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June 8, 2018

Board of Directors
Honey Creek Department of Fire and Rescue Services, Inc.
6553 S. Carlisle Street
Terre Haute, IN 47802

We have reviewed the report prepared by Honey Creek Department of Fire and Rescue Services, Inc. and opined upon by Sackrider & Company, Inc., Independent Public Accountants, for the period January 1, 2016 to December 31, 2016. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of Honey Creek Department of Fire and Rescue Services, Inc. as of December 31, 2016 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Sackrider & Company, Inc. prepared all required independent auditor's reports in accordance with generally accepted auditing standards and guidelines established by the State Board of Accounts.

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


Paul D. Joyce, CPA
State Examiner

**HONEY CREEK DEPARTMENT OF FIRE
AND RESCUE SERVICES, INCORPORATED**

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

DECEMBER 31, 2016

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Honey Creek Department of Fire and
Rescue Services, Incorporated
Terre Haute, Indiana

We have audited the accompanying statement of cash balances of Honey Creek Department of Fire and Rescue Services, Incorporated as of December 31, 2016, and the related detailed schedule of cash receipts and disbursements for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting as described in Note 1, this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of Honey Creek Department of Fire and Rescue Services, Incorporated as of December 31, 2016, and its cash receipts and disbursements for the year then ended in accordance with the cash basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Sackrider & Company, Inc.

Terre Haute, Indiana
June 20, 2017

HONEY CREEK DEPARTMENT OF FIRE AND RESCUE SERVICES, INCORPORATED

Statement of Cash Balances

January 1, 2016 to December 31, 2016

<u>Fund</u>	<u>Balance January 1, 2016</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance December 31, 2016</u>
Operating fund				
Checking accounts	\$ <u>34,744</u>	\$ <u>2,051,052</u>	\$ <u>2,071,206</u>	\$ <u>14,590</u>
Savings accounts	\$ <u>1,919,948</u>	\$ <u>2,396,701</u>	\$ <u>2,083,857</u>	\$ <u>2,232,792</u>

The accompanying notes are an integral part of this statement.

HONEY CREEK DEPARTMENT OF FIRE AND RESCUE SERVICES, INCORPORATED

Detailed Schedule of Cash Receipts and Disbursements

Year ended December 31, 2016

Cash receipts

Operating fund - checking accounts	
Refunds	\$ 52
Transfer from operating fund savings account	2,051,000
	<u>\$ 2,051,052</u>

Operating fund - savings account

Governmental units:

Fire protection contract	\$ 2,295,000
Contributions & grants	24,860
Interest	1,879
Refunds	13,042
Sale of equipment	12,000
Fire reports	35,747
Reimbursements	12,845
Vending machine receipts	653
Dan Otey fund	675
	<u>\$ 2,396,701</u>

Cash disbursements

Operating fund - checking account	
Payroll and related expenses	\$ 1,720,521
Utilities	41,817
Insurance	120,559
Gas and oil	21,991
Fire fighting equipment	93,285
Building improvements and maintenance	37,204
Fire training division	6,015
Fire prevention division	1,480
Accounting and legal fees	14,436
Miscellaneous	1,578
Loan principal	10,857
Loan interest	1,463
	<u>\$ 2,071,206</u>

Operating fund - savings accounts

Transfers to operating fund checking accounts	\$ 2,051,000
Loan principal	30,486
Loan interest	2,371
	<u>\$ 2,083,857</u>

The accompanying notes are an integral part of this statement.

**HONEY CREEK DEPARTMENT OF FIRE
AND RESCUE SERVICES, INCORPORATED**

Notes to Financial Statements

December 31, 2016

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Honey Creek Department of Fire and Rescue Services, Incorporated was incorporated on May 8, 1973 under the statutes prescribed by the Indiana Not-For-Profit Corporation Act of 1971.

The Honey Creek Department of Fire and Rescue Services, Incorporated is a local fire department that provides fire and rescue services in the Honey Creek Fire Protection District in Terre Haute, Indiana. The Honey Creek Department of Fire and Rescue Services, Incorporated also provides fire prevention and first aid training courses to the community.

Fund Accounting

To ensure observance of limitations and restrictions placed on the use of resources available to the corporation, the accounts of the Corporation are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into the fund established according to their nature and purposes. Accordingly all financial transactions have been recorded by fund. The fund being used by the Corporation is as follows:

- Operating fund, consisting of a checking account and a savings account. All operating disbursements are accounted for in the checking account. All cash receipts of the Corporation are deposited in the savings account and monies are transferred to the checking account as needed and invested in certificates of deposit when prudent to earn additional interest, or as required by written agreement with the Honey Creek Fire Protection District.

Basis of Accounting

The Corporation's policy is to prepare its financial statements on the basis of cash receipts and disbursements; consequently, certain revenues and the related assets are recognized when received and certain expenses are recognized when paid.

Generally accepted accounting principles require the use of the accrual basis of accounting. The accrual basis of accounting requires that revenues be recognized in the accounting period in which they are earned and become measurable and expenses are recognized in the period incurred, if measurable.

