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August 24, 2018

Board of Directors  
Charlestown Volunteer Fire Department Inc.  
P.O. Box 235  
Charlestown, IN 47111

We have reviewed the report prepared by Charlestown Volunteer Fire Department Inc. and opined upon by J Rorrer & Co., PC, Independent Public Accountants, for the period January 1, 2016 to December 31, 2016. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of Charlestown Volunteer Fire Department 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, J Rorrer & Co., PC 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*  
Paul D. Joyce, CPA  
State Examiner

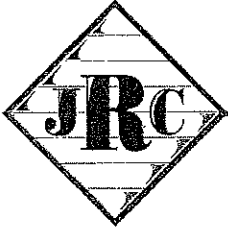
**Charlestown Volunteer Fire  
Department Inc**

**Audited Financial Statements**

**For the Years Then Ended  
December 31, 2016 and 2015**

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**J RORRER & CO., P.C.**  
Certified Public Accountants

MEMBER AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS AND INDIANA & KENTUCKY CPA SOCIETY

## **INDEPENDENT AUDITORS' REPORT**

To the Board  
Charlestown Volunteer Fire Department Inc.

We have audited the accompanying financial statements of Charlestown Volunteer Fire Department Inc. (a nonprofit corporation), which comprise the statement of assets, liabilities, and net assets – modified cash basis as of December 31, 2016 and 2015, and the related statement of revenue and expenses and changes in net assets – modified cash basis, and statement of cash flows – modified cash basis for the years 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 modified cash basis of accounting as described in Note 2; this includes determining that the modified 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.

### **Auditors' Responsibility**

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 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 auditors' 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.

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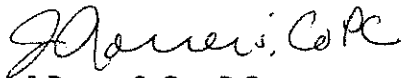
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## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Charlestown Volunteer Fire Department Inc. as of December 31, 2016 and 2015 and its revenue, expenses, and other changes in net assets for the years then ended in accordance with the modified cash basis of accounting as described in Note 2.

## **Basis of Accounting**

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified 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.



J Rorrer & Co., P.C.  
Certified Public Accountants  
Sellersburg, Indiana

September 26, 2017

**Charlestown Volunteer Fire Department Inc**  
**Statement of Assets, Liabilities and Net Assets**  
**Modified Cash Basis**  
**December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$322,033	\$312,556
<b>Total current assets</b>	<u>322,033</u>	<u>312,556</u>
<b>Property and Equipment:</b>		
Land	146,759	146,759
Buildings	580,638	821,950
Vehicles	575,470	548,394
Fire fighting equipment	809,806	795,563
Office	29,397	24,812
Furniture and fixtures	62,724	56,424
Computer system	26,916	26,916
Less accumulated depreciation	<u>(1,294,089)</u>	<u>(1,259,467)</u>
<b>Total property and equipment</b>	<u>937,621</u>	<u>1,161,351</u>
<b>Total assets</b>	<u>\$1,259,654</u>	<u>\$1,473,907</u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities:</b>		
Taxes payable	1,140	1,208
Current portion long-term debt	<u>69,264</u>	<u>85,637</u>
<b>Total current liabilities</b>	<u>70,404</u>	<u>86,845</u>
<b>Long-Term Liabilities:</b>		
Long-term debt	294,122	365,360
Less current portion	<u>(69,264)</u>	<u>(85,637)</u>
<b>Total long-term liabilities</b>	<u>224,858</u>	<u>279,723</u>
<b>Total liabilities</b>	<u>295,262</u>	<u>366,568</u>
<b>Net Assets:</b>		
Temporarily restricted	12,753	12,561
Unrestricted	<u>951,639</u>	<u>1,094,778</u>
<b>Total net assets</b>	<u>964,392</u>	<u>1,107,339</u>
<b>Total liabilities and net assets</b>	<u>\$1,259,654</u>	<u>\$1,473,907</u>

See accompanying notes and independent auditors' report.

