Cottonwood Shores Volunteer Fire Department, Inc.
Audit Report
for the Year Ended September 30, 2018
with Comparative Totals as of September 30, 2017

Taber & Burnett, P.C.
A Professional Corporation
Certified Public Accountants

Page

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Cottonwood Shores Volunteer Fire Department, Inc.
Cottonwood Shores, Texas

We have audited the accompanying Statement of Financial Position of the Cottonwood Shores Volunteer Fire Department, Inc., (a non-profit organization), as of September 30, 2018, and the related Statements of Activities and Cash Flows for the year then ended and the related notes to the financial statements. The prior year comparative information has been derived from the Organization's 2017 financial statements, and in our report dated March 6, 2018, an unqualified opinion on those financial statements was expressed.

Management's Responsibility for the Financial Statements

The Organization's 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 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 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 Organization'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 the Cottonwood Shores Volunteer Fire Department, Inc. as of September 30, 2018, and the results of activities and the cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Taber & Burnett, P.C.

Burnet, Texas
February 19, 2019

Assets

	2018	2017
Current Assets		
Cash and cash equivalents (Note 2)	$ 36,514	$ 16,652
Prepaid insurance	2,671	-
Total Current Assets	39,185	16,652
Property and Equipment (Note 3)		
Building and improvements	265,145	263,645
Land	22,000	22,000
Machinery and equipment	109,381	107,144
Office furniture and equipment	20,211	20,211
Vehicles and equipment	244,581	225,281
Total Property and Equipment	661,318	638,281
Accumulated Depreciation	(304,903)	(257,230)
Net Property and Equipment	356,415	381,051
Total Assets	$ 395,600	$ 397,703

Liabilities and Net Assets

	2018	2017
Current Liabilities		
Current portion of long-term debt (Note 4)	$ 20,009	$ 4,667
Total Current Liabilities	20,009	4,667
Long-term debt, less current portion (Note 4)	15,590	-
Total Liabilities	35,599	4,667
Net Assets (Notes 5 and 6)		
Unrestricted	360,001	393,036
Temporarily restricted	-	-
Permanently restricted	-	-
Total Net Assets	360,001	393,036
Total Liabilities and Net Assets	$ 395,600	$ 397,703

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

Cottonwood Shores Volunteer Fire Department, Inc.

Statement of Activities

For the Year Ended September 30, 2018
with comparative totals for 2017

	Unrestricted Operating	Temporarily Restricted	Permanently Restricted	2018 Total	2017 Total
Revenues, Gains, and Other Support:					
Contract income	$ 53,337	$ -	$ -	$ 53,337	$ 56,838
Donations	5,224	-	-	5,224	15,206
Grants	9,001	-	-	9,001	12,470
In-kind donations	1,512	-	-	1,512	5,725
Fundraisers	15,017	-	-	15,017	10,044
Interest income	11	-	-	11	9
Gain (loss) on disposition of assets	3,800	-	-	3,800	-
Total Revenues, Gains, and Other Support	87,902	-	-	87,902	100,292
Cost of Special Activities and Programs:					
Depreciation	52,973	-	-	52,973	76,283
Fuel	1,249	-	-	1,249	1,563
Interest	588	-	-	588	235
Insurance	12,221	-	-	12,221	12,702
Repairs and maintenance	16,971	-	-	16,971	14,561
Supplies	10,709	-	-	10,709	10,729
Training and travel	311	-	-	311	4,739
Uniforms	3,368	-	-	3,368	4,136
Utilities	6,132	-	-	6,132	5,806
Total Cost of Special Activities and Programs	104,522	-	-	104,522	130,754
Revenues Net of Cost of Special Activities and Programs	(16,620)	-	-	(16,620)	(30,462)
Supporting Services:					
Fundraising	5,309	-	-	5,309	3,377
Management and general	5,884	-	-	5,884	7,721
Professional fees	5,222	-	-	5,222	5,561
Total Supporting Services	16,415	-	-	16,415	16,659
Changes in Net Assets	(33,035)	-	-	(33,035)	(47,121)
Net Assets at Beginning of Year	393,036	-	-	393,036	440,157
Net Assets at End of Year	$ 360,001	$ -	$ -	$ 360,001	$ 393,036

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

Cottonwood Shores Volunteer Fire Department, Inc.

Statements of Cash Flows — *For the Years Ended September 30, 2018 and 2017*

	2018	2017
Cash Flows from Operating Activities:		
Changes in Net Assets	$ (33,035)	$ (47,121)
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by (Used In) Operating Activities:		
Depreciation	52,973	76,283
(Increase) decrease in county receivable	-	5,067
(Increase) decrease in prepaid insurance	(2,671)	-
Net Cash Provided by (Used In) Operating Activities	17,267	34,229
Cash Flows from Investing Activities:		
Acquisitions of property and equipment	(28,837)	(19,895)
Dispositions of property and equipment	500	-
Net Cash Provided by (Used In) Investing Activities	(28,337)	(19,895)
Cash Flows from Financing Activities:		
Loan proceeds	36,800	-
Principal paid on notes	(5,868)	(8,334)
Net Cash Provided by (Used In) Financing Activities	30,932	(8,334)
Net Increase (Decrease) in Cash and Cash Equivalents	19,862	6,000
Cash and Cash Equivalents at Beginning of Year	16,652	10,652
Cash and Cash Equivalents at End of Year	$ 36,514	$ 16,652
Supplemental Cash Flows Disclosures:		
Cash Paid During the Year for:		
Interest	$ 588	$ 235
Income taxes	$ -	$ -

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Cottonwood Shores Volunteer Fire Department, Inc. (the Organization) is a not-for-profit corporation, established to provide fire protection and emergency services necessary for the preservation of life and the protection of property from and during fire or other emergencies within the area of its operation in the City of Cottonwood Shores, Texas.

