

GERMAN TOWNSHIP VOLUNTEER FIRE DEPARTMENT, INC.

FINANCIAL STATEMENTS

**DECEMBER 31, 2010
AND 2009**

GERMAN TOWNSHIP VOLUNTEER FIRE DEPARTMENT, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of:
German Township Volunteer Fire Department, Inc.
8400 Saint Wendel Road
Evansville, IN 47720-7851

We have audited the accompanying statements of assets, liabilities, and net assets - modified cash basis of German Township Volunteer Fire Department, Inc. (a nonprofit organization) as of December 31, 2010 and 2009, and the related statements of revenues, expenses, and changes in net assets - modified cash basis, and the statements of functional expenses - modified cash basis for the years then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

No accounting controls are exercised over cash contributions prior to the initial recording in the accounting records. Accordingly, it was not practical to extend our examination of such receipts beyond the amounts recorded.

As described in Note 1, the organization prepares its financial statements on the basis of cash receipts and disbursements except that the statements include a provision for depreciation of property and equipment. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, except for such adjustments, if any, that might have resulted had the collection of cash contributions been susceptible to satisfactory audit tests, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets - modified cash basis of German Township Volunteer Fire Department, Inc., as of December 31, 2010 and 2009, and the support, revenues and expenses - modified cash basis for the years then ended, on the basis of accounting described in Note 1.

Brown, Smith and Settle, LLC

August 24, 2011

German Township Volunteer Fire Department, Inc.
A Nonprofit Organization
Statements of Support, Revenue, and Expenses
Modified Cash Basis

	Years Ended December 31,	
	2010	2009
UNRESTRICTED PUBLIC SUPPORT		
RECEIVED DIRECTLY		
Contributions	\$ 67,925	\$ 65,574
TOTAL PUBLIC SUPPORT	67,925	65,574
GRANTS FROM GOVERNMENTAL AGENCIES	330,111	326,959
PROGRAM SERVICE FEES	12,069	13,787
OTHER REVENUE		
Miscellaneous revenue	6,775	5,762
Picnic fund	1,559	3,712
Tower income	4,500	5,250
Gain on disposal of assets	0	9,000
Interest income	4,306	3,606
TOTAL OTHER REVENUE	17,140	27,330
TOTAL UNRESTRICTED SUPPORT AND REVENUE	427,245	433,650
FUNCTIONAL EXPENSES		
Program services	366,574	379,142
Administrative	76,400	40,385
Fund raising	3,845	3,208
TOTAL FUNCTIONAL EXPENSES	446,819	422,735
CHANGE IN UNRESTRICTED NET ASSETS	(19,574)	10,915
NET ASSETS - BEGINNING OF YEAR	195,570	184,655
NET ASSETS - END OF YEAR	\$ 175,996	\$ 195,570

See independent auditors' report and accompanying notes

German Township Volunteer Fire Department, Inc.
A Nonprofit Organization
Statements of Assets, Liabilities, and Net Assets
Modified Cash Basis

	December 31,	
	2010	2009
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 116,197	\$ 153,544
TOTAL CURRENT ASSETS	116,197	153,544
PROPERTY AND EQUIPMENT		
Less accumulated depreciation	1,695,653	1,663,193
	1,352,678	1,282,765
	342,975	380,428
OTHER ASSETS		
Cash - designated for pagers	5,000	0
TOTAL ASSETS	\$ 464,172	\$ 533,972
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Withheld taxes	\$ 2,394	\$ 671
Other liabilities	300	500
Current portion of long-term obligations	53,777	51,749
TOTAL CURRENT LIABILITIES	56,471	52,920
LONG-TERM OBLIGATIONS,		
less current maturities	231,705	285,482
TOTAL LIABILITIES	288,176	338,402
NET ASSETS		
Designated	5,000	0
Unrestricted	170,996	195,570
TOTAL NET ASSETS	175,996	195,570
TOTAL LIABILITIES AND NET ASSETS	\$ 464,172	\$ 533,972

See independent auditors' report and accompanying notes

German Township Volunteer Fire Department, Inc.
Statement of Functional Expenses
Modified Cash Basis
for the Year Ended December 31, 2010

