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B48937

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

October 20, 2017

Board of Directors  
Trafalgar Volunteer Firemen, Inc.  
203 E. Pearl Street  
Trafalgar, IN. 46181

We have reviewed the audit report prepared by RBSK Partners PC, for the period January 1, 2015 to December 31, 2015. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of Trafalgar Volunteer Firemen, Inc., as of December 31, 2015, and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner



# Trafalgar Volunteer Firemen, Inc.

## Financial Statements

For the Years Ended  
December 31, 2015 and 2014

**Trafalgar Volunteer Firemen, Inc.**  
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**December 31, 2015 and 2014**

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## Independent Auditor's Report

To the Board of Directors  
Trafalgar Volunteer Firemen, Inc.

We have audited the accompanying financial statements of Trafalgar Volunteer Firemen, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2015 and 2014, 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 Trafalgar Volunteer Firemen, Inc. as of December 31, 2015 and 2014, 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.

## **Report on Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of grant awards on pages 14 and 15 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*RBSK Partners PC*

Greensburg, Indiana  
January 31, 2017

**Trafalgar Volunteer Firemen, Inc.**  
**Statements of Financial Position**

December 31,

	2015	2014
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	\$ 280,641	\$ 179,423
Certificates of deposit	368,540	368,090
Prepaid expenses	21,430	17,435
Total current assets	<u>670,611</u>	<u>564,948</u>
Property and Equipment, net	<u>1,550,470</u>	<u>1,030,710</u>
<b>Total Assets</b>	<b><u>\$ 2,221,081</u></b>	<b><u>\$ 1,595,658</u></b>
<b>Liabilities</b>		
Current Liabilities		
Current portion of long-term notes payable	\$ 31,492	\$ ---
Accounts payable	6,811	6,326
Accrued interest	680	---
Total current liabilities	<u>38,983</u>	<u>6,326</u>
Long-term notes payable, less current portion above	<u>284,334</u>	<u>---</u>
Total Liabilities	<u>323,317</u>	<u>6,326</u>
<b>Net Assets</b>		
Unrestricted	<u>1,897,764</u>	<u>1,589,332</u>
Total net assets	<u>1,897,764</u>	<u>1,589,332</u>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 2,221,081</u></b>	<b><u>\$ 1,595,658</u></b>

*Notes to financial statements are an integral part of these statements*

**Trafalgar Volunteer Firemen, Inc.**  
**Statement of Activities**

**For the Years Ended December 31,**

	<b>2015</b>	<b>2014</b>
<b>Unrestricted Public Support and Revenue</b>		
<b>Public Support</b>		
Fire prevention contract	\$ 195,877	\$ 189,098
State and local grants	300,000	275,000
Contributions	365	1,790
Other	624	314
Total public support	<u>496,866</u>	<u>466,202</u>
<b>Revenue</b>		
Fundraising	---	20,977
Land rent	2,340	3,150
Interest	711	1,047
Other	---	172
Total revenue	<u>3,051</u>	<u>25,346</u>
Total support and revenue	<u>499,917</u>	<u>491,548</u>
<b>Unrestricted Functional Expenses</b>		
<b>Program Services</b>		
Fire protection services	187,244	150,740
<b>Supporting Services</b>		
General administrative	3,804	5,526
Fundraising	437	17,661
Total expenses	<u>191,485</u>	<u>173,927</u>
<b>Unrestricted Change in Net Assets</b>	<b>308,432</b>	317,621
Unrestricted Net Assets, Beginning	<u>1,589,332</u>	<u>1,271,711</u>
<b>Unrestricted Net Assets, Ending</b>	<u>\$ 1,897,764</u>	<u>\$ 1,589,332</u>

*Notes to financial statements are an integral part of these statements*

**Trafalgar Volunteer Firemen, Inc.**  
**Statement of Functional Expenses**

For the Year Ended December 31, 2015

	<b>Program Services</b>	<b>Supporting Services</b>		<b>Total Expenses</b>
	<b>Fire Protection Services</b>	<b>General Administrative Services</b>	<b>Fundraising</b>	
Accounting fees	\$ ---	\$ 1,595	\$ ---	\$ 1,595
Advertising	703	---	---	703
Dues and subscriptions	715	---	---	715
Equipment & supplies	44,423	---	437	44,860
Insurance	17,882	---	---	17,882
Interest expense	6,222	---	---	6,222
Maintenance and repairs	2,132	---	---	2,132
Office expenses	---	2,209	---	2,209
Other	92	---	---	92
Postage and shipping	208	---	---	208
Service awards	5,866	---	---	5,866
Taxes - property	107	---	---	107
Training	3,683	---	---	3,683
Uniforms/Clothing	2,403	---	---	2,403
Utilities	7,191	---	---	7,191
Vehicle expenses	17,682	---	---	17,682
Total expenses before depreciation	<u>109,309</u>	<u>3,804</u>	<u>437</u>	<u>113,550</u>
Depreciation	<u>77,935</u>	<u>---</u>	<u>---</u>	<u>77,935</u>
<b>Total Expenses</b>	<u>\$ 187,244</u>	<u>\$ 3,804</u>	<u>\$ 437</u>	<u>\$ 191,485</u>

