



STATE OF INDIANA
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November 13, 2020

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

We have reviewed the audit report of Liberty Township Volunteer Fire Department, Inc. which was opined upon by Applegate & Company, PC, Independent Public Accountants, for the period January 1, 2018 to December 31, 2018. 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, 2018 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 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.

A handwritten signature in blue ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA
State Examiner

LIBERTY TOWNSHIP VOLUNTEER
FIRE DEPARTMENT, INC.
Chesterton, Indiana

ANNUAL REPORT
December 31, 2018

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APPLEGATE & COMPANY, PC

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

Paul E. Applegate, CPA
John E. Applegate, PA
(1920-1993)
Blake E. Applegate, CPA
Megan M. Applegate, CPA
Ronald J. Delco, CPA
Charles C. Fox, CPA
Jason M. Nichols, CPA

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, 2018 and 2017, and the related statements of activities, functional expenses, 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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Applegate & Company
APPLEGATE & COMPANY
Certified Public Accountants

Michigan City, Indiana
November 26, 2019

LIBERTY TOWNSHIP VOLUNTEER FIRE DEPARTMENT, INC.

STATEMENTS OF ACTIVITIES

For the years ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>SUPPORT AND REVENUE</u>		
Contract revenue	\$ 272,687	\$ 272,687
In-kind donations (Note 1)		6,345
Contributions	77,288	53,839
Interest	2,081	2,049
Miscellaneous revenues	2,820	1,062
Total support and revenue	<u>354,876</u>	<u>335,982</u>
<u>FUNCTIONAL EXPENSES (NOTE 3)</u>		
Program services	211,097	228,650
General and administrative	19,296	21,443
Fundraising	2,232	5,865
Total functional expenses	<u>232,625</u>	<u>255,958</u>
CHANGES IN NET ASSETS	122,251	80,024
NET ASSETS - WITHOUT DONOR RESTRICTIONS AT BEGINNING OF YEAR	<u>1,441,449</u>	<u>1,361,425</u>
NET ASSETS - WITHOUT DONOR RESTRICTIONS AT END OF YEAR	<u>\$1,563,700</u>	<u>\$1,441,449</u>

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

LIBERTY TOWNSHIP VOLUNTEER FIRE DEPARTMENT, INC.

STATEMENTS OF FINANCIAL POSITION
December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Equipment fund	\$ 306,422	\$ 372,371
Equipment fund - certificates of deposit (Note 4)	164,789	163,086
Firemen 50/50 fund	14,246	13,524
General fund	220,153	80,581
General fund - certificate of deposit (Note 4)	51,763	51,649
Building fund - certificate of deposit (Note 4)	4,570	4,560
Fire fund	68,533	69,514
Fire savings fund	93	93
Prepaid insurance	4,469	4,103
Other assets	110	
Total current assets	835,148	759,481
<u>PROPERTY AND EQUIPMENT (NOTE 1)</u>		
Leasehold improvements	37,130	34,441
Fire equipment and vehicles	2,707,702	2,606,979
Computer equipment	19,462	19,462
Total	2,764,294	2,660,882
Accumulated depreciation	(1,822,279)	(1,751,442)
Net property and equipment	942,015	909,440
Total assets	<u>\$1,777,163</u>	<u>\$1,668,921</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 11,982	\$ 3,903
Current portion of long-term debt (Note 5)	22,750	22,162
Total current liabilities	34,732	26,065
<u>LONG-TERM LIABILITIES</u>		
Note payable - bank (Note 5)	178,731	201,407
Total long-term liabilities	178,731	201,407
<u>NET ASSETS (NOTE 1)</u>		
Without donor restrictions	1,563,700	1,441,449
Total net assets	1,563,700	1,441,449
Total liabilities and net assets	<u>\$1,777,163</u>	<u>\$1,668,921</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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$122,251	\$ 80,024
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	78,837	88,748
Gain on disposal of equipment	(2,300)	(10,000)
In-kind donation of equipment		(6,345)
(Increase)/decrease in assets:		
Accounts receivable		25,500
Prepaid insurance	(366)	369
Other current assets	(110)	70
Increase in liabilities:		
Accounts payable	<u>8,079</u>	<u>3,861</u>
Net cash provided by operating activities	<u>206,391</u>	<u>182,227</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Cash payments for property and equipment	(111,412)	(114,786)
Cash received on sale of equipment	<u>2,300</u>	<u>10,000</u>
Net cash used for investing activities	<u>(109,112)</u>	<u>(104,786)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Repayment of long-term debt	<u>(22,088)</u>	<u>(19,980)</u>
 NET CHANGE IN CASH AND CASH EQUIVALENTS	 75,191	 57,461
 CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	 <u>755,378</u>	 <u>697,917</u>
 CASH AND CASH EQUIVALENTS AT END OF YEAR	 <u>\$830,569</u>	 <u>\$755,378</u>
 SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Interest	<u>\$ 5,906</u>	<u>\$ 5,467</u>
 Schedule of Noncash Investing and Financing Transactions		
Acquisition of fixed assets:		
Cost of fixed assets	\$111,412	\$364,680
Fixed assets financed/donated	-0-	(249,894)
Cash payments for fixed assets	<u>\$111,412</u>	<u>\$114,786</u>

