Burnet Volunteer Fire Department
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
Burnet Volunteer Fire Department
Burnet, Texas

We have audited the accompanying Statement of Financial Position of the Burnet Volunteer Fire Department, (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 July 30, 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 Burnet Volunteer Fire Department 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.

Jaber & Burnett, PC

Burnet, Texas
August 17, 2019

Assets

	2018	2017
Current Assets		
Cash and cash equivalents (Note 2)	$ 86,773	$ 106,494
Investments (Note 3)	15,853	15,384
Prepaid expenses	3,547	4,837
Miscellaneous receivables	486	1,234
Total Current Assets	106,659	127,949
Property and Equipment (Note 4)		
Building and improvements	135,946	135,946
Land	15,936	15,936
Machinery and equipment	303,330	279,670
Vehicles and equipment	916,223	594,782
Total Property and Equipment	1,371,435	1,026,334
Accumulated Depreciation	(683,377)	(561,097)
Net Property and Equipment	688,058	465,237
Total Assets	$ 794,717	$ 593,186

Liabilities and Net Assets

	2018	2017
Current Liabilities		
Accounts payable	$ 15,808	$ 11,440
Accrued expenses	2,613	1,166
Current portion of long-term debt (Note 5)	54,624	44,214
Total Current Liabilities	73,045	56,820
Long-term debt, less current portion (Note 5)	252,937	175,586
Total Liabilities	325,982	232,406
Net Assets (Notes 6 and 7)		
Unrestricted	468,735	360,780
Temporarily restricted	-	-
Permanently restricted	-	-
Total Net Assets	468,735	360,780
Total Liabilities and Net Assets	$ 794,717	$ 593,186

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

Burnet Volunteer Fire Department

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:					
Emergency Services District No. 7	$ 377,288	$ -	$ -	$ 377,288	$ 186,000
County contract	23,337	-	-	23,337	23,338
Donations	23,542	-	-	23,542	33,708
Grants	16,477	-	-	16,477	47,842
Rental income	2,400	-	-	2,400	2,400
Gain (loss) on disposition of assets	-	-	-	-	109,220
Other income	1,610	-	-	1,610	680
Investment income	689	-	-	689	317
Unrealized gain (loss) on investments	(176)	-	-	(176)	763
Total Revenues, Gains, and Other Support	445,167	-	-	445,167	404,268
Cost of Special Activities and Programs:					
Defrayment	7,910	-	-	7,910	7,351
Depreciation	122,280	-	-	122,280	99,562
Fuel	9,948	-	-	9,948	7,688
Insurance	22,743	-	-	22,743	14,221
Interest	7,491	-	-	7,491	5,914
Repairs and maintenance	41,932	-	-	41,932	45,992
Retirement	7,683	-	-	7,683	7,076
Supplies	27,924	-	-	27,924	37,763
Training	18,026	-	-	18,026	10,109
Uniforms	2,808	-	-	2,808	10,138
Utilities	17,464	-	-	17,464	14,153
Total Cost of Special Activities and Programs	286,209	-	-	286,209	259,967
Revenues Net of Cost of Special Activities and Programs	158,958	-	-	158,958	144,301
Supporting Services:					
Fundraising expense	6,236	-	-	6,236	233
Management and general	2,427	-	-	2,427	2,067
Payroll and taxes	37,440	-	-	37,440	35,667
Professional fees	4,900	-	-	4,900	4,915
Total Supporting Services	51,003	-	-	51,003	42,882
Changes in Net Assets	107,955	-	-	107,955	101,419
Net Assets at Beginning of Year	360,780	-	-	360,780	259,361
Net Assets at End of Year	$ 468,735	$ -	$ -	$ 468,735	$ 360,780

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

Burnet Volunteer Fire Department

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

	2018	2017
Cash Flows from Operating Activities:		
Changes in Net Assets	$ 107,955	$ 101,419
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by (Used In) Operating Activities:		
Depreciation	122,280	99,562
Unrealized (gain) loss on investments	176	(763)
(Increase) decrease to prepaid expenses	1,290	1,289
(Increase) decrease to miscellaneous receivable	748	13,427
Increase (decrease) to accounts payable	4,368	3,505
Increase (decrease) to accrued expenses	1,447	339
Net Cash Provided by (Used In) Operating Activities	238,264	218,778
Cash Flows from Investing Activities:		
Purchases of property and equipment	(345,101)	(289,838)
Disposition of property and equipment	-	29,773
Purchase of investments	(645)	(267)
Net Cash Provided by (Used In) Investing Activities	(345,746)	(260,332)
Cash Flows from Financing Activities:		
Loan proceeds	127,980	93,725
Principal paid on notes	(40,219)	(62,925)
Net Cash Provided by (Used In) Financing Activities	87,761	30,800
Net Increase (Decrease) in Cash and Cash Equivalents	(19,721)	(10,754)
Cash and Cash Equivalents at Beginning of Year	106,494	117,248
Cash and Cash Equivalents at End of Year	$ 86,773	$ 106,494
Supplemental Cash Flows Disclosures:		
Cash Paid During the Year for:		
Interest	$ 6,377	$ 5,397
Income taxes	$ -	$ -

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Burnet Volunteer Fire Department (the Organization) is a not-for-profit organization, established to provide fire protection and emergency services. The Organization provides services to the citizens of the Burnet County Emergency Services District No. 7 (ESD). See Note 8.

