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September 6, 2018

Board of Directors
Fire Department of Liberty Township Inc.
P.O. Box 160
Clayton, IN 46118

We have reviewed the report prepared by Fire Department of Liberty Township Inc. and opined upon by Dunton & Co., PC, Independent Public Accountants, for the period January 1, 2017 to December 31, 2017. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of Fire Department of Liberty Township Inc. as of December 31, 2017 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Dunton & 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

**Fire Department of Liberty Township
Hendricks County Indiana, Inc.**

Financial Statements

December 31, 2017 and 2016



Fire Department of Liberty Township Hendricks County Indiana, Inc.

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Fire Department of Liberty Township
Hendricks County Indiana, Inc.

We have audited the accompanying financial statements of Fire Department of Liberty Township Hendricks County Indiana, Inc. (a nonprofit organization), which comprise the statements of assets and net assets (modified cash basis) as of December 31, 2017 and 2016, and the related statements of cash receipts, disbursements, and changes in net assets (modified cash basis), and 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 1; 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.

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 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 assets, liabilities, and net assets of Fire Department of Liberty Township Hendricks County Indiana, Inc. as of December 31, 2017 and 2016, and its cash receipts and disbursements and cash flows for the years then ended in accordance with the modified 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 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 this matter.

Dunton & Co.

August 6, 2018

Fire Department of Liberty Township
Hendricks County Indiana, Inc.
Statements of Assets and Net Assets
Modified Cash Basis
December 31, 2017 and 2016

| | ASSETS | 2017 | 2016 |
|---|---------------|----------------------|----------------------|
| Current Assets | | | |
| Cash and Cash Equivalents | | | |
| Checking | | \$ 9,973.51 | \$ 107,041.37 |
| Savings | | 127,482.61 | 155,108.18 |
| Savings-Checking | | 104,466.16 | 45,034.84 |
| Checking Association | | 52,885.19 | 44,964.67 |
| Checking Cadet | | 959.27 | 724.27 |
| | | <u>295,766.74</u> | <u>352,873.33</u> |
| | | | |
| Deposit - Tanker | | - | 16,635.00 |
| | | <u>295,766.74</u> | <u>369,508.33</u> |
| Property and Equipment | | | |
| Fire trucks and EMS vehicles | | 1,312,526.72 | 1,147,069.61 |
| Fire equipment | | 584,171.61 | 588,183.76 |
| Vehicles | | 57,804.40 | 57,804.40 |
| Fitness equipment | | 22,463.50 | 22,463.50 |
| EMS equipment | | 101,552.10 | 93,257.10 |
| Computers | | 6,519.97 | 2,519.98 |
| Buildings and improvements | | 4,092.97 | 4,092.97 |
| Land | | 4,700.00 | 4,700.00 |
| Furniture | | 3,566.82 | 2,209.00 |
| Software | | 1,524.00 | 1,524.00 |
| | | <u>2,098,922.09</u> | <u>1,923,824.32</u> |
| | | | |
| Total Accumulated Depreciation | | (1,419,545.44) | (1,347,988.52) |
| | | <u>679,376.65</u> | <u>575,835.80</u> |
| Property and Equipment, Net | | | |
| | | <u>679,376.65</u> | <u>575,835.80</u> |
| TOTAL ASSETS | | | |
| | | <u>\$ 975,143.39</u> | <u>\$ 945,344.13</u> |
| LIABILITIES AND NET ASSETS | | | |
| Liabilities | | | |
| Current Liabilities | | | |
| Current maturities of long-term debt | | \$ 9,852.69 | \$ - |
| | | <u>9,852.69</u> | <u>-</u> |
| | | | |
| Long-Term Debt | | | |
| Long-term Debt - Note Payable Tanker | | 61,654.04 | - |
| Less current maturities | | (9,852.69) | - |
| | | <u>51,801.35</u> | <u>-</u> |
| | | | |
| Total Liabilities | | <u>61,654.04</u> | <u>-</u> |
| | | | |
| Net Assets | | | |
| Unrestricted Net Assets | | 913,489.35 | 945,344.13 |
| | | <u>913,489.35</u> | <u>945,344.13</u> |
| Total Net Assets | | | |
| | | <u>913,489.35</u> | <u>945,344.13</u> |
| TOTAL LIABILITIES AND NET ASSETS | | | |
| | | <u>\$ 975,143.39</u> | <u>\$ 945,344.13</u> |

See accompanying notes to financial statements.
See Independent Auditor's Report.

Fire Department of Liberty Township
Hendricks County Indiana, Inc.