	Program Services	Administration	Fund Raising	Total
Small equipment purchases	\$ 17,248	\$ 0	\$ 0	\$ 17,248
Depreciation expense	62,922	6,991	0	69,913
Miscellaneous expense	0	5,164	0	5,164
Office expenses	3,677	3,145	3,845	10,667
Apparatus maintenance	46,837	0	0	46,837
Building maintenance	9,976	2,956	0	12,932
Communications	3,179	0	0	3,179
Contractual services	1,414	0	0	1,414
Emergency medical services	4,852	0	0	4,852
Emergency response disposables	454	0	0	454
District 10 grant expense	897	0	0	897
Fuel	13,713	0	0	13,713
Insurance - accident & health	6,273	0	0	6,273
Insurance - apparatus & equipment	14,505	0	0	14,505
Insurance - buildings	5,691	2,439	0	8,130
Insurance - liability	2,436	0	0	2,436
Insurance - LOSAP	14,057	0	0	14,057
Insurance - workers' compensation	2,026	107	0	2,133
Interest expense	12,157	0	0	12,157
OSHA requirements	1,252	0	0	1,252
Photography	66	0	0	66
Picnic fund	0	1,299	0	1,299
Professional fees	5,098	1,033	0	6,131
Protective clothing	19,298	0	0	19,298
Public education	2,245	0	0	2,245
Retention costs	5,207	0	0	5,207
Training	9,014	0	0	9,014
Uniform supplies	838	0	0	838
Utilities	11,073	5,000	0	16,073
VCOS	327	0	0	327
Wages	59,125	6,569	0	65,694
Payroll taxes	10,137	1,126	0	11,263
Payroll tax penalties and interest	0	40,571	0	40,571
Volunteer reimbursements	20,580	0	0	20,580
	<u>\$ 366,574</u>	<u>\$ 76,400</u>	<u>\$ 3,845</u>	<u>\$ 446,819</u>

See independent auditors' report and accompanying notes

German Township Volunteer Fire Department, Inc.
Statement of Functional Expenses
Modified Cash Basis
for the Year Ended December 31, 2009

	Program Services	Administration	Fund Raising	Total
Small equipment purchases	\$ 5,510	\$ 0	\$ 0	\$ 5,510
Depreciation expense	97,246	10,805	0	108,051
Office expenses	1,866	1,663	3,208	6,737
Apparatus maintenance	32,002	0	0	32,002
Building maintenance	5,647	1,652	0	7,299
Communications	3,840	0	0	3,840
Contractual services	904	0	0	904
Emergency medical services	3,873	0	0	3,873
Emergency response disposables	242	0	0	242
District 10 grant expense	6,046	0	0	6,046
Fuel	11,974	0	0	11,974
Insurance - accident & health	7,474	0	0	7,474
Insurance - apparatus & equipment	15,534	0	0	15,534
Insurance - buildings	5,569	2,386	0	7,955
Insurance - liability	2,501	0	0	2,501
Insurance - LOSAP	13,917	0	0	13,917
Insurance - workers' compensation	1,951	103	0	2,054
Insurance - employee health	4,286	476	0	4,762
Interest expense	14,050	0	0	14,050
OSHA requirements	8,733	0	0	8,733
Photography	563	0	0	563
Picnic fund	0	5,107	0	5,107
Professional fees	1,553	6,225	0	7,778
Protective clothing	14,973	0	0	14,973
Public education	1,464	0	0	1,464
Retention costs	9,694	0	0	9,694
Training	6,566	0	0	6,566
Uniform supplies	8,972	0	0	8,972
Utilities	9,313	4,774	0	14,087
Wages	57,997	6,444	0	64,441
Payroll taxes	6,753	750	0	7,503
Volunteer reimbursements	18,129	0	0	18,129
	<u>\$ 379,142</u>	<u>\$ 40,385</u>	<u>\$ 3,208</u>	<u>\$ 422,735</u>

See independent auditors' report and accompanying notes

German Township Volunteer Fire Department, Inc.

Notes to Financial Statements

December 31, 2010 and 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The organization's purpose is to provide fire protection and emergency aid for persons and property in the area of German and Armstrong Townships and to aid other agencies on a mutual aid basis during times of need, with priority in the area of German and Armstrong Townships. The organization, located in Vanderburgh County, is supported primarily through allocations from the trustees of German and Armstrong Townships.

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.

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. As of December 31, 2010 and 2009, the organization had no temporarily or permanently restricted net assets.

Income Taxes

German Township Volunteer Fire Department, Inc. is a nonprofit organization exempt from federal, state and local income taxes under section 501(c) (3) of the United States Internal Revenue Code.

Property and Equipment

German Township Volunteer Fire Department, Inc. follows the practice of capitalizing all expenditures for fire apparatus in excess of \$5,000 and all other equipment in excess of \$500. Property and equipment are carried at cost. Expenditures for replacements are capitalized and the 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.

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.

German Township Volunteer Fire Department, Inc.

Notes to Financial Statements

December 31, 2010 and 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Contributions

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

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished) in the reporting period in which the revenue is recognized. All other 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 value of contributed services meeting the requirements for recognition in the financial statements is not material and has not been recorded. Nevertheless, a substantial number of individuals volunteer significant amounts of their time and perform a variety of tasks that assist in the organization's program services and its fund raising campaigns.

