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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, 2017 to December 31, 2017. 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, 2017 and the results of its operations for the period then ended, on the basis of accounting described in the report.

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, 2017 and 2016**

**Prairieton Volunteer Fireman's Association, Inc.
December 31, 2017 and 2016**

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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, 2017 and 2016, 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. 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, 2017 and 2016, 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.

Holbert & Phipps, LLP
Certified Public Accountants
Terre Haute, Indiana
August 25, 2018

Prairieon Volunteer Fireman's Association, Inc.
Statements of Financial Position
December 31, 2017 and 2016

	2017	2016
ASSETS		
Cash and cash equivalents	\$ 131,568	\$ 75,821
Accounts receivable, net	113,733	117,784
Prepaid insurance	9,836	12,125
Property and equipment, net	854,456	855,406
Total assets	\$ 1,109,593	\$ 1,061,136
LIABILITIES		
Accounts payable	\$ 3,618	\$ 4,622
Accrued payroll liabilities	2,071	937
Accrued interest payable	3,109	5,962
Capital lease payable	300,000	-
Long-term debt	265,750	482,717
Total liabilities	574,548	494,238
NET ASSETS		
Unrestricted net assets	535,045	566,898
Total net assets	535,045	566,898
Total liabilities and net assets	\$ 1,109,593	\$ 1,061,136

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, 2017 and 2016

	2017	2016
Unrestricted Revenue and Support:		
Fire service contract	\$ 341,394	\$ 324,558
Donations	235	805
Interest income	70	-
(Loss) gain on disposition of property and equipment	(2,064)	8,572
Miscellaneous income	1,379	1,530
Total unrestricted revenue and support	341,014	335,465
Expenses:		
Fire and emergency medical services	372,867	363,300
Total expenses	372,867	363,300
Decrease in unrestricted net assets	(31,853)	(27,835)
Net assets, beginning of year	566,898	594,733
Net assets, end of year	\$ 535,045	\$ 566,898

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

Prairieeton Volunteer Fireman's Association, Inc.
Statements of Cash Flows
For the Years Ended December 31, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities:		
Decrease in net assets	\$ (31,853)	\$ (27,835)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation	135,738	141,027
Loss (gain) on disposition of property and equipment	2,064	(8,572)
Decrease (increase) in accounts receivable	4,051	(117,784)
Decrease (increase) in prepaid insurance	2,289	(7,321)
Decrease in accounts payable	(1,004)	(3,726)
Increase in accrued payroll liabilities	1,134	112
(Decrease) increase in accrued interest	(2,853)	1,921
Net cash provided by (used in) operating activities	109,566	(22,178)
Cash Flows from Investing Activities:		
Purchase of property and equipment	(136,852)	(231,770)
Net cash used in investing activities	(136,852)	(231,770)
Cash Flows from Financing Activities:		
Proceeds from long-term debt	-	189,588
Proceeds from capital lease payable	300,000	-
Principal payments on long-term debt	(216,967)	(34,542)
Principal payments on capital lease payable	-	(7,501)
Net cash provided by financing activities	83,033	147,545
Net increase in cash and cash equivalents	55,747	(106,403)
Cash and cash equivalents as of beginning of year	75,821	182,224
Cash and cash equivalents as of end of year	\$ 131,568	\$ 75,821
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 16,269	\$ 16,123
Non-cash investing and financing transactions:		
Lease of vehicles	\$ 300,000	\$ -

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

Prairieton Volunteer Fireman's Association, Inc.
Statements of Functional Expenses
For the Years Ended December 31, 2017 and 2016

	2017	2016
Fire and Emergency Medical Services:		
Building and grounds	\$ 14,675	\$ 16,036
Salaries	57,261	41,407
Payroll taxes	4,380	3,168
Employees health insurance	22,445	-
Volunteer expenses	21,112	27,204
Community events	4,646	1,782
Dues and subscriptions	1,290	2,887
Insurance	28,818	26,724
Interest	13,416	18,044
Miscellaneous	-	62
Office expense and supplies	6,267	7,087
Operating supplies and equipment	8,485	10,054
Postage	390	210
Professional fees	22	5,540
Training	8,315	10,129
Vehicle maintenance	27,956	34,677
Utilities	17,651	17,262
	237,129	222,273
Total functional expenses before depreciation		
Depreciation of buildings and equipment	135,738	141,027
	\$ 372,867	\$ 363,300
Total functional expenses	\$ 372,867	\$ 363,300

