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www.angolanoandcompany.com

February 24, 2011

Charlotte Volunteer Fire & Rescue Services, Inc.
Att: Dean Bloch
159 Ferry Road
Charlotte, VT 05445-0119

Dear Dean:

I have electronically forwarded the final financial statements for Charlotte Volunteer Fire & Rescue Services, Inc. as of and for the year ended June 30, 2010. In addition I will be mailing you 10 bound copies.

If you are thinking of putting our audit report into your Town Report, auditing standards provides you with three options:

- You may include the entire audit report from page one through the last page;
- You may include pages 1 through Schedule 1;
- You can put a statement in that you were audited and that the audit is available at _____ and omit our audit report completely.

If you have any questions or need assistance, please do not hesitate to call us.

Sincerely,

Angolano & Company

Angolano & Company

Enclosures

Charlotte Volunteer Fire & Rescue Services, Inc.
Financial Statements
For The Year Ended June 30, 2010

Charlotte Volunteer Fire & Rescue Services, Inc.
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For the Year Ended June 30, 2010

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Independent Auditors' Report

To The Board of Directors
Charlotte Volunteer Fire & Rescue Services, Inc.

We have audited the accompanying statement of financial position of Charlotte Volunteer Fire & Rescue Services, Inc. (a nonprofit organization) as of June 30, 2010, and the related statements of activities and cash flows for the year 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.

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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Charlotte Volunteer Fire & Rescue Services, Inc., as of June 30, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Angolano & Company

Angolano & Company
Shelburne, Vermont
Firm Registration Number 92-0000141

September 3, 2010

Charlotte Volunteer Fire and Rescue Services, Inc.
Statement of Financial Position
Operating Fund
June 30, 2010

EXHIBIT I

ASSETS:

Current Assets:

Cash	\$ 119,234	
Cash - Restricted	59,288	
Accounts Receivable	4,895	
Prepaid Expenses	<u>1,560</u>	
Total Current Assets		\$ 184,977

Other Assets:

Fixed Assets - net	<u>703,046</u>	
Total Other Assets		<u>703,046</u>

TOTAL ASSETS

\$ 888,023

LIABILITIES AND FUND EQUITY

Liabilities:

Accounts Payable	\$ 3,041	
Accrued Expenses	15,605	
Deferred Revenue	<u>2,060</u>	
Total Liabilities		\$ 20,706

Net Assets:

Designated	762,334	
Undesignated	<u>104,983</u>	
Total Net Assets		<u>867,317</u>

TOTAL LIABILITIES AND NET ASSETS

\$ 888,023

The accompanying notes are an integral part of these financial statements

Charlotte Volunteer Fire and Rescue Services, Inc.
Statement of Activities
Operating Fund
For The Year Ended June 30, 2010

EXHIBIT II

Operating Revenues:		
Patient Billing	\$ 74,861	
Specialized Training	2,700	
Donated Services	252,729	
Miscellaneous Income	<u>6,337</u>	
Total Operating Revenues		<u>\$ 336,627</u>
Operating Expenses:		
Fire/Rescue Corporate Expenses (Town Funded):		
Electricity	6,483	
Heating/Fuel	4,158	
Telephone	3,064	
Administration	2,896	
Insurance	25,861	
Professional Memberships	991	
Publications	240	
Dispatching	10,004	
Radio Maintenance	1,410	
Apparatus Operation	5,951	
Apparatus Maintenance	7,977	
Miscellaneous	120	
Legal Fees	120	
Professional Services	3,217	
Office Supplies	756	
Member Incentives	22,798	
Public Education	350	
Workers Compensation	36,126	
Finance Charge	<u>15</u>	
Total Fire/Rescue Corporate Expenses		132,537
Fire Department Expenses (Town Funded):		
Equipment Maintenance	3,295	
NFPA Testing	2,392	
Training	10,513	
Fire Prevention	71	
Hose/Fittings	1,672	
Hydrants/Ponds	1,700	
Air Pack Maintenance	3,964	
Radio Replacement	4,109	
Protective Equipment	<u>13,485</u>	
Total Fire Department Expenses		41,201
Rescue Squad Expenses (Town Funded):		
Equipment Replacement	20,705	
Equipment Maintenance	1,313	

The accompanying notes are an integral part of these financial statements

Charlotte Volunteer Fire and Rescue Services, Inc.
Statement of Activities
Operating Fund
For The Year Ended June 30, 2010

