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September 18, 2018


Board of Directors
Prairieton Volunteer Fireman's Association, Inc.
P.O. Box 68
Prairieton, IN 47870

We have reviewed the report prepared by Prairieton Volunteer Fireman's Association, Inc. and opined upon by Holbert & Phipps, LLP, Independent Public Accountants, for the period January 1, 2016 to December 31, 2016. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of Prairieton Volunteer Fireman's Association, Inc. as of December 31, 2016 and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the findings in the report on page 13. Please see the Schedule of Findings and Responses for complete details related to the findings.

In our opinion, Holbert & Phipps, LLP prepared all required independent auditor's reports in accordance with generally accepted auditing standards and 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, CPA
State Examiner

**PRAIRIETON VOLUNTEER FIREMAN'S
ASSOCIATION, INC.**

**AUDITED FINANCIAL STATEMENTS
December 31, 2016 and 2015**

**Prairieon Volunteer Fireman's Association, Inc.
December 31, 2016 and 2015**

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Holbert & Phipps, LLP

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Prairieton Volunteer Fireman's Association, Inc.

We have audited the accompanying financial statements of Prairieton Volunteer Fireman's Association, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, cash flows and functional expenses 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Prairieton Volunteer Fireman's Association, Inc. as of December 31, 2016 and 2015, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 2018, on our consideration of Prairieton Volunteer Fireman's Association, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Prairieton Volunteer Fireman's Association, Inc.'s internal control over financial reporting and compliance.



Holbert & Phipps, LLP
Certified Public Accountants
Terre Haute, Indiana
August 18, 2018

FINANCIAL STATEMENTS

Prairieton Volunteer Fireman's Association, Inc.
Statements of Financial Position
December 31, 2016 and 2015

	2016	2015
ASSETS		
Cash and cash equivalents	\$ 75,821	\$ 182,224
Accounts receivable, net	117,784	-
Prepaid insurance	12,125	4,804
Property and equipment, net	855,406	756,091
Total assets	\$ 1,061,136	\$ 943,119
LIABILITIES		
Accounts payable	\$ 4,622	8,348
Accrued payroll liabilities	937	825
Accrued interest payable	5,962	4,041
Capital lease payable	-	7,501
Long-term debt	482,717	327,671
Total liabilities	494,238	348,386
NET ASSETS		
Unrestricted net assets	566,898	594,733
Total net assets	566,898	594,733
Total liabilities and net assets	\$ 1,061,136	\$ 943,119

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

Prairieton Volunteer Fireman's Association, Inc.
Statements of Activities
For the Years Ended December 31, 2016 and 2015

	2016	2015
Unrestricted Revenue and Support:		
Fire service contract	\$ 324,558	\$ 365,000
Donations	805	1,123
Interest income	-	35
Gain on the sale of fixed assets	8,572	5,170
Miscellaneous income	1,530	6,281
Total unrestricted revenue and support	335,465	377,609
Expenses:		
Fire and emergency medical services	363,300	300,941
Total expenses	363,300	300,941
(Decrease) increase in unrestricted net assets	(27,835)	76,668
Net assets, beginning of year	594,733	518,065
Net assets, end of year	\$ 566,898	\$ 594,733

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

Prairieton Volunteer Fireman's Association, Inc.
Statements of Cash Flows
For the Years Ended December 31, 2016 and 2015

