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May 9, 2019


Board of Directors
McCutchanville Volunteer Fire Department, Inc.
P.O. Box 4895
Evansville, IN 47724

We have reviewed the audit report of McCutchanville Volunteer Fire Department, Inc. which was opined upon by Timothy J. Otte CPA, PC, Independent Public Accountants, for the period January 1, 2017 to December 31, 2017. Per the *Independent Auditor's Report*, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements included in the report present fairly the financial condition of McCutchanville Volunteer Fire Department, 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.

We call your attention to the Basis for Qualified Opinion in the audit report.

In our opinion, Timothy J. Otte CPA, PC prepared the audit report in accordance with 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



McCUTCHANVILLE VOLUNTEER FIRE DEPARTMENT, INC.

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

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McCutchanville Volunteer Fire Department, Inc.

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
McCutchanville Volunteer Fire Department, Inc.

We have audited the accompanying financial statements of McCutchanville Volunteer Fire Department, Inc. (a nonprofit organization), which comprise the statement of assets, liabilities, and net assets- modified cash basis as of December 31, 2017 and 2016, and the related statements of support, revenue, and expenses- modified cash basis, and statements of functional expenses- 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 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 of material misstatement.

An audit involves performing procedures to obtain 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 qualified audit opinion.

Basis for Qualified Opinion

As discussed in note 1 to the financial statements, McCutchanville Volunteer Fire Department, Inc. does not record the value of contributed services provided by the volunteer fire fighters nor the use of fire trucks and equipment owned by Center Township. In our opinion, contributed services and use of assets of this nature should be recorded at their fair market value to conform with the modified cash basis of accounting. It would not be practicable to determine the effect of that departure on the financial statements.

No accounting controls were exercised over gym fund rental income and expenditures and the ladies auxiliary fund income and expenditures prior to the recording of such transactions in the accounting records. Accordingly, it was not practicable to extend our examination of such receipts or disbursements beyond the amounts recorded.

Qualified Opinion

In our opinion, except for the possible effects of not recording the value of contributed services nor use of the fire trucks and equipment and except for such adjustments, if any, that might have resulted had gym fund rental income and expenditures and the ladies auxiliary fund income and expenditures been susceptible to satisfactory audit tests as discussed in the Basis for Qualified Opinion paragraphs, the financial statements referred to the first paragraph present fairly, in all material respects, the assets, liabilities, and net assets of McCutchanville Volunteer Fire Department, Inc., as of December 31, 2017 and 2016, and the support, revenue and expenses, and functional expenses for the years then ended, on the basis of accounting 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.

Timothy J. Sullivan PC

Evansville, Indiana
November 9, 2018

McCutchanville Volunteer Fire Department, Inc.
Statements of Assets, Liabilities, and Net Assets- Modified Cash Basis
December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Current Assets		
Cash	\$ 812,571	\$ 716,584
Cash- restricted	493	1,993
Total Current Assets	<u>813,064</u>	<u>718,577</u>
Property and Equipment	918,916	887,169
Less accumulated depreciation	<u>(742,142)</u>	<u>(719,055)</u>
Total Property and Equipment	<u>176,774</u>	<u>168,114</u>
Total Assets	<u><u>\$ 989,838</u></u>	<u><u>\$ 886,691</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Withheld taxes	\$ 4,591	\$ 3,807
Cumulative funds due to Center Township	405,185	311,776
Current portion of long-term obligations	-	1,188
Total Current Liabilities	<u>409,775</u>	<u>316,771</u>
Net Assets		
Unrestricted	579,569	567,927
Temporarily Restricted	493	1,993
Total Net Assets	<u>580,062</u>	<u>569,920</u>
Total Liabilities and Net Assets	<u><u>\$ 989,838</u></u>	<u><u>\$ 886,691</u></u>

See notes to financial statements

McCutchanville Volunteer Fire Department, Inc.
Statement of Support, Revenue, and Expenses- Modified Cash Basis
For the Year Ended December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
PUBLIC SUPPORT RECEIVED DIRECTLY			
Contributions	\$ 97,930	\$ -	\$ 97,930
Total Public Support	<u>97,930</u>	<u>-</u>	<u>97,930</u>
GRANTS FROM GOVERNMENTAL AGENCIES	<u>515,000</u>	<u>-</u>	<u>515,000</u>
OTHER REVENUE			
Interest Income	724	-	724
Rental Income	17,495	-	17,495
Total Other Revenue	<u>18,219</u>	<u>-</u>	<u>18,219</u>
NET SUPPORT AND REVENUE	631,150	-	631,150
NET ASSETS RELEASED FROM RESTRICTIONS	<u>1,500</u>	<u>(1,500)</u>	<u>-</u>
Total Support and Revenue	<u>632,650</u>	<u>(1,500)</u>	<u>631,150</u>
FUNCTIONAL EXPENSES			
Program Services	503,712	-	503,712
Administrative	101,144	-	101,144
Fundraising	16,151	-	16,151
Total Functional Expenses	<u>621,007</u>	<u>-</u>	<u>621,007</u>
CHANGE IN NET ASSETS	11,642	(1,500)	10,142
NET ASSETS- BEGINNING OF THE YEAR	<u>567,927</u>	<u>1,993</u>	<u>569,920</u>
NET ASSETS- END OF YEAR	<u>\$ 579,569</u>	<u>\$ 493</u>	<u>\$ 580,062</u>