Statements of Cash Receipts, Disbursements and Changes In Net Assets
Modified Cash Basis
For the years ended December 31, 2017 and 2016

| Unrestricted | 2017 | 2016 |
|--|----------------------|----------------------|
| Cash Receipts | | |
| Local Government Fire and EMS Service Contracts | \$ 223,185.00 | \$ 223,185.00 |
| Ambulance and Fire Services | 75,120.68 | 94,864.31 |
| Fundraising | 16,088.00 | 19,263.68 |
| Proceeds from disposition of property and equipment | 28,604.00 | 4,445.00 |
| Rental | 3,396.00 | 9,896.00 |
| Other receipts | 10,450.75 | 1,407.73 |
| Total Cash Receipts | 356,844.43 | 353,061.72 |
| Cash Disbursements | | |
| Program: EMS and Fire Services | | |
| Standby wages and payroll taxes | 104,412.54 | 92,226.34 |
| Depreciation expense | 73,494.17 | 60,404.10 |
| Insurance | 60,335.61 | 43,479.14 |
| Utilities | 14,777.95 | 15,818.03 |
| Fuel | 16,550.86 | 14,375.94 |
| Clothing allowances and reimbursements | 7,006.34 | 20,767.47 |
| EMS division supplies and equipment | 9,944.17 | 9,366.13 |
| Fire division supplies and equipment | 9,384.29 | 8,183.01 |
| Vehicle maintenance | 21,292.56 | 20,687.21 |
| Computer software support and upgrade | 8,907.00 | 4,824.21 |
| Communication | 5,070.41 | 6,070.23 |
| Station maintenance | 1,802.17 | 3,858.88 |
| EMT sponsored training expenses | 3,094.63 | 2,720.62 |
| Interest Expense | 3,097.39 | |
| Health and Wellness | 193.00 | 20.00 |
| Loss on disposition of assets | 71.75 | - |
| Miscellaneous | 815.02 | 939.93 |
| Total program: EMS and Fire Services | 340,249.86 | 303,741.24 |
| Administrative and fundraising support: | | |
| Professional Fees: audit, tax preparation and payroll processing | 13,051.50 | 13,191.00 |
| Professional Fees: Legal | 2,626.50 | 8,845.65 |
| Professional Fees: Ambulance billing | 5,824.22 | 7,409.37 |
| Association expenses | 3,802.58 | 4,287.15 |
| Fundraising | 995.19 | 1,644.96 |
| Administrative supplies and other expenses | 2,149.36 | 1,614.65 |
| Total administrative and fundraising support | 28,449.35 | 36,992.78 |
| Total Operating Cash Disbursements | 368,699.21 | 340,734.02 |
| Other | | |
| Litigation settlement | 20,000.00 | 92,636.16 |
| Total Cash Disbursements | 388,699.21 | 433,370.18 |
| Decrease in Unrestricted Net Assets | (31,854.78) | (80,308.46) |
| Total Net Assets, Beginning of Year | 945,344.13 | 1,025,652.59 |
| Total Net Assets, End of Year | \$ 913,489.35 | \$ 945,344.13 |

See accompanying notes to financial statements.
See Independent Auditor's Report.

Fire Department of Liberty Township
Hendricks County Indiana, Inc.
Statements of Cash Flows
Modified Cash Basis
For the Years Ended December 31, 2017 and 2016

| | 2017 | 2016 |
|---|-----------------------------|-----------------------------|
| Cash Flows From Operating Activities: | | |
| Net decrease in net assets | \$ (31,854.78) | \$ (80,308.46) |
| Adjustments to reconcile net assets to net cash provided by (used in) operating activities: | | |
| Net gain from the disposition of assets | (28,532.25) | (4,445.00) |
| Depreciation | <u>73,494.17</u> | <u>60,404.10</u> |
| Net Cash Provided (Used) by Operating Activities | <u>13,107.14</u> | <u>(24,349.36)</u> |
| Investing Activities | | |
| Proceeds from disposition of assets | 28,604.00 | 4,445.00 |
| Deposit- tanker | 16,635.00 | (16,635.00) |
| Purchases of equipment | <u>(177,106.77)</u> | <u>(12,368.35)</u> |
| Net Cash used by Investing Activities | <u>(131,867.77)</u> | <u>(24,558.35)</u> |
| Financing Activities | | |
| Borrowings- long-term debt | 74,857.50 | - |
| Repayments-long-term debt | <u>(13,203.46)</u> | <u>-</u> |
| Net Cash Provided by Financing Activities | <u>61,654.04</u> | <u>-</u> |
| Net decrease in cash and cash equivalents | (57,106.59) | (48,907.71) |
| Cash and cash equivalents, beginning of year | <u>352,873.33</u> | <u>401,781.04</u> |
| Cash and cash equivalents, end of year | <u><u>\$ 295,766.74</u></u> | <u><u>\$ 352,873.33</u></u> |
| Supplemental disclosures | | |
| Interest paid | <u><u>\$ 3,097.39</u></u> | <u><u>\$ -</u></u> |

See accompanying notes to financial statements.
See Independent Auditor's Report.