**Charlestown Volunteer Fire Department Inc**  
**Statement of Revenue and Expenses and Changes in Net Assets**  
**Modified Cash Basis**  
**For the Years Then Ended December 31, 2016 and 2015**

	Unrestricted	Temporarily Restricted	Audited 2016 Total	Unrestricted	Temporarily Restricted	Audited 2015 Total
<b>Revenue:</b>						
Contract income	\$424,790	\$5,000	\$429,790	\$400,416	\$7,500	\$407,916
Miscellaneous Income	6,976	0	6,976	1,988	0	1,988
Vending	1,444	0	1,444	1,804	0	1,804
Insurance claims	1,025	0	1,025	2,030	0	2,030
Lieu of taxes	7,757	0	7,757	7,171	0	7,171
Grant income	5,000	0	5,000	0	0	0
Crusade for children	48,220	0	48,220	48,320	0	48,320
Net assets released restricted	0	0	0	0	0	0
Gain and loss on sale of assets	0	0	0	14,836	0	14,836
Interest income	3	6	9	2	7	9
<b>Total revenue</b>	<b>495,215</b>	<b>5,006</b>	<b>500,221</b>	<b>476,567</b>	<b>7,507</b>	<b>484,074</b>
<b>Expenses:</b>						
Accounting	15,910	0	15,910	21,889	0	21,889
Bank charges	412	0	412	397	0	397
Building maintenance	7,584	0	7,584	3,985	0	3,985
Clothing allowance	45,290	0	45,290	40,005	0	40,005
Communication radio	2,069	0	2,069	2,684	2,272	4,956
Contribution	50,036	0	50,036	49,459	0	49,459
Department dinner and meals	1,641	0	1,641	1,113	0	1,113
Depreciation	115,609	0	115,609	128,123	0	128,123
Dues and subscriptions	1,467	0	1,467	1,352	0	1,352
Fuel	16,384	0	16,384	19,146	0	19,146
Insurance	33,373	0	33,373	30,687	0	30,687
Interest on loans	16,414	0	16,414	17,147	0	17,147
Miscellaneous expense	624	0	624	584	0	584
Office expense	8,171	0	8,171	7,274	0	7,274
Outside service	913	0	913	3,574	0	3,574
Payroll expense	63,798	0	63,798	53,169	0	53,169
Personal turnout gear	1,793	0	1,793	1,495	0	1,495
Professional fees	5,700	0	5,700	5,700	0	5,700
Public relations	5,163	0	5,163	3,455	0	3,455
Small equipment and repairs	7,722	0	7,722	3,818	0	3,818
Station 1 expense	12,747	0	12,747	14,568	0	14,568
Station 2 expense	3,927	0	3,927	3,376	0	3,376
Station 3 expense	2,424	0	2,424	4,822	0	4,822
Station 4 expense	3,569	0	3,569	3,890	0	3,890
Supplies	2,519	0	2,519	5,896	1,538	7,434
Telephone	9,903	0	9,903	7,276	0	7,276
Training	10,623	0	10,623	1,659	0	1,659
Truck expense	17,920	4,814	22,734	21,673	2,978	24,651
Uniforms	3,027	0	3,027	161	0	161
Vending expense	1,018	0	1,018	988	0	988
Gain and loss on sale of assets	170,604	0	170,604	0	0	0
<b>Total expenses</b>	<b>638,354</b>	<b>4,814</b>	<b>643,168</b>	<b>459,365</b>	<b>6,788</b>	<b>466,153</b>
<b>Changes in net assets</b>	<b>(143,139)</b>	<b>192</b>	<b>(142,947)</b>	<b>17,202</b>	<b>719</b>	<b>17,921</b>
<b>Net assets, beginning of year</b>	<b>1,094,778</b>	<b>12,561</b>	<b>1,107,339</b>	<b>1,077,576</b>	<b>11,842</b>	<b>1,089,419</b>
<b>Net assets, end of year</b>	<b>\$951,639</b>	<b>\$12,753</b>	<b>\$964,392</b>	<b>\$1,094,778</b>	<b>\$12,561</b>	<b>\$1,107,340</b>

See accompanying notes and independent auditors' report.

