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May 23, 2019

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

We have reviewed the audit report of Charlestown Volunteer Fire Department Inc. which was opined upon by J Rorrer & 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 Charlestown 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.

In our opinion, J Rorrer & Co., 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
Paul D. Joyce, CPA
State Examiner

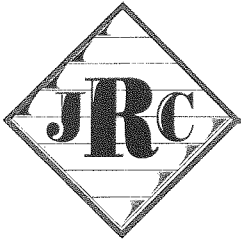
**Charlestown Volunteer Fire
Department Inc**

Audited Financial Statements

**For the Years Then Ended
December 31, 2017 and 2016**

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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, 2017 and 2016, 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 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 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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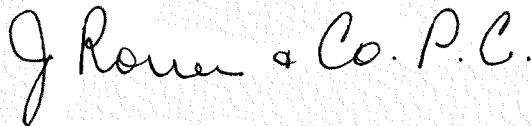
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Opinion

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, 2017 and 2016 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.

A handwritten signature in cursive script that reads "J Rorrer & Co. P.C.".

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

September 28, 2018

Charlestown Volunteer Fire Department Inc
Statement of Assets, Liabilities and Net Assets
Modified Cash Basis
December 31, 2017 and 2016

	2017	2016
ASSETS		
Current Assets:		
Cash and cash equivalents	\$343,479	\$322,033
Total current assets	343,479	322,033
Property and Equipment:		
Land	484,159	146,759
Buildings	593,937	580,638
Vehicles	575,470	575,470
Fire fighting equipment	830,133	809,806
Office	29,397	29,397
Furniture and fixtures	62,724	62,724
Computer system	31,912	26,916
Less accumulated depreciation	(1,403,521)	(1,294,089)
Total property and equipment	1,204,211	937,621
Total assets	\$1,547,690	\$1,259,654
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Taxes payable	2,240	1,140
Current portion long-term debt	32,841	69,264
Total current liabilities	35,081	70,404
Long-Term Liabilities:		
Long-term debt	215,783	294,122
Less current portion	(32,841)	(69,264)
Total long-term liabilities	182,942	224,858
Total liabilities	218,023	295,262
Net Assets:		
Temporarily restricted	8,152	12,753
Unrestricted	1,321,515	951,639
Total net assets	1,329,667	964,392
Total liabilities and net assets	\$1,547,690	\$1,259,654

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, 2017 and 2016

	Unrestricted	Temporarily Restricted	Audited 2017 Total	Unrestricted	Temporarily Restricted	Audited 2016 Total
Revenue:						
Contract income	\$436,391	\$5,000	\$441,391	\$424,790	\$5,000	\$429,790
Miscellaneous Income	331,343	0	331,343	6,976	0	6,976
Vending	1,317	0	1,317	1,444	0	1,444
Insurance claims	1,505	0	1,505	1,025	0	1,025
Lieu of taxes	7,348	0	7,348	7,757	0	7,757
Grant income	0	9,026	9,026	5,000	0	5,000
Crusade for children	55,546	0	55,546	48,220	0	48,220
Net assets released restricted	0	0	0	0	0	0
Gain and loss on sale of assets	8,240	(8,240)	0	0	0	0
Interest income	2	11	13	3	6	9
Total revenue	841,692	5,797	847,489	495,215	5,006	500,221
Expenses:						
Accounting	19,015	0	19,015	15,910	0	15,910
Bank charges	0	0	0	412	0	412
Building maintenance	4,804	0	4,804	7,584	0	7,584
Clothing allowance	40,828	0	40,828	45,290	0	45,290
Communication radio	726	0	726	2,069	0	2,069
Contribution	59,512	0	59,512	50,036	0	50,036
Department dinner and meals	1,705	0	1,705	1,641	0	1,641
Depreciation	110,010	0	110,010	115,609	0	115,609
Dues and subscriptions	1,455	0	1,455	1,467	0	1,467
Fuel	20,497	0	20,497	16,384	0	16,384
Insurance	38,223	0	38,223	33,373	0	33,373
Interest on loans	12,281	0	12,281	16,414	0	16,414
Miscellaneous expense	1,395	0	1,395	624	0	624
Office expense	6,154	0	6,154	8,171	0	8,171
Outside service	4,703	0	4,703	913	0	913
Payroll expense	82,048	0	82,048	63,798	0	63,798
Personal turnout gear	1,745	0	1,745	1,793	0	1,793
Professional fees	5,700	0	5,700	5,700	0	5,700
Public relations	4,824	0	4,824	5,163	0	5,163
Small equipment and repairs	5,606	785	6,391	7,722	0	7,722
Station 1 expense	13,275	0	13,275	12,747	0	12,747
Station 2 expense	4,251	0	4,251	3,927	0	3,927
Station 3 expense	35	0	35	2,424	0	2,424
Station 4 expense	4,473	0	4,473	3,569	0	3,569
Supplies	7,556	998	8,554	2,519	0	2,519
Telephone	9,723	0	9,723	9,903	0	9,903
Training	976	0	976	10,623	0	10,623
Truck expense	8,529	8,615	17,145	17,920	4,814	22,734
Uniforms	553	0	553	3,027	0	3,027
Vending expense	842	0	842	1,018	0	1,018
Gain and loss on sale of assets	371	0	371	170,604	0	170,604
Total expenses	471,816	10,398	482,214	638,354	4,814	643,168
Changes in net assets	369,876	(4,601)	365,275	(143,139)	192	(142,947)
Net assets, beginning of year	951,639	12,753	964,392	1,094,778	12,561	1,107,339
Net assets, end of year	\$1,321,515	\$8,152	\$1,329,667	\$951,639	\$12,753	\$964,392