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

LIBERTY TOWNSHIP VOLUNTEER FIRE

STATEMENTS OF FUNCTION

For the years ended December

	Program Services	2018 Supporting Services	
		General and Administrative	Fundraising
Firefighters compensation and reimbursement	\$ 43,857		
Fundraising expense			\$2,232
Insurance	32,422		
Depreciation	78,837		
Utilities	13,563		
Office expense		\$ 1,232	
Professional fees	4,722	10,940	
Repairs and maintenance	19,097		
Supplies	3,366		
Small tools	3,684		
Fuel	6,838		
Gain on disposal of equipment	(2,300)		
Training		1,133	
Meals			
Christmas party			
Interest expense	68	5,838	
Bank service charges		36	
Miscellaneous expense	6,943	117	
Total expenses	<u>\$211,097</u>	<u>\$ 19,296</u>	<u>\$2,232</u>

The accompanying notes are an integral part of

LIBERTY TOWNSHIP VOLUNTEER FIRE DEPARTMENT, INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018 and 2017

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" which requires the Organization to report information regarding its financial position and activities according to the following net asset classifications:

- Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

- Continued -

LIBERTY TOWNSHIP VOLUNTEER FIRE DEPARTMENT, INC.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

- Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified to net assets without donor restrictions in the statements of activities.

CONTRIBUTIONS RECEIVED AND CONTRIBUTIONS MADE - The Organization uses Accounting Standards Codification, "Accounting for Contributions Received and Contributions Made." Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature

- Continued -

LIBERTY TOWNSHIP VOLUNTEER FIRE DEPARTMENT, INC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

IN-KIND DONATIONS - Contributions of donated noncash assets are recorded at their fair values in the period received. The total fair market value of in-kind donations received was \$-0- and \$6,345 for the years ending December 31, 2018 and 2017, respectively.

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, 2018 and 2017.

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 ex-

- Continued -

LIBERTY TOWNSHIP VOLUNTEER FIRE DEPARTMENT, INC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

pensed. Depreciation is provided on fixed assets over the estimated useful life of the related assets using the straight-line method. Depreciation expense was \$78,837 and \$88,748 for the years ended December 31, 2018 and 2017, respectively. The estimated useful lives of property and equipment for financial reporting are as follows:

Leasehold improvements	5 Years
Fire equipment	5 - 7 Years
Vehicles	5 - 25 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, 2018, 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

- Continued -

LIBERTY TOWNSHIP VOLUNTEER FIRE DEPARTMENT, INC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

tax returns are subject to examination by the appropriate taxing jurisdictions and the open tax years are 2015-2018.