EXHIBIT II

Medical Supplies	\$	7,378	
Oxygen		1,095	
Training		5,407	
Protective Clothing		2,524	
Innoculations/Biohazard		525	
Radio Replacement		2,371	
Payroll Expenses		211,167	
Health Benefits		<u>14,879</u>	
Total Rescue Squad Expenses			\$ 267,364
Subtotal Town Funded Expenses			441,102
Special Fund Expenses:			
Tower Maintenance		4,375	
Memberships		1,736	
Federal Taxes		1,128	
Operations		3,700	
Training - Fire		165	
Hose/Fittings		6,075	
Building Maintenance		15,455	
Training - Rescue		1,018	
Patient Billing to Town		72,643	
Donated Services		252,729	
Depreciation		<u>130,242</u>	
Total Special Fund Expenses			<u>489,266</u>
Total Operating Expenses			<u>930,368</u>
Operating Income (Loss)			(593,741)
Non-Operating Revenue (Expenses):			
Town Appropriation		180,000	
Town Funds/EMT Payroll		462,377	
Lease Income		24,360	
Barrows Fund		<u>19,122</u>	
Total Non-Operating Revenue (Expenses)			<u>685,859</u>
Net Income (Loss)			92,118
Net Assets, July 1, 2009			769,928
Prior Period Adjustment			<u>5,271</u>
Net Assets, June 30, 2010			<u>\$ 867,317</u>

The accompanying notes are an integral part of these financial statements

Charlotte Volunteer Fire and Rescue Services, Inc.
Statement of Cash Flows
Operating Fund
For The Year Ended June 30, 2010

EXHIBIT III

Cash Flows From Operating Activities:		
Received From Patients and Others	\$ 345,792	
Payments To Employees and Fringe Benefits	(218,429)	
Payments To Vendors and Supplies	<u>(572,599)</u>	
Net Cash Used By Operating Activities		\$ (445,236)
Cash Flows From Noncapital Financing Activities:		
None		-
Cash Flows From Capital and Related Financing Activities:		
Town Funds	462,377	
Lease Income	24,360	
Barrows Fund	19,122	
Purchase of Fixed Assets	<u>(34,627)</u>	
Net Cash Used By Capital and Related Financing Activities		471,232
Cash Flows From Investing Activities:		
None		-
Noncash Activities:		
Prior Period Adjustment		<u>5,271</u>
Net Increase (Decrease) in Cash		31,267
Cash, July 1, 2009		<u>147,255</u>
Cash, June 30, 2010		<u>\$ 178,522</u>
Reconciliation of Operating Income (Loss) to Net Cash Used By Operating Activities:		
Cash Provided From Operating Activities:		
Operating Income (Loss)		\$ (593,741)
Adjustments to Reconcile Net Income to Cash Provided (Used) By Operating Activities:		
Depreciation	\$ 130,242	
(Increase) Decrease in Accounts Receivable	7,105	
(Increase) Decrease in Prepaid Expenses	(1,560)	
Increase (Decrease) in Accounts Payable	3,041	
Increase (Decrease) in Accrued Expenses	7,617	
Increase (Decrease) in Deferred Revenue	<u>2,060</u>	
Total Adjustments		<u>148,505</u>
Net Cash Provided (Used) By Operating Activities		<u>\$ (445,236)</u>

The accompanying notes are an integral part of these financial statements

Charlotte Volunteer Fire and Rescue Services, Inc.
Notes to Financial Statements
For The Year Ended June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Charlotte Volunteer Fire and Rescue Services, Inc., (the Organization), is a private nonprofit organization dedicated to providing fire protection and ambulance services to the surrounding community in Chittenden County, Vermont. Approximately 79% of the organization's support for the year ended June 30, 2010 came from allocations from town funding.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles .

Basis of Presentation

Financial statement presentation follows the guidelines issued by the Financial Accounting Standards Board. Under these guidelines the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization had only unrestricted net assets and temporarily restricted net assets at June 30, 2010.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. Cash and Cash Equivalents for purposes of the statement of cash flows exclude permanently restricted Cash and Cash Equivalents.

Accounts Receivable

The Organization carries its accounts receivable at cost less an allowance for doubtful accounts. On a periodic basis, the Company evaluates its accounts receivable and establishes an allowance for doubtful accounts, when deemed necessary, based on its history of past write-offs and collections and current credit conditions.