Fire Department of Liberty Township
Hendricks County Indiana, Inc.
Notes to Financial Statements
December 31, 2017 and 2016

Note 1: Nature of Activities

The Fire Department of Liberty Township Hendricks County Indiana, Inc. (the Fire Department) was formed in January 2000, resulting from the merger of four volunteer fire departments in Liberty Township; Clayton, Cartersburg, Belleville, and Hazelwood. The Fire Department provides the Town of Clayton and one-hundred percent of Liberty Township with fire protection and emergency medical services. The Fire Department is under contract with the Town of Clayton and Liberty Township to provide these services. The cash receipts from these contracts are recognized in the statement of cash receipts, disbursements, and changes in net assets under “Local Government Service Contracts”. The Town of Clayton, in connection with its contract, provides the building that houses Fire Station 31 under a 99-year lease that was executed on August 3, 1987. The annual rent under the lease is \$1. A second Fire Station, number 32, is located in Hazelwood, which is owned by Hazelwood Fire Fighters Association, Inc. (the Association). The Fire Department uses the station in exchange for reimbursing the Association fifty-percent of the monthly utilities. A value has not been placed on the use of these facilities. The Fire Department is staffed by a combination of paid and volunteer personnel primarily residing in Liberty Township in Hendricks County, Indiana.

Note 2: Significant Accounting Policies

Basis of Accounting - The Fire Department maintains its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (“GAAP”). It differs from GAAP in that revenue is recognized when received instead of when earned and expenses are recognized when paid instead of when incurred. The Fire Department, however, recognizes federal grant proceeds, other governmental revenue and other proceeds associated with governmental distributions when earned in accordance with the grant and other agreements. Insurance proceeds are deferred when the expenses have not been incurred for which the insurance payments have been received. Any unearned revenue is reflected as a liability on the statements of assets, liabilities and net assets. The Department also capitalizes as property and equipment the cost of its acquisitions and depreciates the property and equipment over their estimated useful life.

Basis of Presentation – The Fire Department reports its net assets by three different classifications; unrestricted, temporarily restricted, and permanently restricted. When the temporarily restricted net assets are released because of expired time restraints or defined events, they are transferred to unrestricted net assets. There were not any temporarily or permanently restricted net assets as of December 31, 2017 and 2016

Fire Department of Liberty Township
Hendricks County Indiana, Inc.
Notes to Financial Statements
December 31, 2017 and 2016

2: Significant Accounting Policies (continued)

Accounting Estimates - The preparation of the 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. The estimates that are made concern estimated lives of property and equipment that are depreciated over those estimated lives. Accordingly, actual results could differ from those estimates.

Cash Equivalents - For purposes of the statements of assets, liabilities, and net assets, and cash flows, cash and cash equivalents include all cash and savings accounts with original maturities of three months or less. The cash and cash equivalents balances on deposit in a commercial bank at various times exceeded the Federal Deposit Insurance Corporation limits during the fiscal years ended December 31, 2017 and 2016.

Contributions – Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted receipts, depending on the existence and/or nature of any donor-imposed restrictions. Any contributions received with donor-imposed restrictions that are met in the year received are classified as unrestricted donations

Donated Services – The Fire Department is staffed by paid and volunteer personnel who provide fire protection and EMS emergency medical and transport services. In connection with the volunteer services, if such services were not donated, the Fire Department would be required to hire such services at the same hourly rate of the paid personnel. The volunteers' donated services at their fair market value could not be determined in 2017 and 2016.

Property and Equipment – All property and equipment are recorded at cost and depreciated over the estimated useful lives of the assets, using the straight line method. Property and equipment that are donated are recorded at their estimated fair market value as of the date of the donation. Estimated useful lives range from 5 to 40 years. Equipment purchases under \$1,000 are generally expensed and all repairs and maintenance are expensed. The firehouses that were donated to the volunteer fire departments prior to the mergers have been recorded at nominal values of \$1 since there isn't any documentation to determine the donation dates or the value at the dates of the donations. The Federal government may have a reversionary interest in property purchased with Federal funds and may determine how the proceeds from the sale of such assets shall be used to include the refund of such proceeds to the Federal government.

