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August 24, 2018

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

We have reviewed the report prepared by Liberty Township Volunteer Fire Department Inc. and opined upon by Applegate & Company, 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 Liberty Township 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, Applegate & Company, 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

LIBERTY TOWNSHIP VOLUNTEER  
FIRE DEPARTMENT, INC.  
Chesterton, Indiana

ANNUAL REPORT  
December 31, 2016

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## INDEPENDENT AUDITORS REPORT

Board of Directors  
Liberty Township Volunteer  
Fire Department, Inc.  
Chesterton, Indiana

We have audited the accompanying financial statements of Liberty Township Volunteer Fire Department, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and cash flows 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 accounting principles generally accepted in the United States of America; this includes 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 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 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 financial position of Liberty Township Volunteer Fire Department, Inc. as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenses on page 12 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

  
APPLEGATE & COMPANY  
Certified Public Accountants

Michigan City, Indiana  
November 3, 2017

LIBERTY TOWNSHIP VOLUNTEER FIRE DEPARTMENT, INC.

STATEMENTS OF ACTIVITIES

For the years ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<u>SUPPORT AND REVENUE</u>		
Contract revenue	\$ 272,716	\$ 262,130
Contributions	68,945	36,751
Interest	2,068	2,289
Miscellaneous revenues	787	3,219
Total support and revenue	<u>344,516</u>	<u>304,389</u>
 <u>EXPENSES</u>	 <u>256,855</u>	 <u>250,241</u>
 CHANGES IN NET ASSETS	 87,661	 54,148
 NET ASSETS AT BEGINNING OF YEAR	 <u>1,273,764</u>	 <u>1,219,616</u>
 NET ASSETS AT END OF YEAR	 <u>\$1,361,425</u>	 <u>\$1,273,764</u>

The accompanying notes are an integral part of these financial statements.

LIBERTY TOWNSHIP VOLUNTEER FIRE DEPARTMENT, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Equipment fund	\$ 318,335	\$ 251,388
Equipment fund - certificates of deposit (Note 2)	161,412	159,760
Firemen 50/50 fund	11,099	10,107
General fund	80,497	240,823
General fund - certificate of deposit (Note 2)	51,536	51,423
Building fund - certificate of deposit (Note 2)	4,550	4,540
Fire fund	70,395	71,261
Fire savings fund	93	93
Contract receivable	25,500	25,500
Prepaid insurance	4,472	4,762
Other assets	70	264
Total current assets	<u>727,959</u>	<u>819,921</u>
<u>PROPERTY AND EQUIPMENT</u>		
Leasehold improvements	34,441	34,441
Fire equipment and vehicles	2,399,504	2,177,888
Computer equipment	19,462	15,090
Total	<u>2,453,407</u>	<u>2,227,419</u>
Accumulated depreciation	<u>1,819,899</u>	<u>1,769,500</u>
Net property and equipment	<u>633,508</u>	<u>457,919</u>
Total assets	<u>\$1,361,467</u>	<u>\$1,277,840</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 42	\$ 4,076
Total current liabilities	<u>42</u>	<u>4,076</u>
<u>NET ASSETS</u>		
Unrestricted	<u>1,361,425</u>	<u>1,273,764</u>
Total net assets	<u>1,361,425</u>	<u>1,273,764</u>
Total liabilities and net assets	<u>\$1,361,467</u>	<u>\$1,277,840</u>

The accompanying notes are an integral part of these financial statements.

LIBERTY TOWNSHIP VOLUNTEER FIRE DEPARTMENT, INC.

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 87,661	\$ 54,148
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	80,189	73,051
(Gain)/loss on disposal of equipment	(475)	667
(Increase)/decrease in assets		
Prepaid insurance	290	155
Other current assets	194	(264)
Increase/(decrease) in liabilities		
Accounts payable	<u>(4,034)</u>	<u>3,983</u>
Net cash provided by operating activities	<u>163,825</u>	<u>131,740</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Cash payments for property and equipment	(255,778)	(5,303)
Cash received on sale of equipment	<u>475</u>	<u>        </u>
Net cash used for investing activities	<u>(255,303)</u>	<u>(5,303)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Repayment of long-term debt	<u>        </u>	<u>(27,710)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(91,478)	98,727
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>789,395</u>	<u>690,668</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$697,917</u>	<u>\$789,395</u>

The accompanying notes are an integral part of these financial statements.

LIBERTY TOWNSHIP VOLUNTEER FIRE DEPARTMENT, INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF EXEMPT ACTIVITY - The Liberty Township Volunteer Fire Department, Inc. 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 require 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.

FINANCIAL STATEMENT PRESENTATION - The financial statements are presented on the accrual basis of accounting. The Organization uses Accounting Standards Codification, "Financial Statements of Not-for-Profit Organizations". The Organization is required to report 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.

Also, the Organization uses Accounting Standards Codification, "Accounting for Contributions Received and Contributions Made." Contributions and other support received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on

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LIBERTY TOWNSHIP VOLUNTEER FIRE DEPARTMENT, INC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2016 and 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

the existence or nature of any donor restrictions. Such contributions are required to be reported as temporarily restricted support and are then reclassified to unrestricted net assets upon expiration of the purpose restriction. Restricted support is reported as unrestricted, if the restrictions are met in the same reporting period when received.

ACCOUNTS RECEIVABLE - Accounts receivable are recorded at net realizable value consisting of the carrying amount less an allowance for uncollectible accounts, as needed. Management determines the value based on known troubled accounts, historical experience and other available existing information. The Organization makes direct write-offs when specific accounts are determined to be uncollectible. It is the opinion of management that a provision for doubtful accounts is not necessary at December 31, 2016 and 2015.