Financial Statement Presentation

The financial statements of the Organization have been prepared on the accrual basis in conformity with U.S. generally accepted accounting principles. The Organization records total assets, liabilities, and net assets in a statement of financial position; reports the change in net assets in a statement of activities; and reports the sources and uses of cash and cash equivalents in a statement of cash flows. The Organization also reports net assets and revenues, gains, expenses and losses as unrestricted, temporarily restricted, or permanently restricted, based on the existence of or absence of donor-imposed restrictions. A description of the three net asset categories follows:

Unrestricted - Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted - Net assets whose use is subject to donor-imposed restrictions that can be fulfilled by actions of the Organization pursuant to those restrictions.

Permanently Restricted - Net assets subject to donor-imposed restrictions that they be maintained permanently by the Organization.

Expenses are generally reported as decreases in unrestricted net assets. Expirations of donor-imposed restrictions that simultaneously increase one class of net assets and decrease another are reported as a reclassification between the applicable classes of net assets.

Tax Status

Under provisions of the Internal Revenue Code, Section 501(c)(3), the Organization is exempt from taxes on income other than unrelated business income. Since the Organization had no net unrelated business income during the years ended September 30, 2018 and September 30, 2017, no provision for income taxes has been made. The Organization's open audit periods are for the fiscal years ended September 30, 2016 through 2018.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions

The Organization records contributions received as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence of and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions.

Contributed Services

The Organization receives many services from volunteers which are not recorded in these financial statements. The Organization records services in the financial statements if the volunteer services create or enhance a non-financial asset; or require specialized skills, are performed by people with those skills, and would otherwise be purchased. No contributed services were recognized in the years ending September 30, 2018 or 2017.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Prior-Year Summarized Information

The financial statements include certain prior-year summarized information in total. With respect to the statement of activities, such prior-year information is not presented by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's 2017 financial statements from which the summarized information is derived.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents for purposes of the statement of cash flows exclude permanently restricted cash and cash equivalents, if any. The carrying amount for cash and cash equivalents approximates fair value.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment purchased by the Organization is recorded at cost. Donated property and equipment is recorded at fair value as of the date donated. The Organization follows the practice of capitalizing all expenditures for or donations of property and equipment in excess of $500 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets. Upon sale or retirement of property and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of activities. Deprecation is computed on the straight line basis over the useful lives of the assets as follows:

Buildings and Improvements	10 to 40 years
Machinery and Equipment	5 years
Vehicles	5 years

NOTE 2 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents totaled $36,514 at September 30, 2018 and $16,652 at September 30, 2017. Cash and cash equivalents consist of bank accounts that are available for use in current operations.

NOTE 3 - PROPERTY AND EQUIPMENT

Changes in property and equipment during the year ended September 30, 2018, are as follows:

	Balance October 1, 2017	Additions	Reductions	Balance September 30, 2018
Building and Improvements	$ 263,645	$ 1,500	$ -	$ 265,145
Land	22,000	-	-	22,000
Machinery and equipment	107,144	3,037	800	109,381
Office furniture and equipment	20,211	-	-	20,211
Vehicles and equipment	225,281	24,300	5,000	244,581
	638,281	28,837	5,800	661,318
Less accumulated depreciation	(257,230)	(52,973)	(5,300)	(304,903)
Net Property and Equipment	$ 381,051	$ (24,136)	$ 500	$ 356,415

NOTE 4 - LONG-TERM DEBT

The following schedule summarizes notes payable transactions for the year ended September 30, 2018:

	Balance October 1, 2017	Additions	Payments	Balance September 30, 2018
Notes payable	$ 4,667	$ 36,800	$ 5,868	$ 35,599

Notes payable consist of the following as of September 30, 2018:

Payee and Terms	Principal Balance
First United Bank, for a loan on a fire truck, payable in monthly installments of $521 including interest at 6.75%, beginning June 2018, due June 2022, secured by truck.	$ 20,599
First United Bank, for the purchase of fire equipment through a Texas Forest grant program, payable in one installment including interest at 6.75%, beginning July 2018, due January 2019, secured by a fire truck.	15,000
Total	35,599
Less current portion	(20,009)
	$ 15,590

Annual payments required to amortize all long-term notes payable outstanding as of September 30, 2018, are as follows:

For the Year Ending September 30	Principal
2019	$ 20,009
2020	5,358
2021	5,731
2022	4,501
	$ 35,599

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

There are no temporarily restricted net assets as of September 30, 2018 and 2017.

NOTE 6 - PERMANENTLY RESTRICTED NET ASSETS

There are no permanently restricted net assets as of September 30, 2018 and 2017.

NOTE 7 - OTHER CONCENTRATIONS OF RISK

Revenues from the City of Cottonwood Shores, which include voluntary donations retained by the City, were approximately 34 and 33 percent of the total revenues for the years ended September 30, 2018 and 2017, respectively. Revenues from Burnet County were approximately 27 and 23 percent of the total revenues for the year ended September 30, 2018 and 2017, respectively.

NOTE 8 - SUBSEQUENT EVENTS

The Organization did not have any subsequent events through February 19, 2019, which is the date the financial statements were available to be issued for events requiring recording or disclosure in the financial statements for the fiscal year ended September 30, 2018.