Since the Corporation's policy is to prepare its financial statements on the basis of cash receipts and disbursements, the financial statements presented herein are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

Subsequent Events

Management has evaluated subsequent events through June 20, 2017, the date which the financial statements were available for issue and concluded nothing occurred requiring adjustment to the financial statements or disclosure in the notes to the financial statements.

**HONEY CREEK DEPARTMENT OF FIRE
AND RESCUE SERVICES, INCORPORATED**

Notes to Financial Statements - Continued

December 31, 2016

NOTE 2 - INCOME TAXES

The Corporation is exempt from federal income tax under Internal Revenue Code Section 501(c)(4).

The Corporation's policy is to evaluate any potential uncertain tax provisions and the likelihood that they will prevail upon examination based on the extent to which those positions have substantial support within the Internal Revenue Code and Regulations, Revenue Rulings, court decisions, and other evidence. It is the opinion of management that the Corporation has no uncertain tax positions.

The Corporation's information returns are subject to examination by the appropriate taxing jurisdictions. As of December 31, 2016, the Corporation's federal and state tax returns for the last three years are open for examination as each year's returns remain open for examination for three years.

NOTE 3 - DIRECT AND INDIRECT BENEFIT FROM GOVERNMENTAL UNITS

During 2016, the Corporation received \$2,295,000 from the Honey Creek Fire Protection District in accordance with the terms of an agreement requiring the Corporation to provide fire protection services in 2016.

Revenue received from the Honey Creek Fire Protection District composed 96% of the corporation's revenue for the year ended December 31, 2016.

NOTE 4 - LONG-TERM OBLIGATIONS

The Honey Creek Department of Fire and Rescue Services, Inc. has long-term obligations consisting of the following at December 31, 2016:

Note payable to bank, due April 1, 2018, payable in 81 monthly payments of \$1,848.70, which includes interest of 4.75%, secured by real estate.	\$ 28,843
Note payable to bank, due April 11, 2018, payable in 81 monthly payments of \$2,258.37, which includes interest of 4.75%, secured by real estate.	<u>34,837</u>
	\$ <u>63,680</u>

Maturities of long-term obligations over the next five years are:

2017	\$ 47,244
2018	16,436
2019	-
2020	-
2021	-
Thereafter	-

**HONEY CREEK DEPARTMENT OF FIRE
AND RESCUE SERVICES, INCORPORATED**

Notes to Financial Statements - Continued

December 31, 2016

NOTE 5 - PENSION PLAN

Effective January 1, 2008 the corporation began sponsoring a 403(B) pension plan that covers all employees who were employed on January 1, 2008. Employees hired after January 1, 2008 must complete one year of service consisting of 1,000 hours of service and attain the age of 21 to be eligible for the plan. Contributions to be made to the plan consist of 3% of the employees gross wages. For 2016, the amount of pension expense was \$39,141.

NOTE 6 - TRAINING FUND

Donations were received for the establishment of a training fund in memory of a former firefighter. These funds are to be used to provide training courses for current firefighters. At December 31, 2016, the operating fund contains \$1,983 of funds restricted for this purpose.

NOTE 7 - CONCENTRATION OF CREDIT RISK

The Corporation routinely maintains bank account balances in a local financial institution in excess of the amount covered by the Federal Deposit Insurance Corporation.

NOTE 8 - LAND SALE

The Corporation had previously leased land to a company for a cell tower. In December 2016, this land was sold to the tower company. \$213,800 was received in January 2017.

NOTE 9 - CONTINGENCY

The Corporation is one of the named defendants in a lawsuit brought forth by Trans-Care Ambulance. The lawsuit alleges the named defendants interfered with a contractual relationship for the provisions of ambulance services between Trans-Care Ambulance and Vigo County, Indiana.

The Corporation has insurance coverage in place; however, the insurance company has notified the Corporation that they have hired legal counsel to defend the case, but provisions of the insurance policy may limit or eliminate coverage for this matter if judgment is made against the Corporation.

The Corporation has filed a cross-claim against one of the co-defendants in the case, Riley Fire Department. The Corporation and Riley Fire Department are parties to an ambulance services agreement that provides that Riley Fire Department is obligated to indemnify and hold harmless the Corporation with respect to any judgment entered against the Corporation in connection with the ambulance services agreement. The Corporation and Riley Fire Department are insured by the same insurance company, so Riley Fire Department could be left without insurance coverage to satisfy any judgments.

The Corporation denies the allegations made in the suit filed by Trans-Care Ambulance and has submitted motions to dismiss the suit filed for failure to state a claim upon which relief may be granted. Currently, there is insufficient information to assess the range of any potential loss.

HONEY CREEK DEPARTMENT OF FIRE
AND RESCUE SERVICES, INCORPORATED

Notes to Financial Statements - Continued

December 31, 2016

NOTE 10 - FORM E-1 RECONCILIATION

Government funds received during the year per filed E-1	\$ <u>2,295,000</u>
Government funds received during the year per Detailed Schedule of Cash Receipts on page 4	\$ <u>2,295,000</u>
Government funds disbursed during the year per filed E-1	\$ <u>2,105,373</u>
Government funds disbursed during the year per Detailed Schedule of Disbursements on page 4:	
From checking account	\$ 2,071,206
From Savings account	32,857
Checks voided and reissued in 2017	<u>1,310</u>
	\$ <u>2,105,373</u>