**Charlestown Volunteer Fire Department Inc**  
**Statement of Cash Flows**  
**Modified Cash Basis**  
**For the Years Then Ended December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>Operating activities:</b>		
Changes in net assets	(\$142,947)	\$17,921
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Loss or (gain) on sale of assets	170,604	(14,836)
Increase (decrease) in accrued liabilities	(68)	140
Depreciation	115,609	128,123
	<u>143,198</u>	<u>131,348</u>
<b>Investing activities:</b>		
Proceeds from sale of property and equipment	13,000	15,000
Purchase of property and equipment	(49,387)	(74,297)
	<u>(36,387)</u>	<u>(59,297)</u>
<b>Financing activities:</b>		
Proceeds from long term debt	0	0
Payments on long term debt	(97,334)	(70,456)
	<u>(97,334)</u>	<u>(70,456)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	9,477	1,595
<b>Beginning cash and cash equivalents</b>	<u>312,556</u>	<u>310,961</u>
<b>Ending cash and cash equivalents</b>	<u>\$322,033</u>	<u>\$312,556</u>
<b>Supplemental disclosure:</b>		
Interest paid	<u>\$16,414</u>	<u>\$17,147</u>
<b>Non-cash transactions:</b>		
Property and equipment purchased through long-term debt	\$26,097	\$121,017
Vehicle with book value was exchanged in the acquisition of new vehicle, \$5,908 was capitalized to the cost of new equipment.	\$0	\$5,908

See accompanying notes and independent auditors' report.

Charlestown Volunteer Fire Department Inc  
Notes to the Financial Statements  
December 31, 2016 and 2015

Note 1 – Nature of Organization and Operations:

Nature of Activities:

Charlestown Volunteer Fire Department, Inc. (a nonprofit Corporation) operates trained volunteers to fight fires, maintain fire fighting equipment, and otherwise provide fire protection and fire prevention services for Charlestown Township, a part of Oregon Township, and the City of Charlestown, Indiana.

Note 2 – Summary of Significant Accounting Policies:

Basis of Presentation:

The Organization maintains its accounts on the modified cash basis, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this basis, support and revenue are recognized when collected rather than when earned, and expenses are recognized when paid rather than when incurred. Consequently, accounts receivable from supporting agencies, accounts payable to vendors and suppliers, accrued income and expenses are not included in these financial statements. The modifications to the cash basis of accounting are capitalization of property and equipment and recording of long-term debt obligations.

Estimates:

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

Cash and Cash Equivalents:

The Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalent.

Revenue:

The Organization has an annual contract with the Charlestown – Oregon Township Fire Protection District of Clark County, Indiana. They are scheduled to receive funds twice a year from the District.

Contributions:

Contributions received are recorded on cash basis, they are recorded when received, and no allowance for doubtful accounts is used. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted.

Income Taxes:

The Organization is a nonprofit corporation 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.

The Organization's last three years of tax returns remain subject to examination by the IRS. The Organization does not believe that any reasonably possible changes will occur within the next twelve months that will have a material impact on the financial statements.

Charlestown Volunteer Fire Department Inc  
 Notes to the Financial Statements  
 December 31, 2016 and 2015

Subsequent Event:

The Organization has evaluated subsequent events through September 26, 2017 the date which the financial statements were available to be issued.

The River Ridge Development Authority transferred to the Charlestown Volunteer Fire Department 3.8 acres for construction of a fire station and for uses and purposes related to firefighting on January 27, 2017.

Note 3 – Cash:

Temporary Restricted Cash:

Equipment Depreciation fund is an interest bearing checking account held in reserve for emergency repairs or replacement of fire fighting equipment. The fire service contract requires the CVFD to deposit \$5,000 annually into this account. If the account falls below \$10,000 the Fire Department shall not make expenditures from the account without written approval of the District. Balance as of December 31, 2016 and 2015 is \$12,754 and \$12,561 respectively.

Unrestricted Cash:

Consists of nine accounts, one main operating account is used for receipts and disbursements. Separate accounts are used for remodeling and building construction, insurance proceeds, EMS receipts and disbursements, clothing allowance, cadets, and fund raising activities. The balance of unrestricted cash as of December 31, 2016 and 2015 is \$309,280 and \$299,119, respectively.

Note 4 – Property, Plant, and Equipment:

Property, plant, and equipment are stated at cost. Depreciation is computed using the straight-line method for financial reporting purposes. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. Assets with a useful life of over one year are capitalized at cost. It is the Organization’s policy to capitalize expenditures for those items in excess of \$500.