	2016	2015
Cash Flows from Operating Activities:		
(Decrease) increase in net assets	\$ (27,835)	\$ 76,668
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities:		
Depreciation	141,027	103,005
Gain on the sale of fixed assets	(8,572)	(5,170)
Increase in accounts receivable	(117,784)	-
Increase in prepaid insurance	(7,321)	(819)
Decrease in accounts payable	(3,726)	(3,138)
Increase in accrued payroll liabilities	112	825
Increase in accrued interest	1,921	4,041
Net cash (used in) provided by operating activities	(22,178)	175,412
Cash Flows from Investing Activities:		
Proceeds from sale of property and equipment	8,572	-
Purchase of property and equipment	(240,342)	(45,691)
Net cash used in investing activities	(231,770)	(45,691)
Cash Flows from Financing Activities:		
Proceeds from long-term debt	189,588	-
Principal payments on long-term debt	(34,542)	(25,319)
Principal payments on capital lease payable	(7,501)	(14,468)
Net cash provided by (used in) financing activities	147,545	(39,787)
Net increase in cash and cash equivalents	(106,403)	89,934
Cash and cash equivalents as of beginning of year	182,224	92,290
Cash and cash equivalents as of end of year	\$ 75,821	\$ 182,224
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 16,123	\$ 15,028

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

Prairieon Volunteer Fireman's Association, Inc.
Statement of Functional Expenses
For the Years Ended December 31, 2016 and 2015

	2016	2015
Fire and Emergency Medical Services:		
Building and grounds	\$ 16,036	\$ 10,284
Salaries	41,407	16,800
Payroll taxes	3,168	1,366
Volunteer expenses	27,204	29,222
Community events	1,782	3,757
Dues and subscriptions	2,887	2,697
Insurance	26,724	25,105
Interest	18,044	19,069
Miscellaneous	62	22
Office expense and supplies	7,087	6,881
Operating supplies and equipment	10,054	10,422
Postage	210	309
Professional fees	5,540	5,500
Training	10,129	12,527
Vehicle maintenance	34,677	36,739
Utilities	17,262	17,236
Total functional expenses before depreciation	222,273	197,936
Depreciation of buildings and equipment	141,027	103,005
Total functional expenses	\$ 363,300	\$ 300,941

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

Prairieton Volunteer Fireman's Association, Inc.
Notes to Financial Statements
December 31, 2016 and 2015

Note 1: Summary of Significant Accounting Policies

A. Organization

Prairieton Volunteer Fireman's Association, Inc. (the "Organization"), is a not-for-profit organization exempt from income tax under Section 501(c)(4) of the Internal Revenue Code. Prairieton Volunteer Fireman's Association, Inc.'s purpose is to provide fire protection and emergency medical services to persons who reside in Prairieton and Prairie Creek Township in Vigo County, Indiana.

B. Basis of Presentation

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. Under ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted net assets.

C. Basis of Accounting

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

D. Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America 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. Accordingly, actual results could differ from those estimates.

E. Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents include cash on hand and cash in bank.

F. Accounts Receivable

Accounts receivable includes amounts provided by Prairieton Fire Protection District for fire services. The balance at December 31, 2016 and 2015 is \$117,784 and \$0, respectively. There is no allowance for doubtful accounts at December 31, 2016 and 2015 because the Organization uses the direct write-off method for recognizing bad debts, which would not be materially different from the allowance method that is called for by generally accepted accounting principles.

F. Donated Property and Equipment

Donated property and equipment is recorded as contributions in the statements at its fair market value at the date of receipt. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose or for a specific time period.

Prairieton Volunteer Fireman's Association, Inc.
Notes to Financial Statements, Continued
December 31, 2016 and 2015

Note 1: Summary of Significant Accounting Policies, Continued

G. Donated Services

The Organization is a voluntary organization, and as such, services are contributed by providing fire protection and emergency medical services. It is not practical to measure the extent of the services provided for the period under audit, to recognize these services as revenue, or to value services not recognized as revenue.

H. Property and Equipment

Capital assets are defined by the Organization as individual assets with an initial, individual cost of more than \$500, and an estimated useful life of one year or more. Such assets are recorded at cost. Depreciation is computed on a straight-line basis over the estimated useful lives of all capital assets. Estimated useful lives of three to twenty-five years have been used in the determination of depreciation expense. Gains and losses on the sale of capital assets are reflected in support and revenues. Expenses for normal maintenance and repairs are charged against operations as incurred. Renewals and betterments that materially extend the life of the assets are capitalized. Depreciation for the year ended December 31, 2016 and 2015 was \$141,027 and \$103,005, respectively.