Property and Equipment

The Organization capitalized all property, equipment, furniture, and leasehold improvement acquisitions in excess of \$5,000 at cost. Lesser amounts are expensed. Donations of property, equipment, furniture, and leasehold improvements are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as unrestricted contributions 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 contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization

Charlotte Volunteer Fire and Rescue Services, Inc.
Notes to Financial Statements
For The Year Ended June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Property equipment and furniture are being depreciated using the straight-line method over their estimated useful lives, with a half of a year's depreciation recognized in the years of acquisition and disposal. Leasehold improvements are being amortized over the shorter of the lease term or useful life.

Deferred Revenues

Deferred revenues result from the Organization recognizing fee for services and contract revenues in the period in which the program services are performed.

Public Support and Revenue Recognition

Annual campaign contributions and special event revenues are generally available for unrestricted use in the related campaign/event year unless specifically restricted by the donor.

Grant and other contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions.

All donor-restricted grants and contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Endowment contributions and investments are permanently restricted by the donor. Investment earnings available for distribution are recorded in unrestricted net assets. Investment earnings with donor restrictions are recorded in temporarily or permanently restricted net assets based on the nature of the restrictions.

Contributions of donated noncash assets are recorded at their fair value in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donations, are recorded at their fair values in the period received.

Charlotte Volunteer Fire and Rescue Services, Inc.
Notes to Financial Statements
For The Year Ended June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Organization is a not-for-profit corporation whose revenues are derived from contributions, grants and other fund-raising activities and is not subject to federal or state income taxes.

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

However, income from rental of space of an antenna tower, not directly related to the Organization's tax-exempt purpose, is subject to taxation as unrelated business income.

Functional Expenses

Expenses are charged directly to program or management in general categories based on specific identification. Indirect expenses have been allocated based on methods determined by management.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

NOTE 2 - CONCENTRATION OF CREDIT AND MARKET RISK

Financial instruments that potentially expose the Organization to concentration of credit and market risk consist primarily of cash equivalents and investments. Credit exposure is not limited to any one institution. The Organization has not experienced any losses on its cash equivalents.

NOTE 3 - PROPERTY AND EQUIPMENT

The following is a summary of property, equipment, furniture and leasehold improvements as of June 30, 2010:

Charlotte Volunteer Fire and Rescue Services, Inc.
Notes to Financial Statements
For The Year Ended June 30, 2010

NOTE 3 - PROPERTY AND EQUIPMENT (CONTINUED)

Capital Assets Not Being Depreciated	
Chassi/Engine # 4	\$ 180,000
Other Capital Assets:	
Leasehold Improvements	16,653
Furniture and Equipment	1,323,408
Vehicles	
2006 Ambulance	<u>140,000</u>
Subtotal	1,660,061
Less Accumulated Depreciation	<u>(957,015)</u>
Total Capital Assets, Net:	<u>\$ 703,046</u>

NOTE 4 - UNRESTRICTED NET ASSETS

There are no donor restrictions on the Organization's unrestricted net assets. However, at June 30, 2010 the Organization's directors have chosen to designate unrestricted net assets for the following purposes:

Designated for Barrows Fund	\$17,090
Designated for Towers Fund	36,346
Designated for Rescue Services Fund	1,171
Designated for Fire Services Fund	4,681
Designated Fixed Assets for Fire and Rescue	703,046
Undesignated	<u>104,983</u>
Total unrestricted net assets	<u>\$867,317</u>

NOTE 5 - DONATED SERVICES

The Organization receives donated services from a variety of unpaid volunteers assisting the organization in fund raising and special projects. No amounts have been recognized in the accompanying statement of activities because the criteria for recognition of such volunteer effort under FASB issued guidelines have not been satisfied.

The value of donated services included in the accompanying financial statements and the corresponding expenses for the year ended June 30, 2010 are as follows:

Program	Service	Hours	Amount
Health and Welfare	On-Call Fire Dept. Duty	2668	\$49,665
Health and Welfare	On-Call Rescue Service Duty	12,692	\$203,064

Charlotte Volunteer Fire and Rescue Services, Inc.
Notes to Financial Statements
For The Year Ended June 30, 2010

NOTE 6 - DESCRIPTION OF PROGRAM AND SUPPORT SERVICES

The Organization provides Fire and Rescue Services to the Town of Charlotte, VT and its surrounding areas. The Organization is staffed primarily by volunteers. In the past year Fire and Rescue Squad members volunteered over 15,000 hours. Rescue received 288 calls during the past year, while Fire received 97 calls.

Management and General includes the functions necessary to maintain an equitable employment program; ensure an adequate working environment; provide coordination and articulation of the Organization's program strategy; secure proper administrative functioning of the Board; maintain competent professional services for the program administration of the Organization; and manage the financial and budgetary responsibilities of the Organization.