*Notes to financial statements are an integral part of these statements*

**Trafalgar Volunteer Firemen, Inc.**  
**Statement of Functional Expenses**

**For the Year Ended December 31, 2014**

	<b>Program Services</b>	<b>Supporting Services</b>		
	<b>Fire Protection Services</b>	<b>General Administrative Services</b>	<b>Fundraising</b>	<b>Total Expenses</b>
Accounting fees	\$ ---	\$ 2,910	\$ ---	\$ 2,910
Advertising	1,890	---	---	1,890
Dues and subscriptions	660	---	---	660
Equipment & supplies	21,689	---	17,661	39,350
Insurance	18,394	---	---	18,394
Interest expense	---	---	---	---
Maintenance and repairs	6,448	---	---	6,448
Office expenses	---	2,616	---	2,616
Other	1,424	---	---	1,424
Postage and shipping	235	---	---	235
Service awards	3,693	---	---	3,693
Taxes - property	1,810	---	---	1,810
Training	6,326	---	---	6,326
Uniforms/Clothing	1,310	---	---	1,310
Utilities	9,337	---	---	9,337
Vehicle expenses	9,609	---	---	9,609
Total expenses before depreciation	<u>82,825</u>	<u>5,526</u>	<u>17,661</u>	<u>106,012</u>
Depreciation	<u>67,915</u>	<u>---</u>	<u>---</u>	<u>67,915</u>
<b>Total Expenses</b>	<u>\$ 150,740</u>	<u>\$ 5,526</u>	<u>\$ 17,661</u>	<u>\$ 173,927</u>

*Notes to financial statements are an integral part of these statements*

**Trafalgar Volunteer Firemen, Inc.**  
**Statements of Cash Flows**

**For the Years Ended December 31,**

	<b>2015</b>	<b>2014</b>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 308,432	\$ 317,621
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	77,935	67,915
Gain on disposal of assets	---	(172)
Other changes that provided (used) cash:		
Prepaid expenses	(3,995)	(1,240)
Accounts payable	485	2,338
Accrued interest	680	---
Net cash provided by operating activities	<u>383,537</u>	<u>386,462</u>
<b>Cash Flows from Investing Activities</b>		
Proceeds from the sale of assets	---	2,500
Purchases of property and equipment	(597,695)	(464,033)
Proceeds from certificates of deposits	368,090	363,962
Purchase of certificates of deposit	(368,539)	(368,090)
Net cash used in investing activities	<u>(598,144)</u>	<u>(465,661)</u>
<b>Cash Flows from Financing Activities</b>		
Proceeds from bank note	350,000	---
Repayments of bank note	(34,175)	---
Net cash provided by financing activities	<u>315,825</u>	<u>---</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>101,218</b>	<b>(79,199)</b>
Cash and Cash Equivalents at Beginning of Year	<u>179,423</u>	<u>258,622</u>
<b>Cash and Cash Equivalents at End of Year</b>	<b><u>\$ 280,641</u></b>	<b><u>\$ 179,423</u></b>

*Notes to financial statements are an integral part of these statements*

# **Trafalgar Volunteer Firemen, Inc.**

## **Notes to Financial Statements**

**December 31, 2015 and 2014**

### **1. Summary of Significant Accounting Policies**

This summary of significant accounting policies of Trafalgar Volunteer Firemen, Inc. (the Department) is presented to assist in understanding the Department's financial statements. The financial statements and notes are representations of the Department's management, who is responsible for their integrity and objectivity. These accounting policies conform to U.S. generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

#### **Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

The Department's financial statements include significant estimates related to depreciation and the allocation of functional expenses between program and supporting services.

#### **The Department**

The Department began its operations in 1953 when it was founded and organized. It is operated exclusively for the purpose of operating firefighting equipment for fires in the town of Trafalgar, Indiana and surrounding townships of Hensley and Union and to offer aid and assistance in the case of emergency or disaster. This includes obtaining, receiving, and distributing any funds designated for this mission. The facilities are staffed by volunteers of the Department. The Department is incorporated under the Indiana General Not-for-Profit Corporation Act.

#### **Basis of Presentation**

The financial statements of the Department have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities. The Department reports 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.

Under these provisions, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Department and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may be met or will be met either by actions of the Department and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Department. Generally, the donors of these assets permit the Department to use all or part of the income earned on related investments for general or specific purposes.