NOTE 2 - PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2010 and 2009 consisted of the following:

	2010		2009	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land	\$ 41,966	\$ 0	\$ 41,966	\$ 0
Buildings	240,394	138,271	240,394	130,267
Office furniture and equipment	148,506	136,957	148,506	133,207
Fire and rescue equipment	690,174	646,652	657,714	643,947
Fire and rescue equipment purchased under provisions of a capital lease	566,723	422,908	566,723	367,454
Tower	7,890	7,890	7,890	7,890
	<u>\$ 1,695,653</u>	<u>\$ 1,352,678</u>	<u>\$ 1,663,193</u>	<u>\$ 1,282,765</u>

Depreciation for the years ended December 31, 2010 and 2009 was \$69,913 and \$108,051, respectively, including \$55,454 and \$94,454 related to a fire rescue vehicles purchased under provisions of a capital lease.

German Township Volunteer Fire Department, Inc.
Notes to Financial Statements
December 31, 2010 and 2009

NOTE 3 - LONG-TERM OBLIGATIONS

Long-term obligations at December 31, 2010 and 2009, consisted of the following:

	2010		2009	
	Current	Long-Term	Current	Long-Term
Capital lease payable in monthly installments of \$5,319 on specific equipment; the effective rate of interest is 3.85%; lease matures November 2015 upon payment of final monthly installment of \$5,319 provided monthly purchase option commencing June 19, 2009 is not exercised. (A)	<u>\$ 53,777</u>	<u>\$ 231,705</u>	<u>\$ 51,749</u>	<u>\$ 285,482</u>

(A) Collateralized by specific equipment.

Future maturities of capital lease obligations as of December 31, 2010 were as follows:

Year Ending December 31,	Gross Lease Payments	Less Amount Representing Interest	Principal Portion
2011	\$ 63,826	\$ 10,049	\$ 53,777
2012	63,826	7,941	55,885
2013	63,826	5,751	58,075
2014	63,826	3,476	60,350
2015	58,507	1,112	57,395
	<u>\$ 313,811</u>	<u>\$ 28,329</u>	<u>\$ 285,482</u>

Interest expense on the lease for the years ended December 31, 2010 and 2009, was \$12,077 and \$14,028, respectively.

See Note 2 for information related to cost, accumulated depreciation, and depreciation expense for fire and rescue equipment purchased under the provisions of a capital lease.

NOTE 4 - RELATED PARTY TRANSACTIONS

The organization purchased goods used in its operations from companies which employ members of the board of directors of German Township Volunteer Fire Department, Inc. Total purchases from these companies was \$295 and \$15,201 for the years ended December 31, 2010 and 2009, respectively.

German Township Volunteer Fire Department, Inc.

Notes to Financial Statements

December 31, 2010 and 2009

NOTE 5 - LENGTH OF SERVICE AWARD PROGRAM

The organization has a length of service award program (LOSAP) designed to award its volunteer members. Members qualify to participate after accumulating an average of 250 points over a period of five years. Points are earned for each emergency or training response. A defined benefit of \$5 per month is earned for each year of service up to a maximum benefit of \$150 per month. The defined benefit is paid to the designees beginning at the age of 65 for the remainder of their lives. In the event the designee dies before reaching age 65 the defined benefit will be paid to the designated beneficiary for a minimum of ten years. Additionally, the designated beneficiary is entitled to a \$10,000 life insurance policy. The plan is funded through annual contributions made to a life insurance company. Total contributions to the plan were \$14,057 and \$13,917 for the years ended December 31, 2010 and 2009, respectively.

NOTE 6 - 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 7 - CONCENTRATIONS

The organization maintains its cash balances at financial institutions located in Evansville, Indiana. Interest bearing accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. Cash balances maintained in non-interest bearing accounts are fully insured through December 31, 2012. At December 31, 2010 and 2009, the organization's total uninsured balance was \$0.

The organization receives the majority of its support through funds from the trustees of German and Armstrong Townships located in Vanderburgh County.

NOTE 8 - CONTINGENCY

German Township 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 amounts sufficient to insure itself against claims resulting from any of these risks.

NOTE 9 - BOARD DESIGNATED FUNDS

The Board of Directors has designated certain unrestricted net assets to be set aside to replace pagers by 2013 due to mandate by the FCC. Total amount of designated net assets at December 31, 2010 and 2009 was \$5,000 and \$0, respectively.

German Township Volunteer Fire Department, Inc.

Notes to Financial Statements

December 31, 2010 and 2009

NOTE 10 - SUBSEQUENT EVENTS

Subsequent events were evaluated by management through August 24, 2011, which is the date the financial statements were available to be issued.

The tax-exempt status of the organization was revoked on June 13, 2011. The organization is in the process of applying to have its tax-exempt status reinstated. As an organization that is no longer tax-exempt, contributions made to the organization are not tax-deductible for its contributors. Also, income and property owned by the organization is taxable under federal, state and municipal tax regulations.