Oakalla Volunteer Fire Department, Inc.
Audit Report
for the Year Ended
December 31, 2019
with Comparative Totals
as of December 31, 2018

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

Page

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Oakalla Volunteer Fire Department, Inc.
Oakalla, Texas

We have audited the accompanying Statement of Financial Position of the Oakalla Volunteer Fire Department, Inc., (a non-profit organization), as of December 31, 2019, and the related Statements of Activities, Cash Flows, and Functional Expenses for the year then ended and the related notes to the financial statements. The prior year summarized comparative information has been derived from the Organization's 2018 financial statements and, in our report dated April 17, 2019, an unqualified opinion was expressed on those financial statements.

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 Oakalla Volunteer Fire Department as of December 31, 2019, 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, PC

Burnet, Texas
June 17, 2020

Oakalla Volunteer Fire Department, Inc.

Statements of Financial Position — *As of December 31, 2019* and 2018

Assets

		2019		2018
Current Assets				
Cash and cash equivalents (Note 2)	$	244,010	$	153,415
Total Current Assets		244,010		153,415
Property and Equipment (Note 3)				
Building and improvements		148,995		123,872
Land		64,037		20,000
Machinery and equipment		499,972		266,330
Vehicles and equipment		427,613		416,991
Total Property and Equipment		1,140,617		827,193
Accumulated Depreciation		(823,561)		(635,999)
Net Property and Equipment		317,056		191,194
Total Assets	$	561,066	$	344,609

Liabilities and Net Assets

		2019		2018
Current Liabilities				
Accounts payable	$	22,979	$	-
Accrued expenses		1,381		-
Deferred revenue (Note 4)		68,000		34,694
Total Current Liabilities		92,360		34,694
Total Liabilities		92,360		34,694
Net Assets (Note 5)				
Net assets without donor restrictions		468,706		309,915
Net assets with donor restrictions		-		-
Total Net Assets		468,706		309,915
Total Liabilities and Net Assets	$	561,066	$	344,609

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

Oakalla Volunteer Fire Department, Inc.

Statement of Activities

For the Year Ended December 31, 2019
with comparative totals for 2018

	Without donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
Revenues, Gains, and Other Support:				
Emergency Services District No. 8	$ 266,898	$ -	$ 266,898	$ 136,377
County contract	9,727	-	9,727	19,306
Donations and fundraisers	48,387	-	48,387	53,571
Grants	23,907	-	23,907	-
In-kind donations	21,301	-	21,301	-
Insurance recovery	11,906	-	11,906	5,584
Interest income	35	-	35	43
Other revenue	479	-	479	239
Total Revenues, Gains, and Other Support	382,640	-	382,640	215,120
Cost of Special Activities and Programs:				
Depreciation	41,086	-	41,086	37,079
Fuel	16,852	-	16,852	7,874
Interest	-	-	-	20
Insurance	22,773	-	22,773	16,555
Repairs and maintenance	65,064	-	65,064	45,322
Supplies	9,401	-	9,401	13,919
Training	9,484	-	9,484	4,802
Utilities	8,059	-	8,059	9,872
Total Cost of Special Activities and Programs	172,719	-	172,719	135,443
Revenues Net of Cost of Special Activities and Programs	209,921	-	209,921	79,677
Supporting Services:				
Fundraising expenses	14,589	-	14,589	23,366
Management and general	11,489	-	11,489	8,570
Professional fees	6,636	-	6,636	7,072
Public relations	7,405	-	7,405	2,430
Wages and taxes	11,011	-	11,011	-
Total Supporting Services	51,130	-	51,130	41,438
Changes in Net Assets	158,791	-	158,791	38,239
Net Assets at Beginning of Year	309,915	-	309,915	271,676
Net Assets at End of Year	$ 468,706	$ -	$ 468,706	$ 309,915

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

Oakalla Volunteer Fire Department, Inc.

Statements of Cash Flows — *For the Years Ended December 31, 2019* and 2018

	2019	2018
Cash Flow from Operating Activities:		
Changes in Net Assets	$ 158,791	$ 38,239
Adjustment to Reconcile Changes in Net Assets to Net Cash Provided by (Used In) Operating Activities:		
Depreciation	41,086	37,079
Increase (decrease) in accounts payable	22,979	(8,122)
Increase (decrease) in accrued expenses	1,381	-
Increase (decrease) in deferred revenue	33,306	34,694
Net Cash Provided by (Used In) Operating Activities	257,543	101,890
Cash Flows from Investing Activities:		
Purchases of property and equipment	(166,948)	(84,732)
Net Cash Provided by (Used In) Investing Activities	(166,948)	(84,732)
Cash Flows from Financing Activities:		
Principal paid on notes	-	(2,194)
Net Cash Provided by (Used In) Financing Activities	-	(2,194)
Net Increase (Decrease) in Cash and Cash Equivalents	90,595	14,964
Cash and Cash Equivalents at Beginning of Year	153,415	138,451
Cash and Cash Equivalents at End of Year	$ 244,010	$ 153,415
Supplemental Cash Flows Disclosures:		
Cash Paid During the Year for:		
Interest	$ -	$ 20
Income taxes	$ -	$ -
Noncash Activities		
In-kind donations	$ 21,301	$ -

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

Oakalla Volunteer Fire Department, Inc.