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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating activities:		
Cash received from contract and local support	\$504,285	\$485,767
Cash received from services receipts	7,765	9,445
Cash received from grants	9,026	5,000
Interest income	13	9
Interest paid	(12,281)	(16,414)
Cash paid to employees and suppliers	(358,452)	(340,609)
	<u>150,356</u>	<u>143,198</u>
Investing activities:		
Proceeds from sale of property and equipment	0	13,000
Purchase of property and equipment	(50,570)	(49,387)
	<u>(50,570)</u>	<u>(36,387)</u>
Financing activities:		
Proceeds from long term debt	0	0
Payments on long term debt	(78,340)	(97,334)
	<u>(78,340)</u>	<u>(97,334)</u>
Net increase (decrease) in cash and cash equivalents	21,446	9,477
Beginning cash and cash equivalents	<u>322,033</u>	<u>312,556</u>
Ending cash and cash equivalents	<u><u>\$343,479</u></u>	<u><u>\$322,033</u></u>
Non-cash transactions:		
Property and equipment purchased through long-term debt	\$0	\$26,097
Land donated to Organization	\$326,400	\$0

See accompanying notes and independent auditors' report.

Charlestown Volunteer Fire Department Inc
Notes to the Financial Statements
December 31, 2017 and 2016

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.

Property and Equipment:

Property and equipment is stated at cost or, if donated, at the approximate fair market value at the date of donation. Depreciation is recorded using primarily the straight line method over the estimated useful lives of the assets. Amortization is recorded using the straight line method over fifteen years. Depreciation expense for 2017 and 2016 is \$109,850 and \$115,609 respectively.

Advertising:

The Organization uses advertising to promote its programs. The cost of advertising is expensed as incurred. Advertising or public relations expense for 2017 and 2016 is \$4,824 and \$5,163 respectively.

Repairs and Maintenance:

Expenditures are charged to operations as incurred for maintenance, repairs and renewals which do not materially extend the useful life of the property.

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.

Charlestown Volunteer Fire Department Inc
Notes to the Financial Statements
December 31, 2017 and 2016

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.

403 Properties, LLC donated .28 acres and an easement on November 9, 2017 to build a fire house on 403. The land was valued at \$22,400.

River Ridge Development Authority donated 3.8 acres subject to restrictions, reservations, covenants, conditions, agreements, rights of way and easements on January 20, 2017 to build a fire house in the River Ridge Development. The land was valued at \$304,000.

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.

Subsequent Event:

The Organization has evaluated subsequent events through September 28, 2018 the date which the financial statements were available to be issued. The Organization has paid an architect to help with construction of a new fire house on the donated land; construction has not started as of the date of these financial statements.

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, 2017 and 2016 is \$8,152 and \$12,754 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, 2017 and 2016 is \$335,327 and \$309,280, respectively.

Charlestown Volunteer Fire Department Inc
Notes to the Financial Statements
December 31, 2017 and 2016

Note 4 – Long-Term Notes Payable:

Long-term notes payable at December 31, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</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.	\$ 0	\$ 34,052
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.	124,079	137,514
Note payable to First Savings Bank with monthly payments of \$479 bearing interest at 3.75% and collateral of F150 truck matures January 2021.	17,133	22,135
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.	51,685	56,958
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.	0	12,748
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.	10,788	14,763
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.	12,097	15,952
Total	<u>\$ 215,783</u>	<u>\$ 294,122</u>
Less current portion	<u>32,841</u>	<u>69,264</u>
	<u>\$ 182,942</u>	<u>\$ 224,858</u>

Charlestown Volunteer Fire Department Inc
Notes to the Financial Statements
December 31, 2017 and 2016

Maturities of long term debt are as follows:

2018	\$ 32,841
2019	34,298
2020	33,498
2021	23,457
2022	23,632
Thereafter	68,057
	<u>\$ 215,783</u>

Note 5 – 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 6 – Leases Related Party:

The Organization subleases a 2010 Crimson Fire Engine, a 2006 Ferrara Rescue Engine, and a 2017 Spartan ERV 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 vehicle. The lease is year to year.

Note 7 – 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 \$215,783 and \$294,122 for 2017 and 2016, respectively, based on the future cash flows associated with each note discounted using the Organization's current borrowing rate for similar debt.

Note 8 – 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 a contract with the Charlestown – Oregon Township Fire Protection District of Clark County, Indiana. Under the contract, the Organization will provide fire protection services in exchange for funding. The Organization is materially dependent on the Charlestown – Oregon Township Fire Protection District of Clark County, Indiana for its funding. In the period ending December 31, 2017 and 2016 the organization received 52 percent and 86 percent respectively.

Charlestown Volunteer Fire Department Inc
 Notes to the Financial Statements
 December 31, 2017 and 2016

Note 9– Indiana DNR Financial Assistance:

The Organization was awarded a matching grant for the year 2017 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% or \$5,000 and the Organization’s share was 50%. Funds received in 2017 were zero and expenditures were \$5,341.

The Organization was awarded a \$4,026 grant for the year 2017 from the North Clark Healthcare Foundation. The funds were to be used for a defibrillator. Funds received in 2017 were \$4,026 and expenditures were \$5,661.

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%, or \$5,000, and the Organization’s share was 50%. Funds received in 2017 were \$5,000 and expenditures for 2016 were \$10,109.

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:

	2017	2016
Fire protection service	\$ 389,394	\$ 561,024
Administrative	33,309	32,108
Fund raising	59,512	50,036
	<u>\$ 482,215</u>	<u>\$ 643,168</u>