FIXED ASSETS - Leasehold improvements, fire equipment and vehicles, and computer equipment are stated at cost. Donated assets are stated at fair value at the time of the donation. Major improvements and renewals are capitalized while ordinary maintenance and repairs are expensed. Depreciation is provided on fixed assets over the estimated useful life of the related assets using the straight-line method. Depreciation expense was \$80,189 and \$73,051 for the years ended December 31, 2016 and 2015, respectively. The estimated useful lives of

- Continued -

LIBERTY TOWNSHIP VOLUNTEER FIRE DEPARTMENT, INC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2016 and 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

property and equipment for financial reporting are as follows:

Leasehold improvements	5 Years
Fire equipment	5 - 7 Years
Vehicles	5 - 20 Years
Computer equipment	5 Years

**INCOME TAXES** - The Organization is exempt from tax on income under Section 501(c) (3) of the Internal Revenue Code and similar code sections for the State of Indiana. Therefore, these statements do not include any provision for income taxes.

The Financial Accounting Standards Board (FASB) issued Accounting Standards Codification "Accounting for Uncertainty in Income Taxes," that clarifies the accounting and recognition for income tax positions taken or expected to be taken in the Organization's income tax returns. The Organization has adopted the Standard. As of December 31, 2016, the Organization does not believe that it has taken any tax positions that would require the recording of any tax liability nor does it believe that there are any unrealized tax benefits that would either increase or decrease within the next twelve months. The Organization's income tax returns are subject to examination by the appropriate taxing jurisdictions and the open tax years are 2013-2016.

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LIBERTY TOWNSHIP VOLUNTEER FIRE DEPARTMENT, INC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2016 and 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CASH EQUIVALENTS - All highly liquid investments with a maturity of three months or less when purchased are considered cash equivalents and are reflected as cash in the statement of cash flows.

USE OF ESTIMATES - The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

FINANCIAL INSTRUMENTS - The following methods and assumptions were used by the Organization in estimating its fair value disclosures for financial instruments.

- Cash and cash equivalents, certificates of deposit and notes payable: The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

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LIBERTY TOWNSHIP VOLUNTEER FIRE DEPARTMENT, INC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2016 and 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The estimated fair values of the Organization's financial instruments are as follows as of December 31, 2016:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial assets:		
Cash and cash equivalents	\$480,419	\$480,419
Certificates of deposit	\$217,498	\$217,498

NOTE 2 - INVESTMENTS

The Organization held investments in the form of certificates of deposit at December 31, 2016 and 2015 which are valued at fair market value as follows:

December 31, 2016

<u>Issuer</u>	<u>Origination Date</u>	<u>Maturity Date</u>	<u>Market Value</u>	<u>Interest Rate</u>
1 <sup>st</sup> Source Bank (Equipment fund)	07/15/2015	07/15/2017	\$ 51,536	.22%
1 <sup>st</sup> Source Bank (Equipment fund)	08/01/2014	08/01/2018	109,876	1.50%
1 <sup>st</sup> Source Bank (General fund)	07/15/2015	07/15/2017	51,536	.22%
1 <sup>st</sup> Source Bank (Building fund)	07/15/2015	07/15/2017	4,550	.22%
Total Certificates of Deposit			<u>\$217,498</u>	

December 31, 2015

<u>Issuer</u>	<u>Origination Date</u>	<u>Maturity Date</u>	<u>Market Value</u>	<u>Interest Rate</u>
1 <sup>st</sup> Source Bank (Equipment fund)	07/15/2015	07/15/2017	\$ 51,423	.22%
1 <sup>st</sup> Source Bank (Equipment fund)	08/01/2014	08/01/2018	108,337	1.50%
1 <sup>st</sup> Source Bank (General fund)	07/15/2015	07/15/2017	51,423	.22%
1 <sup>st</sup> Source Bank (Building fund)	07/15/2015	07/15/2017	4,540	.22%
Total Certificates of Deposit			<u>\$215,723</u>	

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LIBERTY TOWNSHIP VOLUNTEER FIRE DEPARTMENT, INC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2016 and 2015

NOTE 3 - CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash balances in local financial institutions. The balances are insured by the Federal Deposit Insurance Corporation and the National Credit Union Share Insurance Fund up to \$250,000. At December 31, 2016, the Organization's uninsured cash balances totaled \$439,197.

NOTE 4 - COMMITMENTS

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 West 900 North 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.

NOTE 5 - SUBSEQUENT EVENTS

The Organization entered into a loan agreement with First Source Bank on February 10, 2017 in the amount of \$243,549 for the purchase of a new fire truck. The loan is payable over ten years and bears interest at 2.62% per annum.

No other subsequent events were noted as of November 3, 2017, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

LIBERTY TOWNSHIP VOLUNTEER FIRE DEPARTMENT, INC.

SCHEDULES OF EXPENSES

For the years ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Firefighters compensation and reimbursement	\$ 45,283	\$ 52,108
Fundraising expense	19,292	3,013
Insurance	31,524	33,708
Depreciation	80,189	73,051
Utilities	9,380	10,283
Office expense	445	2,284
Professional fees	13,354	17,345
Repairs and maintenance	32,199	34,260
Supplies	3,863	4,282
Small tools	2,360	918
Fuel	4,081	6,729
(Gain)/loss on disposal of equipment	(475)	667
Training	444	3,637
Meals	645	481
Christmas party	1,255	1,268
Bank service charges	65	71
Miscellaneous expense	<u>12,951</u>	<u>6,136</u>
Total expenses	<u>\$256,855</u>	<u>\$250,241</u>