Note 5 – Long-Term Notes Payable:

Long-term notes payable at December 31, 2016 and 2015 consisted of the following:

	<u>2016</u>	<u>2015</u>
Note payable to New Washington State Bank with two annual payments of \$17,654, bearing interest at 5.5% and collateral of real estate matures July 2017.	\$ 34,052	\$ 66,171
Note payable to New Washington State Bank with two annual payments of \$9,733 bearing interest at 4.9% and collateral of real estate matures January 2025.	137,514	150,318
Note payable to New Washington State Bank with monthly payments of \$1,543 bearing interest at 4.30% and collateral of 2008 Crimson truck.	0	22,384

Charlestown Volunteer Fire Department Inc  
Notes to the Financial Statements  
December 31, 2016 and 2015

Note payable to First Savings Bank with monthly payments of \$320 bearing interest at 3.75% and collateral of F150 truck.	0	9,963
Note payable to First Savings Bank with monthly payments of \$479 bearing interest at 3.75% and collateral of F150 truck matures January 2021.	22,135	0
Note payable to New Washington State Bank with semiannual payments of \$3,885 bearing interest at 4.50% and collateral of land matures October 2025.	56,958	61,965
Note payable to First Savings Bank with monthly payments of \$348 bearing interest at 3.75% and collateral of 2016 Ford truck matures March 2020.	12,748	16,367
Note payable to First Savings Bank with monthly payments of \$370 bearing interest at 3.75% and collateral of 2015 Dodge truck matures August 2020.	14,763	18,531
Note payable to First Savings Bank with monthly payments of \$366 bearing interest at 3.75% and collateral of 2015 Dodge Ram truck matures November 2020.	<u>15,952</u>	<u>19,661</u>
Total	<u>\$ 294,122</u>	<u>\$ 365,360</u>
Less current portion	<u>69,264</u>	<u>85,637</u>
	<u>\$ 224,858</u>	<u>\$ 279,723</u>

Maturities of long term debt are as follows:

2017	\$ 69,264
2018	36,749
2019	38,355
2020	34,522
2021	23,448
Thereafter	<u>91,784</u>
	<u>\$ 294,122</u>

Charlestown Volunteer Fire Department Inc  
 Notes to the Financial Statements  
 December 31, 2016 and 2015

Note 6 – Donated Services:

No amounts have been reflected in the financial statements for donated services. The Organization generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization. The Organization could not operate if they did not have volunteers.

Note 7 – Leases:

The Organization subleases a 2010 Crimson Fire Engine and a 2006 Ferrara Rescue Engine from the Charlestown – Oregon Townships Fire Protection District of Clark County, Indiana for the sum of \$1 per year, per vehicle plus the Organization must provide maintenance and insurance for these vehicles. The lease is year to year.

Note 8 – Fair Value of Financial Instruments:

The carrying amount of the following financial instruments approximate fair value because of the short maturity of the instrument: cash equivalents. The fair value of the Organization's long-term debt is estimated at \$294,122 and \$365,360 for 2016 and 2015, respectively, based on the future cash flows associated with each note discounted using the Organization's current borrowing rate for similar debt.

Note 9 – Concentration of Credit Risk and Economic Dependence:

The Organization maintains its cash at a financial institution located in Charlestown, Indiana. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. During the year, the Organization's cash balance may be in excess of federally insured limits. The Organization has only one customer Charlestown – Oregon Township Fire Protection District of Clark County, Indiana. However, their services will always be needed by the public.

Note 10 – Indiana DNR Financial Assistance:

The Organization was awarded a matching grant for the year 2016 from the Department of Natural Resources. The approved project cost was \$10,000. The funds were to be used for wildland category. The state's share was 50% and the Organization's share was 50%. Funds received in 2016 were \$0. The expenditures for 2016 were \$0.

The Organization was awarded a matching grant for the years 2015 from the Department of Natural Resources. The approved project cost was \$10,000. The funds were to be used for water hauling. The state's share was 50%, or \$5,000, and the Organization's share was 50%. Funds received in 2016 were \$5,000 and expenditures for 2015 were \$3,076.

Note 11 – Functional Expense:

The Organization reports its expenses by natural classification in the statement of revenues and expenses and changes in net assets – modified cash basis. By function, costs were incurred as follows:

	<u>2016</u>	<u>2015</u>
Fire protection service	\$ 561,024	\$ 379,465
Administrative	32,108	37,229
Fund raising	50,036	49,459
	<u>\$ 643,168</u>	<u>\$ 466,153</u>