See notes to financial statements

McCutchanville Volunteer Fire Department, Inc.
Statement of Support, Revenue, and Expenses- Modified Cash Basis
For the Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
PUBLIC SUPPORT RECEIVED DIRECTLY			
Contributions	\$ 73,443	\$ -	\$ 73,443
Total Public Support	<u>73,443</u>	<u>-</u>	<u>73,443</u>
GRANTS FROM GOVERNMENTAL AGENCIES	<u>257,500</u>	<u>-</u>	<u>257,500</u>
OTHER REVENUE			
Other Income	60	-	60
Interest Income	948	-	948
Rental Income	21,163	-	21,163
Total Other Revenue	<u>22,171</u>	<u>-</u>	<u>22,171</u>
NET SUPPORT AND REVENUE	353,114	-	353,114
NET ASSETS RELEASED FROM RESTRICTIONS	<u>-</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>353,114</u>	<u>-</u>	<u>353,114</u>
FUNCTIONAL EXPENSES			
Program Services	397,676	-	397,676
Administrative	81,394	-	81,394
Fundraising	11,429	-	11,429
Total Functional Expenses	<u>490,498</u>	<u>-</u>	<u>490,498</u>
CHANGE IN NET ASSETS	(137,384)	-	(137,384)
NET ASSETS- BEGINNING OF THE YEAR	<u>705,311</u>	<u>1,993</u>	<u>707,304</u>
NET ASSETS- END OF YEAR	<u>\$ 567,926</u>	<u>\$ 1,993</u>	<u>\$ 569,920</u>

See notes to financial statements

McCutchanville Volunteer Fire Department, Inc.
Statement of Functional Expenses- Modified Cash Basis
For the Year Ended December 31, 2017

	<u>Program Services</u>	<u>Administration</u>	<u>Fund Raising</u>	<u>Total 2017</u>
Clothing allowance	\$ 28,659	\$ -	\$ -	\$ 28,659
Depreciation	20,779	2,309	-	23,087
Fees	-	1,777	-	1,777
Fuel	22,104	-	216	22,320
Fundraiser expense	-	-	15,530	15,530
Insurance	35,332	3,926	-	39,258
Interest expense	8	1	-	9
Medical director	2,800	-	-	2,800
Miscellaneous	20,488	6,048	69	26,605
Payroll taxes	11,791	1,310	-	13,101
Phone & internet service	9,976	1,108	-	11,085
Postage	1,548	172	-	1,720
Professional fees	-	42,938	-	42,938
Repairs and maintenance	94,752	10,198	-	104,950
SIMPLE expense	4,086	454	-	4,540
Small equipment and tools	20,566	-	-	20,566
Special Events	-	8,978	-	8,978
Supplies	11,255	1,996	-	13,251
Training	19,928	-	-	19,928
Travel	8,103	900	336	9,339
Uniforms	20,274	-	-	20,274
Utilities	20,960	2,329	-	23,289
Wages	150,303	16,700	-	167,004
	<u>\$ 503,712</u>	<u>\$ 101,144</u>	<u>\$ 16,151</u>	<u>\$ 621,007</u>

See notes to financial statements

McCutchanville Volunteer Fire Department, Inc.
Statement of Functional Expenses- Modified Cash Basis
For the Year Ended December 31, 2016

	<u>Program Services</u>	<u>Administration</u>	<u>Fund Raising</u>	<u>Total 2016</u>
Clothing allowance	\$ 25,790	\$ -	\$ -	\$ 25,790
Depreciation	20,695	2,299	-	22,994
Fees	-	1,672	-	1,672
Fuel	18,391	-	-	18,391
Fundraiser expense	-	-	11,429	11,429
Insurance	27,958	3,106	-	31,064
Interest expense	34	4	-	38
Medical director	1,167	-	-	1,167
Miscellaneous	8,047	2,201	-	10,248
Payroll taxes	11,644	1,294	-	12,938
Phone & internet service	10,820	1,202	-	12,022
Postage	759	84	-	843
Professional fees	-	36,500	-	36,500
Repairs and maintenance	62,140	6,029	-	68,169
SIMPLE expense	3,116	346	-	3,462
Small equipment and tools	7,908	-	-	7,908
Special Events	-	7,104	-	7,104
Supplies	11,208	376	-	11,584
Training	9,773	-	-	9,773
Travel	3,730	414	-	4,144
Uniforms	5,622	-	-	5,622
Utilities	20,808	2,312	-	23,120
Wages	148,069	16,452	-	164,521
	<u>\$ 397,676</u>	<u>\$ 81,394</u>	<u>\$ 11,429</u>	<u>\$ 490,498</u>