I. Income Taxes

The Organization is a Not-for-Profit Organization exempt from federal income tax under Section 501(c)(4) of the Internal Revenue Code. The Organization is also exempt from state income tax. The Organization has adopted the provisions of FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*. The Organization has evaluated their exposure resulting from uncertain tax positions and determined the exposure is not material to the financial statements. Therefore, these financial statements do not include a liability for unrecognized tax positions. Upon recognition of a liability for an unrecognized tax benefit the Organization would recognize interest accrued in interest expense and penalties in operating expenses.

The Organization files income tax returns in the U.S. federal jurisdiction and the State of Indiana. The Organization is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for years before 2011.

J. Restricted and Unrestricted Revenue

Contributions received are recorded as increases in unrestricted, temporarily restricted or permanently restricted net assets depending on the existence and/or nature of any donor restrictions.

K. Concentration of Revenue

The majority of the Organization's revenue for the years ended December 31, 2016 and 2015 consists of local property tax distributions passed through from the Prairieton Fire Protection District.

L. Functional Allocation of Expenses

The costs of providing the Organization's program services have been summarized on a functional basis in the Statements of Activities and Statements of Functional Expenses. Management has determined all costs should be allocated to program services.

M. Date of Management's Review

Management has evaluated subsequent events through August 18, 2018, the date which the financial statements were available to be issued.

Prairieton Volunteer Fireman's Association, Inc.
Notes to Financial Statements, Continued
December 31, 2016 and 2015

Note 2: Property and Equipment

Property and equipment at December 31, 2016 and 2015 consists of the following:

	Balance 12/31/2015	Additions	Deletions	Balance 12/31/2016
Land	\$ 33,000	\$ -	\$ -	\$ 33,000
Buildings and improvements	615,435	26,843	-	642,278
Vehicles	424,411	190,144	-	614,555
Equipment	355,133	23,355	-	378,488
Total Property & Equipment	<u>1,427,979</u>	<u>240,342</u>	<u>-</u>	<u>1,668,321</u>
Less: Accumulated Depreciation	<u>(671,888)</u>	<u>(141,027)</u>	<u>-</u>	<u>(812,915)</u>
Total Property & Equipment, net	<u>\$ 756,091</u>	<u>\$ 99,315</u>	<u>\$ -</u>	<u>\$ 855,406</u>

	Balance 12/31/2014	Additions	Deletions	Balance 12/31/2015
Land	\$ 33,000	\$ -	\$ -	\$ 33,000
Buildings and improvements	602,480	12,955	-	615,435
Vehicles	424,411	-	-	424,411
Equipment	317,227	37,906	-	355,133
Total Property & Equipment	<u>1,377,118</u>	<u>50,861</u>	<u>-</u>	<u>1,427,979</u>
Less: Accumulated Depreciation	<u>(568,883)</u>	<u>(103,005)</u>	<u>-</u>	<u>(671,888)</u>
Total Property & Equipment, net	<u>\$ 808,235</u>	<u>\$ (52,144)</u>	<u>\$ -</u>	<u>\$ 756,091</u>

Note 3: Capital Lease Payable

The Organization leases a Navistar tanker truck from PNC Equipment Finance under a capital lease. The economic substance of the lease is that the Organization is financing the acquisition of the asset through the lease and accordingly, it is recorded in the Organization's assets and liabilities. The original cost of the Navistar tanker truck was \$120,000 with accumulated amortization of \$120,000 as of December 31, 2016. The lease agreement contains a bargain purchase option at the end of the lease term. The balance of the lease as of December 31, 2016 and 2015 was \$0 and \$7,501, respectively.

