, 2011, and the related statement of activities and changes in net assets - modified cash basis 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. 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 described in Note 1, these financial statements were prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Brown County Volunteer Fire Department, Inc. as of December 31, 2011, and the changes in its net assets for the year then ended, on the modified cash basis of accounting described in Note 1.


Horizon CPA Services, Inc.
Indianapolis, Indiana
November 27, 2012

BROWN COUNTY VOLUNTEER FIRE DEPARTMENT, INC.
STATEMENT OF FINANCIAL POSITION - MODIFIED CASH BASIS
 December 31, 2011
 (See Independent Auditor's Report)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Assets				
Current:				
Cash and cash equivalents	\$ 205,087	\$ 1,271	\$ -	\$ 206,358
Certificate of deposit	3,781	-	-	3,781
Investments	64,098	-	-	64,098
Total current assets	272,966	1,271	-	274,237
Property and equipment, net	640,250	-	-	640,250
Agency endowment fund	-	-	10,000	10,000
Total assets	\$ 913,216	\$ 1,271	\$ 10,000	\$ 924,487
Liabilities and net assets				
Total liabilities	\$ -	\$ -	\$ -	\$ -
Net assets				
Unrestricted	913,216	-	-	913,216
Temporarily restricted	-	1,271	-	1,271
Permanently restricted	-	-	10,000	10,000
Total net assets	913,216	1,271	10,000	924,487
Total liabilities and net assets	\$ 913,216	\$ 1,271	\$ 10,000	\$ 924,487

See accompanying notes to the financial statements.

BROWN COUNTY VOLUNTEER FIRE DEPARTMENT, INC.**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS - MODIFIED CASH BASIS**

Year Ended December 31, 2011

(See Independent Auditor's Report)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Income				
Public support and revenue:				
Donations	\$ 1,214	\$ -	\$ -	\$ 1,214
Gifts in kind	518,834	-	-	518,834
Contracted services - municipalities	37,000	-	-	37,000
State timber sales	5,924	-	-	5,924
Other	3,126	-	-	3,126
Subtotals	566,098	-	-	566,098
Fund raising - special event:				
Fish fry	23,147	-	-	23,147
Subtotals	23,147	-	-	23,147
Other:				
Investment income	1,606	-	-	1,606
Interest income	323	-	-	323
Unrealized gain on investments	2,214	-	-	2,214
Miscellaneous	628	-	-	628
Net assets released from restrictions	-	-	-	-
Subtotals	4,771	-	-	4,771
Total income	594,016	-	-	594,016
Expenses				
Program services:				
Direct service	179,442	-	-	179,442
Supporting services:				
Management and general	6,001	-	-	6,001
Fund raising	10,741	-	-	10,741
Total supporting services	16,742	-	-	16,742
Total expenses	196,184	-	-	196,184
Change in net assets	397,832	-	-	397,832
Net assets, beginning of year - Unaudited	515,384	1,271	10,000	526,655
Net assets, end of year	\$ 913,216	\$ 1,271	\$ 10,000	\$ 924,487

See accompanying notes to the financial statements.

BROWN COUNTY VOLUNTEER FIRE DEPARTMENT, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

(See Independent Auditor's Report)

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities: Brown County Volunteer Fire Department, Inc. (the Department) was incorporated in the State of Indiana in July 1954 as a not-for-profit corporation. The Department's mission, using a volunteer membership of firefighters, is to provide fire protection, fire protection education, rescue, training opportunities and emergency medical services to the Town of Nashville, Washington Township, and areas of Brown County Indiana.

Basis of Accounting: The Department's policy is to prepare its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Accordingly, revenue is recorded when received rather than when earned or pledged, and expenses and purchases of assets are recorded when cash is disbursed rather than when obligations are incurred. The cash basis has been modified for the capitalization of property and equipment with related depreciation, and for reporting investments at fair value.

Basis of Presentation: Although the modified cash basis of accounting has been used, the Department reported 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.

Revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Department and changes therein are classified and reported as follows:

Unrestricted net assets – not subject to any donor-imposed stipulations.

Temporarily restricted net assets – subject to donor-imposed restrictions on their use that may be met either by actions of the Department or the passage of time.

Permanently restricted net assets – subject to donor-imposed restrictions on their use that neither can be fulfilled or otherwise removed by the Department nor expire by passage of time.

Use of Estimates: Management uses estimates and assumptions that affect the reported amounts of assets and liabilities in the financial statements. Estimates and assumptions may also affect disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses. Actual results could differ from management's estimates.

Significant Concentrations of Credit Risk: The Department does not concentrate its credit risk for cash by maintaining deposits in banks below amounts covered with insurance provided by the U.S. Federal Deposit Insurance Corporation (FDIC). The Department has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash.