NOTE 7 - FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing various programs, fund-raising, and other activities have been summarized on a functional basis in the Schedule of Functional Expenses. Accordingly, certain costs have been allocated among the programs, fund-raising, and other activities benefited.

NOTE 8 - OPERATING LEASE (LESSOR)

On October 25, 2006, Charlotte Volunteer Fire and Rescue Services, Inc. entered into a lease agreement with Ikon Financial Services for the lease of a copier. The total amount due is \$7,140, to be paid in monthly installments of \$119 over 5 years. The following is a schedule of future minimum lease payments under this lease.

For the Year ending June 30, 2011	\$1,428
2012	357
Thereafter	<u>0</u>
Total	<u>\$1,785</u>

The total lease payments during the year ended June 30, 2010 was \$1,428.

NOTE 9 - OPERATING LEASES (LESSEE)

On August 28, 2008, Charlotte Volunteer Fire and Rescue Services, Inc. entered into a lease agreement with Verizon Wireless for the lease of a space of land where a tower is maintained for communication purposes. The total amount due to Charlotte Volunteer Fire and Rescue Services, Inc. starting in 2009 is \$24,000, to be received in monthly installments starting at \$2,000 over 5 years. The agreement will automatically extend for 4 additional 5 year terms

Charlotte Volunteer Fire and Rescue Services, Inc.
Notes to Financial Statements
For The Year Ended June 30, 2010

NOTE 9 – OPERATING LEASES (LESSEE) (CONTINUED)

unless the agreement is terminated or the lease payments are in default. Also, lease payments over the extension shall increase by 3% each year from the annual lease amount paid in the immediate preceding year. The following is a schedule of future minimum lease payments to be received by Charlotte Fire and Rescue Services under this lease:

For The Year Ending June 30, 2011	\$ 25,091
2012	25,844
2013	26,619
2014	27,418
2015	28,240
Thereafter	<u>681,073</u>
Total	<u>\$814,285</u>

Total lease payments received during the year ended June 30, 2010 were \$39,029, of which \$16,609 was lease income owed from the prior fiscal year and \$2,060 prepaid income received for the next fiscal year.

NOTE 10 - PRIOR PERIOD ADJUSTMENT

Net assets at the beginning of the year have been adjusted to true up an error recognized in prior years. The correction has no effect on the results of the current year's activities; however, the cumulative effect decreases/increases net assets by \$5,271.

NOTE 11 - RISK MANAGEMENT

The Organization is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Organization maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Organization.

NOTE 12 – COMMITMENTS

On February 16, 2005, the Charlotte Fire and Rescue Services, Inc. entered into an agreement with Newport Ambulance Service, Inc. for contracted patient billing services to be in effect until terminated. The minimum annual cost to the Charlotte Fire and Rescue Services, Inc. for 2011 will be 8% of the billed services collected.



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To the Board of Directors
Charlotte Volunteer Fire & Rescue Services, Inc.

In planning and performing our audit of the financial statements of Charlotte Volunteer Fire & Rescue Services, Inc. as of and for the year ended June 30, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered Charlotte Volunteer Fire & Rescue Services, Inc.'s internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Charlotte Volunteer Fire & Rescue Services, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Charlotte Volunteer Fire & Rescue Services, Inc.'s internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in Charlotte Volunteer Fire & Rescue Services, Inc.'s internal control to be significant deficiencies:

Transaction Testing

During our transaction testing it was noted that we could not locate the hard copy backup for the expenditures written after 6/30/10 that were within our sample. We strongly suggest that backup for all approved expenditures be readily made available for review proper authorization & authenticity.

In addition, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. Our comments and suggestions regarding those matters are summarized below.

Other Matters and Suggestions:

Banking:

- When testing bank reconciliations we came across two old outstanding checks. For checks over 6 months old, the following procedures should be followed and documented:
 - a) Search back into the records to identify who the check was written to.
 - b) Contact the payee to see why the check was not cashed. If the payee feels they are not owed the money, void the check. If they are due the money, void the old check and issue a new one.
 - c) If the payee cannot be located, complete the “abandoned” property forms for the State Treasurer, void the old check, and send the payment to the State Treasurer.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various personnel within Charlotte Volunteer Fire & Rescue Services, Inc., and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of the Board of Directors, management, others within the entity, and state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Angolano & Company

Angolano & Company
Shelburne, Vermont
Firm Registration Number 92-0000141

September 3, 2010