Income taxes – The Fire Department is an organization exempt from taxation under Section 501(c) (3) of the Internal Revenue Code. The Fire Department has not conducted any unrelated business activities and therefore, the Fire Department has not made any provision for Federal income taxes in the accompanying financial statements. The Fire Department believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Fire Department of Liberty Township
Hendricks County Indiana, Inc.
Notes to Financial Statements
December 31, 2017 and 2016

2: Significant Accounting Policies (continued)

The Fire Department's exempt organization federal and state income tax returns for the years ended December 31, 2016, 2015, and 2014 are subject to examination by the IRS or the Indiana Department of Revenue, generally for three years after the returns have been filed with the IRS.

Note 3: Note Payable

On September 1, 2016, the Fire Department entered into a Government Obligation Contract to purchase one E-1 Tanker and finance forty-five percent (45%) of the purchase price or (\$74,857.50) over a term of seven years. Payments are due on a semi-annual basis on February 1st and August 1st in the amount of \$6,300.85 including interest at 4.635%. The first payment was due February 1, 2017 with the final payment due on August 1, 2023. In 2016, the Fire Department put a deposit down for the purchase of the E-1 tanker in the amount of \$16,635, which was applied to the purchase in 2017. The Note Payable is secured by the E-1 Tanker.

| | |
|-------------------------|-------------------------|
| Total Long-term Debt | \$ 61,654.04 |
| Less Current Maturities | <u>9,852.69</u> |
| Net Long-term Debt | <u><u>51,801.35</u></u> |

The future maturities of long-term debt are as follows:

| | |
|------------|----------------------------|
| 2018 | \$ 9,852.69 |
| 2019 | 10,137.68 |
| 2020 | 10,612.98 |
| 2021 | 11,110.56 |
| 2022 | 11,631.47 |
| Thereafter | <u>8,308.66</u> |
| | <u><u>\$ 61,654.04</u></u> |

Fire Department of Liberty Township
Hendricks County Indiana, Inc.
Notes to Financial Statements
December 31, 2017 and 2016

Note 4: Credit Risk, Concentrations, and Limitations

In connection with its EMS emergency runs, the Fire Department bills insurance companies, individuals, Medicare, Medicaid and other Fire and EMS Departments fees based on the emergency ALS and transport services provided to patients or accident victims. The income from those services is recorded when received and therefore, the receivable for those services and an allowance for uncollectible fees are not recorded on the statement of assets, liabilities and net assets. The payments received may be less than the fees billed due to limitations of the fees to be reimbursed by Medicare, Medicaid and insurance companies.

The Fire Department receives public support from the Town of Clayton and the Liberty Township Trustee that approximated seventy percent of the Fire Department's cash receipts received for operations in 2017 and 2016. The contract amounts are supported by tax receipts and may increase or decrease subject to the tax budgets and collections each year.

The Fire Department provides fire and EMS services on a twenty-four hours seven day basis with limited standby personnel, volunteers, and equipment. Due to these limitations, the fire and EMS personnel and equipment available to support emergency situations are minimized by limited public funding by the Township and the town of Clayton.

Note 5: Fundraising Expense

Total fundraising expenses in connection with the annual boot drive for the years ended December 31, 2017 and 2016 were \$995.19 and \$1,644.96 respectively. The ratio of expenses to amounts raised is computed using actual cash expenditures to the related cash donations received. The expense ratios for 2017 and 2016 respectively, were 6.2% and 8.5%.

Fire Department of Liberty Township
Hendricks County Indiana, Inc.
Notes to Financial Statements
December 31, 2017 and 2016

Note 6: Public Funding

The Fire Department of Liberty Township Hendricks County Indiana, Inc. receives public support to fund its emergency medical services and fire protection in Clayton Indiana and in Liberty Township in Hendricks County. As noted, the Fire Department routinely pursues Federal and state grants to fund special equipment purchases. During 2017 and 2016, the Fire Department received the following local government fire and EMS services contract funds.

| Government Entity | Amounts Received | |
|--|-------------------------|----------------------|
| | 2017 | 2016 |
| Liberty Township | \$ 191,185.00 | \$ 191,185.00 |
| The Town of Clayton | 32,000.00 | 32,000.00 |
| Total Government funds received | \$ 223,185.00 | \$ 223,185.00 |

Note 7: Litigation

The Fire Department was a defendant in an ongoing legal action as of December 31, 2015. The Fire Department vigorously defended the legal action and during 2016, the lawsuit was settled. In 2017, a previous member of the department initiated a complaint against the department. The complaint was settled with fifty-percent of the settlement being paid by insurance.

Note 8: Evaluation of Subsequent Events

The Fire Department has evaluated subsequent events through August 6, 2018, the date which the financial statements were available to be issued. There were no material subsequent events that required recognition in the accompanying financial statements.