See notes to financial statements

McCutchanville Volunteer Fire Department, Inc.
Notes to Financial Statements
December 31, 2017 and 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The Organization's purpose is to provide fire protection and aid in other emergencies for persons and property in the area of McCutchanville and Center Township outside the city limits of Evansville and to aid other agencies on a mutual aid basis during times of need, with priority in McCutchanville and Center Township outside the city limits of Evansville. The Organization, located in McCutchanville, Indiana, is supported primarily through allocations from the trustee of Center Township.

Basis of Accounting

The accompanying financial statements have been prepared on the modified cash basis of accounting. This basis differs from generally accepted accounting principles since it requires revenues and their related assets to be recorded when received rather than when earned and expenses and their related liabilities to be recorded when paid rather than when incurred. The Organization capitalizes and depreciates purchases of property and equipment, records long-term obligations, and records in kind donations.

Financial Statement Presentation

The Organization complies with FASB Accounting Standards Codification 958, *Not-For-Profit Entities*. Under FASB ASC 958, the organization is required to report information regarding its assets, liabilities, net assets, revenues and expenses according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Income Taxes

McCutchanville Volunteer Fire Department, Inc. is a nonprofit organization exempt from federal, state and local income taxes under section 501(c)(4) of the United States Internal Revenue Code.

Uncertain Tax Positions

Management has determined that the company does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements or related disclosures. Since tax matters are subject to some degree of uncertainty, there can be no assurance that the company's tax returns will not be subject to additional tax, penalties, and interest as a result of such challenge. Generally, federal, state, and local authorities may examine the company's tax returns for three years from the filing date, and the current and prior three years remain subject to examination as of December 31, 2017.

Use of 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.

Reclassifications

Certain amounts in the 2016 financial statements have been reclassified for comparative purposes to conform to the presentation in the 2017 financial statements. The reclassifications have no effect on the overall net assets.

McCutchanville Volunteer Fire Department, Inc.
Notes to Financial Statements
December 31, 2017 and 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

McCutchanville Volunteer Fire Department, Inc. follows the practice of capitalizing all expenditures for property and equipment in excess of \$100. Property and equipment are carried at cost. Expenditures for replacements are capitalized and replaced items are retired. Maintenance and repairs are charged to operations as incurred. Donations of property and equipment are recorded as support at their estimated fair market value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. The Organization reports expirations of donor restrictions when the acquired assets are placed in service. At that time, temporarily restricted net assets are reclassified to unrestricted net assets. Provisions for depreciation of property and equipment are computed on the straight-line method based on their estimated useful lives. Upon disposition, the cost and accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected in operations for the period.

Contributions

In Accordance with FASB ASC 958 contributions received are recorded as unrestricted, temporarily unrestricted or permanently restricted support depending on the existence or nature of any donor restrictions.

Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of Support, Revenue, and Expenses as net assets released from restrictions.

The volunteer firefighters contribute significant amounts of their time providing fire fighting and emergency response services. Also, the Organization uses fire trucks and equipment that are owned by Center Township. The value of these services and use of the fire trucks and equipment has not been recorded in the financial statements.

NOTE 2 – SIMPLE PLAN

The Organization has a savings incentive match plan (SIMPLE Plan). The Organization makes matching contributions up to 100% of the employee election, not to exceed 3% of the employee's wages. The organization's SIMPLE plan expense for the year ended December 31, 2017 and 2016 were \$4,540 and \$3,462, respectively.

McCutchanville Volunteer Fire Department, Inc.
Notes to Financial Statements
December 31, 2017 and 2016

NOTE 3- PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2017 and 2016 consisted of the following:

	<u>2017</u>		<u>2016</u>	
	<u>Cost</u>	<u>Accum. Depr.</u>	<u>Cost</u>	<u>Accum. Depr.</u>
Buildings	\$ 245,631	\$ 140,894	\$ 231,631	\$ 135,475
Office Furniture and Equipment	136,428	99,552	118,681	89,970
Fire and Rescue Equipment	477,687	451,714	477,687	443,931
Fire and Rescue Trucks	48,533	48,533	48,533	48,504
Training Facility	10,637	1,449	10,637	1,175
	<u>\$ 918,916</u>	<u>\$ 742,142</u>	<u>\$ 887,169</u>	<u>\$ 719,055</u>

Depreciation for the years ended December 31, 2017 and 2016 was \$23,087 and \$22,994, respectively.