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

Prairieton Volunteer Fireman's Association, Inc.
Notes to Financial Statements
December 31, 2017 and 2016

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, 2017 and 2016 is \$113,733 and \$117,784, respectively. There is no allowance for doubtful accounts at December 31, 2017 and 2016 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, 2017 and 2016

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 years ended December 31, 2017 and 2016 was \$167,399 and \$141,027, 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 2012.

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, 2017 and 2016 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 25, 2018, the date which the financial statements were available to be issued.

Prairieon Volunteer Fireman's Association, Inc.
Notes to Financial Statements, Continued
December 31, 2017 and 2016

Note 2: Property and Equipment

Property and equipment at December 31, 2017 and 2016 consists of the following:

	<u>Balance</u> <u>12/31/2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2017</u>
Land	\$ 33,000	\$ -	\$ -	\$ 33,000
Buildings and improvements	642,278	6,755	-	649,033
Vehicles	614,555	94,419	(111,994)	596,980
Equipment	378,488	37,093	(9,498)	406,083
Total Property & Equipment	<u>1,668,321</u>	<u>138,267</u>	<u>(121,492)</u>	<u>1,685,096</u>
Less: Accumulated Depreciation	<u>(812,915)</u>	<u>(135,738)</u>	<u>118,013</u>	<u>(830,640)</u>
Total Property & Equipment, net	<u>\$ 855,406</u>	<u>\$ 2,528</u>	<u>\$ (3,479)</u>	<u>\$ 854,456</u>

	<u>Balance</u> <u>12/31/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2016</u>
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>

Note 3: Capital Lease Payable

The Organization leases three vehicles from Community State Bank under a capital lease. This lease was new in the current year. The economic substance of the lease is that the Organization is financing the acquisition of the assets through the leases and accordingly, it is recorded in the Organization's assets and liabilities. The original cost of the three vehicles was \$229,477 with accumulated amortization of \$77,329 as of December 31, 2017. The lease agreement contains a bargain purchase option at the end of the lease term. The balance of the capital lease payable as of December 31, 2017 was \$300,000.

Prairieon Volunteer Fireman's Association, Inc.
Notes to Financial Statements, Continued
December 31, 2017 and 2016

Note 3: Capital Lease Payable, Concluded

The future minimum payments required under the lease together with its present value as of December 31, 2017 are as follows:

December 31, 2018	\$	31,088
December 31, 2019		31,088
December 31, 2020		31,088
December 31, 2021		31,088
December 31, 2022		31,088
Thereafter		<u>217,614</u>
Total minimum lease payments		373,054
Less amount representing interest		<u>(73,054)</u>
Present value of minimum lease payments		<u><u>\$ 300,000</u></u>

Note 4: Long-Term Debt

Long-term debt at December 31, 2017 and 2016 consists of the following:

	<u>2017</u>	<u>2016</u>
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	\$ 265,750	\$ 285,776
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; paid off in June, 2017	-	15,694
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; paid off in June, 2017	<u>-</u>	<u>181,247</u>
	<u><u>\$ 265,750</u></u>	<u><u>\$ 482,717</u></u>

Interest expense for the years ended December 31, 2017 and 2016 was \$13,416 and \$18,044, respectively.

Prairieton Volunteer Fireman's Association, Inc.
Notes to Financial Statements, Continued
December 31, 2017 and 2016

Note 4: Long-Term Debt, Concluded

Maturities of long-term debt at December 31, 2017 are as follows:

December 31, 2018	\$ 20,833
December 31, 2019	21,673
December 31, 2020	22,547
December 31, 2021	23,456
December 31, 2022	24,401
Thereafter	<u>152,840</u>
	<u><u>\$ 265,750</u></u>

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, 2017, 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.