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 or 2017, no provision for income taxes has been made. The Organization's open audit periods are for the fiscal year ends September 30, 2016 to September 30, 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)

Investments

The Organization reports investments in equity securities with readily determinable fair values and all investments in debt securities at fair value in the statements of financial position. The unrealized gain or loss on investments is reflected in the statements of activities.

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 $1,000 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 39 years
Machinery and Equipment	3 to10 years
Vehicles	5 to 7 years

NOTE 2 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents totaled $86,773 at September 30, 2018 and $106,494 at September 30, 2017. Cash and cash equivalents consist of bank accounts that are available for use in current operations.

NOTE 3 - INVESTMENTS

The Organization's investments, none of which are held for trading purposes, are stated at fair value. The estimated fair market value amount has been determined using market valuation provided by the Organization's brokers. For investments that are purchased, the purchase price is recorded as the Organization's cost. For investments that are donated, the fair market value at the date of donation is recorded as the Organization's cost.

NOTE 3 - INVESTMENTS (Continued)

Summary information about the investments at September 30, 2018, is as follows:

	Cost	Fair Value (Level 1)	Unrealized Appreciation (Depreciation)
Investments	$ 15,277	$ 15,853	$ 576
Total Investments	$ 15,277	$ 15,853	$ 576

Unrealized loss in the year ended September 30, 2018 was $176.

Summary information about the investments at September 30, 2017, is as follows:

	Cost	Fair Value (Level 1)	Unrealized Appreciation (Depreciation)
Investments	$ 14,649	$ 15,384	$ 735
Total Investments	$ 14,649	$ 15,384	$ 735

Unrealized gain in the year ended September 30, 2017 was $763.

NOTE 4 - 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	$ 135,946	$ -	$ -	$ 135,946
Land	15,936	-	-	15,936
Machinery and equipment	279,670	23,660	-	303,330
Vehicles and equipment	594,782	321,441	-	916,223
	1,026,334	345,101	-	1,371,435
Less accumulated depreciation	(561,097)	(122,280)	-	(683,377)
Net Property and Equipment	$ 465,237	$ 222,821	$ -	$ 688,058

NOTE 5 - 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	$ 219,800	$ 127,980	$ 40,219	$ 307,561

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

Payee and Terms	Principal Balance
R Bank, for a consolidation refinance and truck purchase, payable in quarterly installments of $8,852 including interest at 3%, beginning August 2016, due December, 2026, secured by vehicles.	$ 213,271
R Bank, for the purchase of a truck payable in quarterly installments of $3,729 including interest at 3%, beginning June 2017, due June 2024, secured by vehicles.	81,613
Randall O. Meeks, for equipment purchases payable in one installment of principal including interest at 0%, beginning September 2018 due September 2020, secured by equipment.	12,677
Total	307,561
Less current portion	(54,624)
	$ 252,937

NOTE 5 - LONG-TERM DEBT (Continued)

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	$ 54,624
2020	43,219
2021	44,530
2022	45,882
2023	47,274
2024	48,688
2025	23,344
	$ 307,561

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

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

NOTE 7 - PERMANENTLY RESTRICTED NET ASSETS

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

NOTE 8 - EMERGENCY SERVICE DISTRICT

The Burnet County Emergency Services District No. 7 (the ESD) was created by an election held in May 2009. The ESD operates under Article III, Section 48-e of the Texas Constitution and Chapter 775 of the Texas Health and Safety Code and is run by a Board of Commissioners appointed by the Burnet County Commissioners Court. The ESD's major activities include providing emergency services to the residents of the District.

Effective October 1, 2009, the Organization entered into an agreement with the newly-formed ESD to provide emergency services to all persons and property within the ESD. The term is yearly and may be terminated by either party. Amounts to be paid to the Organization shall be disbursed at the discretion of the Commissioners and may include expenses for operations and other expenditures approved by the ESD for maintaining emergency services within the district. If at any time the Organization is dissolved or the agreement is terminated by either party, any assets purchased wholly or in part with funds from the ESD shall be immediately transferred to another Department contracted by the ESD or to the ESD at its sole discretion.

NOTE 9 - OTHER CONCENTRATIONS OF RISK

Revenues from the ESD and Burnet County were approximately 85 and 5 percent, respectively, of the Organization's total revenues for the year ended September 30, 2018 and 46 and 6 percent, respectively, for September 30, 2017. A significant reduction in or elimination of these funds would have a significant impact on the Organization.

NOTE 10 - RETIREMENT

The Organization participates in the Texas Emergency Services Retirement System. For the fiscal years ended September 30, 2018 and 2017, the Organization made all required contributions of $7,683 and $7,076, respectively. At age 55 with 15 years of service, a member is eligible for a retirement of six times the average monthly contribution.

NOTE 11 - RELATED PARTY TRANSACTIONS

During the fiscal year 2018, the Organization borrowed $12,677 from the Fire Chief to purchase a Cub Cadet Utility Vehicle. These funds were paid back in full by January 2019.

NOTE 12 - SUBSEQUENT EVENTS

The Organization did not have any subsequent events through August 17, 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.