NOTE 4- RELATED PARTY TRANSACTIONS

The Organization had expenditures for repairs and communication equipment from companies that employs employees of the Organization. Purchases from these vendors totaled \$0 and \$2,119 for the years ended December 31, 2017 and 2016, respectively.

NOTE 5- SCHEDULE OF STATE AND LOCAL AWARDS

	<u>2017</u>	<u>2016</u>
Center Township		
Operating Fund	\$ 515,000	\$ 257,500
Township Fund- (Hurricane relief)	1,500	-
Cumulative Fund	<u>240,000</u>	<u>130,000</u>
	<u>\$ 756,500</u>	<u>\$ 387,500</u>

McCutchanville Volunteer Fire Department, Inc.
Notes to financial statements
December 31, 2017 and 2016

NOTE 6- LONG-TERM OBLIGATIONS

	<u>2016</u>	
	<u>Current</u>	<u>Long Term</u>
Capital Lease payable in five annual installments of \$1,188 on specific equipment; Final payment due in 2017. (A)	1,188	-
	<u>\$ 1,188</u>	<u>\$ -</u>

(A) Collateralized by specific equipment

Future maturities of capital lease obligations as of December 31, 2016 were as follows:

<u>Year Ending December 31</u>	<u>Gross Lease Payments</u>
2017	1,188
	1,188
Less Interest	-
Principal Portion	<u>\$ 1,188</u>

NOTE 7- RESTRICTIONS ON NET ASSETS

Temporary restricted net assets represents amounts received but not yet expended for the purchase of firefighting equipment. As of December 31, 2017 and 2016, temporary restricted net assets consist of \$493 and \$1,993 for future purchases of firefighting equipment, respectively.

McCutchanville Volunteer Fire Department, Inc.
Notes to Financial Statements
December 31, 2017 and 2016

NOTE 8 – CONTINGENCY

McCutchanville Volunteer Fire Department, Inc. receives a significant portion of its funds from the trustee of Center Township. In the event the Organization defaults in their performance according to the agreement, the trustee may terminate the agreement and exercise its right to retain the firefighting equipment in order to continue fire protection in the jurisdiction.

McCutchanville Volunteer Fire Department, Inc. is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, and injuries to the volunteer firemen. The Organization carries commercial insurance in amount sufficient to insure itself against claims resulting from any of these risks.

NOTE 9 – FUNCTIONAL EXPENSES

The costs of providing services have been summarized on a functional basis in the statement of support, revenue, and expenses. Expenses specifically identified as relating to one of the functional categories are charged accordingly. Other expenses determined to relate to more than one of the categories are allocated based on estimated percentages. The allocated costs included various expense types.

NOTE 10 – CONCENTRATIONS

The Organization maintains its cash balances at one financial institution located in Evansville, Indiana. Cash in banks maintained in non-interest bearing accounts are fully insured through December 31, 2017, while interest bearing accounts were insured up to \$250,000 by the Federal Deposit Corporation. As of December 31, 2017 and 2016, the company's total uninsured balance was \$559,984 and \$465,344, respectively.

The Organization received 87% and 80% of its support from the trustee of Center Township for the years ended December 31, 2017 and 2016, respectively.

NOTE 11 – LIABILITY- CUMULATIVE FUNDS

Property and equipment purchased by funds appropriated by Center Township as Cumulative Funds are recorded as liabilities of McCutchanville Volunteer Fire Department, Inc.

NOTE 12 – PRIOR PERIOD ADJUSTMENT

Certain error resulting in an understatement of temporarily restricted net assets was discovered during the current year. Accordingly, an adjustment of \$1,000 was made to increase temporarily restricted net assets as of the beginning of the year. A corresponding entry was made to decrease unrestricted net assets.

McCutchanville Volunteer Fire Department, Inc.
Notes to Financial Statements
December 31, 2017 and 2016

NOTE 13 – COMMITMENTS

On May 30, 2018, Center Township of Vanderburgh County, Indiana entered into an agreement to finance the purchase of a fire truck and equipment on behalf of the Organization. As part of the agreement, the Organization made a down payment to the Center Township Trustee of \$250,000 on May 30, 2018 with biannual payments of \$95,388 due commencing on January 30, 2020 through July 31, 2022. Payments are made from the cumulative fund to satisfy this obligation.

NOTE 14 – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events and transactions through November 9, 2018, the date the financial statements were available to be issued. There were no subsequent events that require recognition in the financial statements.