Cash and cash equivalents: For purposes of the statement of cash flows, the Department considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

BROWN COUNTY VOLUNTEER FIRE DEPARTMENT, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2011
(See Independent Auditor's Report)

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Investments: Investments are comprised of publicly traded mutual funds and are reported at fair value. Unrealized gains and losses are included in the statement of activities.

Property and equipment: Purchases of property and equipment are capitalized at cost if not determined by the Department to be expensed. Donated assets are capitalized at the estimated fair value at date of receipt. Any gain or loss on the sale or disposal of property or equipment is reported as other activity on the statement of activities. Depreciation is computed using the straight-line and accelerated methods over the estimated useful lives of the assets as follows:

<u>Class of Property</u>	<u>Useful lives in years</u>
Building, improvements, and equipment	5 - 39
Vehicles	5 - 20

Public Support and Revenue Recognition: Corporate, foundation and individual contributions are considered unconditional promises to give (pledges) and are recognized as revenues in the period received. Contributions are considered to be unrestricted unless specifically restricted by the donor.

The Department reports contributions in the temporarily or permanently restricted net asset class if they are received with donor stipulations as to their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are released and reclassified to unrestricted net assets in the statement of activities. Donor-restricted contributions are initially reported in the temporarily restricted net asset class, even if it is anticipated such restrictions will be met in the current reporting period.

Gains and losses on other assets and liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Contributed Services, Materials, and Property and Equipment: Contributed services are to be reported at fair value in the financial statements for voluntary donations of services when those services either (1) create or enhance non-financial assets or (2) require specialized skills provided by individuals possessing those skills and are services which would be typically purchased if not provided by donation. During the year ended December 31, 2011 the value of contributed services meeting the requirements for recognition in the financial statements has not been recorded as there was no objective basis of valuing such services for individuals volunteering their time providing a variety of services to the Department.

Donated materials and property and equipment are recorded at their fair value at the date of the gift. The Department does not imply time restrictions for gifts of long-lived assets. As a result, in the absence of donor-imposed restrictions, gifts of materials and long-lived assets are reported as unrestricted revenue.

BROWN COUNTY VOLUNTEER FIRE DEPARTMENT, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

(See Independent Auditor's Report)

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Income Taxes: The Department is a not-for-profit corporation incorporated in the state of Indiana. It received a favorable determination letter from the Internal Revenue Service in 1957 and is exempt from federal income taxes under section 501(c)(4) of the Code, except on net income derived from unrelated business activities, which there was none in the reported year.

The Department evaluates tax positions taken to recognize a tax liability (or asset) if it has taken an uncertain position that more-likely-than-not would not be sustained upon examination by the applicable taxing authorities. The Department has analyzed the tax positions taken and has concluded that as of December 31, 2011 there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Department is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Department believes it is no longer subject to income tax examination for years prior to 2008.

2. CERTIFICATE OF DEPOSIT

At December 31, 2011 the Department had a one-year .5% bank certificate of deposit with a maturity/renewal date of August 8, 2012 which was recorded at \$3,781. Interest income received during 2011 was \$23.

3. INVESTMENTS

Investments consist of mutual funds at December 31, 2011 with a recorded fair market value of \$64,098. See Note 5. Investment income consists of interest and dividend income earned and received from investments and cash, and cash equivalents and is considered unrestricted revenue. The total investment income for the year ended December 31, 2011 of \$1,929 included \$1,606 of dividends from mutual funds and interest of \$300 from cash and cash equivalents. Unrealized gain on investments held at December 31, 2011 was \$2,214.

4. PROPERTY AND EQUIPMENT, NET

The recorded cost and accumulated depreciation of property and equipment was reported as follows at December 31, 2011:

Building, improvements, and equipment	\$ 368,568
Vehicles (see Note 9)	1,070,702
<hr/> Sub-total	<hr/> 1,439,270
Less accumulated depreciation	(817,723)
<hr/> Sub-total	<hr/> 621,547
Construction in progress - building	18,703
<hr/> Property and equipment, net	<hr/> \$ 640,250

BROWN COUNTY VOLUNTEER FIRE DEPARTMENT, INC.
NOTES TO FINANCIAL STATEMENTS
 December 31, 2011
 (See Independent Auditor's Report)

4. PROPERTY AND EQUIPMENT, NET (CONTINUED)

Depreciation expense for the year ended December 31, 2011 was \$134,773.

Construction in progress is stated at cost, which includes engineering and other preliminary costs for renovation and an addition to the fire station building. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and put into use.

The Department has assessed property and equipment for impairment and determined there has been none during the year ended December 31, 2011.

5. FAIR VALUE MEASUREMENTS

Accounting principles generally accepted in the United States of America establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Department has the ability to access.
Level 2	Inputs to the valuation methodology include <ul style="list-style-type: none"> • quoted prices for similar assets or liabilities in active markets; • quoted prices for identical or similar assets or liabilities in inactive markets; • inputs other than quoted prices that are observable for the asset or liability; • inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodology used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2011.