Prairieton Volunteer Fireman's Association, Inc.
Notes to Financial Statements, Continued
December 31, 2016 and 2015

Note 4: Long-Term Debt

Long-term debt at December 31, 2016 and 2015 consists of the following:

	2016	2015
Note payable to Kansas State Bank, due March 15, 2028, with semi-annual payments of \$15,618, at an interest rate of 3.991%, secured by real estate mortgage	\$ 285,776	\$ 305,074
Note payable to Community State Bank, due September 15, 2018, with semi-annual payments of \$4,104, at an interest rate of 5.023%, secured by equipment	15,694	22,597
Note payable to Community State Bank, due February 1, 2026, with semi-annual payments of \$11,036, at an interest rate of 3.000%, secured by equipment	181,247	-
	\$ 482,717	\$ 327,671

Interest expense for the years ended December 31, 2016 and 2015 was \$18,044 and \$19,069, respectively.

Maturities of long-term debt at December 31, 2016 are as follows:

December 31, 2017	\$ 44,312
December 31, 2018	46,267
December 31, 2019	39,462
December 31, 2020	40,873
December 31, 2021	42,336
Thereafter	269,467
	\$ 482,717

Note 5: 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. These risks are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for this past year or the preceding three years.

Note 6: Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of amounts on deposit at one bank with balances exceeding the FDIC insurance limit. At December 31, 2016 and 2015 the Organization had no deposits in excess of the FDIC insurance limit.

The Organization is subject to a concentration of credit risk primarily from its dependence on tax levy revenue from Vigo County and Prairieton Fire Protection District.

YELLOW BOOK COMPLIANCE SECTION



Holbert & Phipps, LLP

Certified Public Accountants

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors of
Prairieton Volunteer Fireman's Association, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Prairieton Volunteer Fireman's Association, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated August 18, 2018.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered Prairieton Volunteer Fireman's Association, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Prairieton Volunteer Fireman's Association, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as 2016-01 and 2016-02 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Prairieton Volunteer Fireman's Association, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Prairieton Volunteer Fireman's Association, Inc.'s Response to Findings

Prairieton Volunteer Fireman's Association, Inc.'s response to the findings identified in our audits are described in the accompanying schedule of findings and responses. Prairieton Volunteer Fireman's Association, Inc.'s responses were not subjected to the auditing procedures applied in the audits of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Holbert & Phipps, LLP
Certified Public Accountants
Terre Haute, Indiana
August 18, 2018

Prairieton Volunteer Fireman's Association, Inc.
Schedule of Findings and Responses
For the Years Ended December 31, 2016 and 2015

FINDING 2016-01 Segregation of Duties

Condition: We noted that a lack of segregation of duties exists for all cash accounts.

Criteria: A basic premise of internal control is that no one person should have access to both physical assets and the related accounting records or to all phases of a transaction.

Effect: Because all duties are performed by the same individual, the Organization is at risk for misstatements to occur and not be prevented or detected in the processing of transactions.

Recommendation: We recommend that the duties among persons be segregated to the extent possible. We recommend that a board member get the mail and open it and review the bank statements and cancelled checks. The Organization's treasurer should review the bank reconciliations after they are prepared.

Management's Response: The Organization acknowledges this is a problem and will separate duties among persons to the extent possible.

This was a finding for the year ended December 31, 2015.

FINDING 2016-02 Financial Statement Preparation

Condition: We noted that the Organization's treasurer does not have the skills necessary to draft financial statements and footnotes prepared in accordance with accounting principles generally accepted in the United States of America.

Criteria: The treasurer of the Organization should possess the necessary accounting expertise to prepare financial statements in accordance with accounting principles generally accepted in the United States of America.

Effect: Financial statements are not prepared by the Organization's treasurer in accordance with accounting principles generally accepted in the United States of America.

Recommendation: We recommend, to the extent practicable, that the treasurer develop procedures to allow them to prepare financial statements in accordance with accounting principles generally accepted in the United States of America.

Management's Response: The Organization acknowledges this is a problem; however, the Organization believes that the cost of correcting this material weakness would exceed the benefits to be derived.

This was a finding for the year ended December 31, 2015.