CASH EQUIVALENTS - All highly liquid investments including certificates of deposit are considered cash equivalents and are reflected as cash in the statements 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 statements 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, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The estimated fair values of the Organization's financial instruments are as follows:

	<u>December 31, 2018</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial assets:		
Cash	\$609,447	\$609,447
Certificates of deposit	\$221,122	\$221,122

	<u>December 31, 2017</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial assets:		
Cash	\$536,083	\$536,083
Certificates of deposit	\$219,295	\$219,295

NEW ACCOUNTING PRONOUNCEMENT - On August 18, 2016, the Financial Accounting Standards Board issued ASU 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*, which is effective for years beginning after December 15, 2017. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The ASU has also been applied retrospectively to all periods presented.

NOTE 2 - AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at December 31, 2018 and 2017:

- Continued -

LIBERTY TOWNSHIP VOLUNTEER FIRE DEPARTMENT, INC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2018 and 2017

NOTE 2 - AVAILABILITY AND LIQUIDITY (Continued)

	<u>2018</u>	<u>2017</u>
Cash and equivalents	<u>\$830,569</u>	<u>\$755,378</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$830,569</u>	<u>\$755,378</u>

NOTE 3 - FUNCTIONAL EXPENSES

The costs of providing program and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

NOTE 4 - INVESTMENTS

The Organization held investments in the form of certificates of deposit at December 31, 2018 and 2017 which are valued at fair market value as follows:

December 31, 2018:

<u>Issuer</u>	<u>Origination Date</u>	<u>Maturity Date</u>	<u>Market Value</u>	<u>Interest Rate</u>
1 st Source Bank (Equipment fund)	07/15/2017	07/15/2019	\$ 51,763	.22%
1 st Source Bank (Equipment fund)	08/01/2018	08/01/2022	113,026	1.50%
1 st Source Bank (General fund)	07/15/2017	07/15/2019	51,763	.22%
1 st Source Bank (Building fund)	07/15/2017	07/15/2019	4,570	.22%
Total Certificates of Deposit			<u>\$221,122</u>	

- Continued -

LIBERTY TOWNSHIP VOLUNTEER FIRE DEPARTMENT, INC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2018 and 2017

NOTE 4 - INVESTMENTS (Continued)

December 31, 2017:

<u>Issuer</u>	<u>Origination Date</u>	<u>Maturity Date</u>	<u>Market Value</u>	<u>Interest Rate</u>
1 st Source Bank (Equipment fund)	07/15/2017	07/15/2019	\$ 51,649	.22%
1 st Source Bank (Equipment fund)	08/01/2014	08/01/2018	111,437	1.50%
1 st Source Bank (General fund)	07/15/2017	07/15/2019	51,649	.22%
1 st Source Bank (Building fund)	07/15/2017	07/15/2019	4,560	.22%
Total Certificates of Deposit			<u>\$219,295</u>	

NOTE 5 - LONG-TERM DEBT

A schedule of the Organization's long-term debt at December 31, 2018 and 2017 follows:

<u>Due to/(Security)</u>	<u>Interest Rate</u>	<u>Payment Amount and Maturity Date</u>	<u>2018 Amount</u>	<u>2017 Amount</u>
First Source Bank/ (Vehicle)	2.62%	\$2,313 including interest due 01/30/2027	\$201,481	\$223,569
Less current maturities			<u>22,750</u>	<u>22,162</u>
Net long-term debt			<u>\$178,731</u>	<u>\$201,407</u>

At December 31, 2018, long-term debt matures as follows:

2019	\$ 22,750
2020	23,353
2021	23,973
2022	24,608
2023	25,261
Thereafter	<u>81,536</u>
Total	<u>\$201,481</u>

- Continued -

LIBERTY TOWNSHIP VOLUNTEER FIRE DEPARTMENT, INC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2018 and 2017

NOTE 6 - 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, 2018, the Organization's uninsured cash balances totaled \$560,306.

NOTE 7 - 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 firefighting 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 8 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through November 26, 2019, which is the date that the accompanying financial statements were available for issuance.