**Trafalgar Volunteer Firemen, Inc.**  
**Notes to Financial Statements** *(Continued)*

**December 31, 2015 and 2014**

**1. Summary of Significant Accounting Policies** *(Continued)*

**Functional Expenses**

Functional expenses have been allocated between Program Services and Supporting Services based on an analysis of personnel time and space utilized for the related activities.

**Promises to Give**

Contributions are recognized when the donor makes a promise to give to the Department that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are 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. When donated assets are received without stipulations about how long the donated asset must be used, the Department does not imply a time restriction that expires over the useful life of the donated asset.

**Cash Equivalents**

The Department considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The Department did not hold any cash equivalents at December 31, 2015 and 2014.

**Accounts Receivable**

The allowance for doubtful accounts is based on prior years' experience and management's analysis of possible uncollectible accounts. This also includes contractual allowances that result when services are rendered and reimbursement funds are limited by contract. For the years ended December 31, 2015 and 2014, bad debt expense was \$-0-. The allowance for uncollectible accounts as of December 31, 2015 and 2014 was \$-0-.

**Donated Assets and Services**

Donated services are recognized as contributions in accordance with generally accepted accounting principles, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Department.

During the years ended December 31, 2015 and 2014, a substantial number of individuals have donated a significant amount of their time to the Department's firefighting and fire prevention activities. The Department could not estimate the value of such services, and no objective basis is available to measure the value of such services and therefore, has not been recorded.

**Trafalgar Volunteer Firemen, Inc.**  
**Notes to Financial Statements** *(Continued)*

**December 31, 2015 and 2014**

**1. Summary of Significant Accounting Policies** *(Continued)*

**Advertising Costs**

Advertising costs are expensed as incurred.

**Income Taxes**

Income taxes are not provided for in the financial statements since the Department is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state provisions. The Department is not classified as a private foundation.

Generally accepted accounting principles in the United States require the Department to examine its tax positions for uncertain positions. Management is not aware of any tax positions that are more likely than not to change in the next twelve months, or that would not sustain an examination by applicable taxing authorities.

The Department's policy is to recognize penalties and interest as incurred in its statement of activities as a component of operating expenses, and totaled \$ -0- for December 31, 2015 and 2014.

The Department's federal and various state income tax returns for 2012 through 2015 are subject to examination by the applicable tax authorities, generally for three years after the later of the original or extended due date.

**Depreciation**

The Department records purchased land, building and equipment at cost less accumulated depreciation. The estimated fair value of donated property is recorded. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

<b>Asset</b>	<b>Years</b>
Building and improvements	20-40
Fire trucks	20
Land improvements	10-20
Machinery and equipment	3-10

The Department reports expirations of donor restrictions by reclassifying temporarily restricted net assets to unrestricted net assets evenly each year over the term of the restriction.

All acquisitions of property and equipment in excess of \$2,500 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized.

**Trafalgar Volunteer Firemen, Inc.**  
**Notes to Financial Statements** *(Continued)*

**December 31, 2015 and 2014**

**1. Summary of Significant Accounting Policies** *(Continued)*

**Public Support and Revenue**

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is 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.

**Subsequent Events**

The Department has evaluated subsequent events through January 31, 2017, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

**2. Property and Equipment**

Property and equipment consisted of the following at December 31, 2015:

	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>Book Value</b>
Land	\$ 429,402	\$ -0-	\$ 429,402
Land Improvements	23,792	15,821	7,971
Building and Improvements	80,430	62,018	18,412
Fire Trucks	1,514,589	523,101	991,488
Machinery and Equipment	417,750	314,553	103,197
Totals	<b>\$ 2,465,963</b>	<b>\$ 915,493</b>	<b>\$ 1,550,470</b>

Property and equipment consisted of the following at December 31, 2014:

	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>Book Value</b>
Land	\$ 425,852	\$ -0-	\$ 425,852
Land Improvements	23,792	14,632	9,160
Building and Improvements	80,430	60,532	19,898
Fire Trucks	920,444	480,400	440,044
Machinery and Equipment	417,750	281,994	135,756
Totals	<b>\$ 1,868,268</b>	<b>\$ 837,558</b>	<b>\$ 1,030,710</b>

**Trafalgar Volunteer Firemen, Inc.**  
**Notes to Financial Statements** *(Continued)*

**December 31, 2015 and 2014**

**3. Commitments and Contingencies**

Certain grants and contracts require the fulfillment of certain conditions as set forth in the instrument. Failure to fulfill the conditions could result in the return of the funds to grantors. Although that is a possibility, the Department deems the contingency remote, since by accepting the funds and their terms, it has accommodated the objectives of the organization to the provisions of the grant or contract.