Mutual funds - Valued at the net asset value (NAV) of shares held by the Department at year end.

BROWN COUNTY VOLUNTEER FIRE DEPARTMENT, INC.
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2011
 (See Independent Auditor's Report)

5. FAIR VALUE MEASUREMENTS (CONTINUED)

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair value. Furthermore, although the Department believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table shows by level within the fair value hierarchy the Department's assets at fair value at December 31, 2011:

	<i>Fair Value Measurements</i>			<i>Total</i>
	<i>Quoted Prices in Active Markets for Identical Assets (Level 1)</i>	<i>Significant Other Observable Inputs (Level 2)</i>	<i>Significant Unobservable Inputs (Level 3)</i>	
<i>Investments:</i>				
Mutual funds - growth and medium risk	\$ 64,098	\$ -	\$ -	\$ 64,098

6. ENDOWMENT FUNDS

Agency Endowment Fund

In 1996 the Department's Board of Directors by written agreement voted to establish an advised agency endowment fund, to be known as the Brown County Volunteer Fire Department Fund (the Fund), and to be administered and controlled by the Brown County Community Foundation, Inc. (the Foundation). The purpose of the Fund is to finance the acquisition of firefighting equipment and facilities for use by the Department. The Fund was initially seeded by the Department with a \$10,000 cash contribution which was recorded and is reported by the Department as permanently restricted net assets. All contributions (including gifts, bequests, and devises) are made as irrevocable transfers to the Foundation and it has been granted absolute power to invest and retain all such funds. The Fund is a component part of the Foundation and all monies and property in the Fund are held as general assets of the Foundation and not segregated as trust property of a separate trust.

The Department may make request of the Foundation for distribution to acquire firefighting equipment or facilities, however not from the principal balance of the Fund. There were no contributions to or distributions from the Fund in 2011. The Foundation's recorded value of the Fund was \$12,270 at December 31, 2011.

BROWN COUNTY VOLUNTEER FIRE DEPARTMENT, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2011
(See Independent Auditor's Report)

6. ENDOWMENT FUNDS (CONTINUED)

Designated Endowment Fund

In 1996 the Board of Directors by written agreement voted to establish a designated endowment fund, to be known as the Brown County Volunteer Fire Department Designated Fund (the Designated Fund), and to be administered and controlled by the Brown County Community Foundation, Inc. (the Foundation). The purpose of the Designated Fund is to finance the acquisition of firefighting equipment and facilities for use by the Department. The Designated Fund may receive contributions from individuals and other third-party donors which would be recorded and reported by the Foundation as permanent endowment funds. Contributions are made as irrevocable transfers to the Foundation. The Foundation has been granted absolute power to invest, reinvest, and retain all such designated endowment funds. Therefore, all monies and properties contributed to the Foundation are considered assets of the Foundation and are not reported on the Department's financial statements.

The Foundation may make distributions to the Department upon request to acquire firefighting equipment and facilities for use by the Department. The Foundation may receive contributions from individual donors specifically for the Designated Fund however, none were received during 2011. There were no distributions from the Designated Fund in 2011 to the Department. The Foundation's recorded value of the Designated Fund was \$1,663 at December 31, 2011, and is not reflected in the Department's financial statements.

7. RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes at December 31, 2011:

Operations	\$	753
Equipment		478
Program		40
<hr/>		
Total temporarily restricted net assets	\$	1,271

There were no net assets received to or released from any restrictions during the year ended December 31, 2011.

8. CONTRIBUTION CONCENTRATIONS

Major funding is defined as individual contributors or sources that represent greater than 10% of total operating revenue. The Department received no major funding for the year ended December 31, 2011. See Note 9.

BROWN COUNTY VOLUNTEER FIRE DEPARTMENT, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2011
(See Independent Auditor's Report)

9. GIFTS IN KIND

During 2011 the Department received two new firefighting trucks from the Washington Township Capital Improvement Fund (WTCIF) with a combined value of \$518,834 which included each vehicle's purchase price with various improvements made and paid for by the WTCIF. Upon receipt and transfer of titles to these vehicles from the WTCIF, the Department capitalized them and recognized gift in kind revenue. See Notes 4 and 5.

10. RELATED PARTY TRANSACTIONS

The Department contracts for bookkeeping and related services with an accounting firm which is owned by the Department's treasurer who is also a board member. Fees paid to this firm totaled \$2,700 during the year ended December 31, 2011.

11. SUBSEQUENT EVENTS

The Department evaluated subsequent events through November 27, 2012, the date these financial statements were available to be issued. There were no material events that required recognition or additional disclosure in these financial statements.