**4. Major Customers/Grantors and Concentration of Credit Risk**

A material part of the Department's support and revenue is dependent upon contracts with the Hensley Fire Protection District, the loss of which could have a materially adverse effect on the Department. During the years ended December 31, 2015 and 2014, these funds accounted for \$495,877 (99%) and \$464,098 (94%) of total support and revenue, respectively.

In addition, the Department maintains its cash and certificates of deposit at one financial institution in Indiana. At December 31, 2015 and 2014, the Department's uninsured cash balance totaled \$400,081 and \$297,940, respectively. The Department has not experienced any losses in such accounts, and does not expect to. Various levels of uninsured funds were carried throughout the years presented.

**5. Statements of Cash Flows**

The financial statements include "Statement of Cash Flows" showing cash and cash equivalents provided by/(used in) operating, investing, and financing activities. Supplemental disclosures required by generally accepted accounting principles are presented below.

Cash paid during the years ended December 31, for:

	<b>2015</b>	<b>2014</b>
Interest	\$ <b>5,542</b>	\$ ---
Income taxes	---	---

The Department had noncash investing and financing activities as follows:

Fire truck with a cost of \$4,000 was disposed of during the year ended December 31, 2014. The Fire truck had a book basis of \$2,328 at time of disposal.

**Trafalgar Volunteer Firemen, Inc.**  
**Notes to Financial Statements** *(Continued)*

**December 31, 2015 and 2014**

**6. Long-Term Debt**

The Department entered into a promissory note with Mutual Savings Bank on April 9, 2015 for \$350,000 with a 2.5% interest rate, of which \$315,826 remains at December 31, 2015. The loan is secured by a Ferrara fire truck has a term of 10 years. The fire truck has a carrying value of \$583,624 as of December 31, 2015. The Department had no long-term debt at December 31, 2014.

The minimum maturities of the long-term debt for each of the five years following December 31, 2015 are as follows:

2016	\$ 31,492
2017	32,627
2018	33,424
2019	34,259
2020	35,116
Thereafter	148,908

## **Additional Information**

**Trafalgar Volunteer Firemen, Inc.  
Schedule of Grant Awards**

**For the Year Ended December 31, 2015**

Federal Grantor/ Pass-Through Grantor/ Program Title	Pass-Through Grantor's Number	Beginning Balance			Program Awards			Adjust- ments	Revenue Recognized/Expended			Ending Balance		
		Federal	State / Local	Total	Federal	State / Local	Total		Federal	State / Local	Total	Federal	State / Local	Total
<b>Indiana County and Local Grants</b>														
Hensley Fire Protection District (Johnson County, Indiana)														
Fire Protection Contract	N/A	\$ ---	\$ ---	\$ ---	\$ ---	\$ 195,877	\$ 195,877	\$ ---	\$ ---	\$ 195,877	\$ 195,877	\$ ---	\$ ---	\$ ---
Hensley Fire Protection District (Johnson County, Indiana)														
Purchase of new Fire Truck	N/A	---	---	---	---	300,000	300,000	---	---	300,000	300,000	---	---	---
Total Indiana County and Local Grants		\$ ---	\$ ---	\$ ---	\$ ---	\$ 495,877	\$ 495,877	\$ ---	\$ ---	\$ 495,877	\$ 495,877	\$ ---	\$ ---	\$ ---

**Trafalgar Volunteer Firemen, Inc.  
Schedule of Grant Awards**

**For the Year Ended December 31, 2014**

Federal Grantor/ Pass-Through Grantor/ Program Title	Pass-Through Grantor's Number	Beginning Balance			Program Awards			Adjust- ments	Revenue Recognized/Expended			Ending Balance		
		Federal	State /		Federal	State /			Federal	State /		Federal	State /	
			Local	Total		Local	Total			Local	Total		Local	Total
<b>Indiana County and Local Grants</b>														
Hensley Fire Protection District (Johnson County, Indiana)														
Fire Protection Contract	N/A	\$ ---	\$ ---	\$ ---	\$ ---	\$ 189,098	\$ 189,098	\$ ---	\$ ---	\$ 189,098	\$ 189,098	\$ ---	\$ ---	\$ ---
Hensley Fire Protection District (Johnson County, Indiana)														
Land for New Firehouse	N/A	---	---	---	---	275,000	275,000	---	---	275,000	275,000	---	---	---
Total Indiana County and Local Grants		\$ ---	\$ ---	\$ ---	\$ ---	\$ 464,098	\$ 464,098	\$ ---	\$ ---	\$ 464,098	\$ 464,098	\$ ---	\$ ---	\$ ---
<b>Total All Awards</b>		\$ ---	\$ ---	\$ ---	\$ ---	\$ 464,098	\$ 464,098	\$ ---	\$ ---	\$ 464,098	\$ 464,098	\$ ---	\$ ---	\$ ---