Statement of Functional Expenses

For the Year Ended December 31, 2019 with Comparative Totals for 2018

	Fire Fighting	Administration	Fundraising	2019 Total	2018 Total
Depreciation	$ 41,086	$ -	$ -	$ 41,086	$ 37,079
Fuel	16,852	-	-	16,852	7,874
Fundraising expenses	-	-	14,589	14,589	23,366
Interest	-	-	-	-	20
Insurance	22,773	-	-	22,773	16,555
Management and general	-	11,489	-	11,489	8,570
Professional fees	-	6,636	-	6,636	7,072
Public relations	-	7,405	-	7,405	2,430
Repairs and maintenance	65,064	-	-	65,064	45,322
Supplies	9,401	-	-	9,401	13,919
Training	9,484	-	-	9,484	4,802
Utilities	8,059	-	-	8,059	9,872
Wages and taxes	-	11,011	-	11,011	-
2019 Total	$ 172,719	$ 36,541	$ 14,589	$ 223,849	$ -
2018 Total	$ 135,443	$ 18,072	$ 23,366	$ -	$ 176,881

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Oakalla Volunteer Fire Department, Inc. (the Organization) is a not-for-profit corporation, established to provide fire protection and emergency services. The Organization provides services to the citizens of the Burnet County Emergency Services District No. 8 (ESD). See Note 6.

Basis of Presentation

Resources are classified for accounting and reporting purposes into two classes of net assets, according to externally imposed restrictions.

Net assets without donor restrictions: This is the portion of the net assets of the Organization that can be used subject only to the board limits resulting from the nature of the Organization, the environment it operates in, or the purposes specified in its articles of incorporation or bylaws. In some cases, the use of these resources is also subject to limits resulting from contractual agreements with suppliers, creditors, and others entered into by the Organization in the course of its business. The Organization has the greatest ability to choose when using these resources.

Net assets without donor restrictions generally result from grants, contracts, and contributions that are not subject to donor-imposed restrictions, and income from investing excess operating cash, reduced by expenses incurred in providing services, raising contributions, and performing administrative functions.

Net assets with donor restrictions: This is the portion of the net assets of the Organization that is subject to either donor-imposed time restrictions or donor-imposed purpose restrictions. These restrictions limit the Organization's choices when using these resources because the Organization has a fiduciary responsibility to its donors to follow the donor's instructions.

Net assets with donor restrictions generally result from donor-restricted contributions.

Basis of Accounting

The accounts of the Organization are maintained, and the financial statements are prepared in accordance with accounting principles generally accepted in the United States of America on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 year ended December 31, 2019 or 2018, no provision for income taxes has been made. The Organization's open audit periods are 2017 to 2019.

Contributions

Contributions are recognized when the donor gives funds to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires because the contributed resources are spent in accordance with the donor's instructions or because of passage of time, net assets with donor restrictions are reclassified to net assets without donor 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 December 31, 2019 or 2018.

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.

Functional Allocation of Expenses

The costs of providing the various programs and supporting activities have been summarized on a functional basis in the statement of activities. Accordingly, costs have been allocated among the program and supporting services benefited. The expenses are allocated based on the nature of the expense.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prior-Year Summarized Information

The financial statements include certain prior-year summarized information in total. With respect to the statements of activities and functional expenses, 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 fiscal year 2018 financial statements from which the summarized information was 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.

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 land, buildings, and equipment, the cost and related depreciation, if any, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations. Deprecation is computed on the straight line basis over the useful lives of the assets as follows:

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

NOTE 2 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents totaled $244,010 at December 31, 2019 and $153,415 at December 31, 2018. 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 December 31, 2019, are as follows:

	Balance January 1, 2019	Additions	Reductions	Balance December 31, 2019
Building and improvements	$ 123,872	$ 25,123	$ -	$ 148,995
Land	20,000	44,037	-	64,037
Machinery and equipment	266,330	233,642	-	499,972
Vehicles and equipment	416,991	10,622	-	427,613
	827,193	313,424	-	1,140,617
Less accumulated depreciation	(635,999)	(187,562)	-	(823,561)
Net Property and Equipment	$ 191,194	$ 125,862	$ -	$ 317,056

During the year ended December 31, 2019, the Organization assumed coverage of the Briggs area. As a result, the Organization received assets from the Briggs Volunteer Fire Department with a net book value of $18,301.

NOTE 4 - DEFERRED REVENUE

Deferred revenue consists of ESD first quarter contract money that is expected to be recognized as revenue during the following fiscal year. Deferred revenue is $68,000 as of December 31, 2019 and $34,694 as of December 31, 2018.

NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS

There are no net assets with donor restrictions as of December 31, 2019 or 2018.

NOTE 6 - EMERGENCY SERVICE DISTRICT

The Burnet County Emergency Services District No. 8 (ESD) was created by an election held in November 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.

NOTE 6 - EMERGENCY SERVICE DISTRICT (Continued)

Effective January 1, 2011 and renewed each year through December 31, 2019, 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. Any other assets owned by the Organization will be handled in accordance with the dissolution or termination clause of the contract so that emergency services provided by the ESD will continue without interruption.

The ESD owns four vehicles with a fair market value of approximately $125,000 that it provides for use by the Organization. These assets are not reflected in the Statement of Financial Position because title is with the ESD.

NOTE 7 - OTHER CONCENTRATIONS OF RISK

Revenues from the ESD were approximately 70 percent of the Organization's total revenues for the year ended December 31, 2019 and 63 percent for the year ended December 31, 2018. A significant reduction in or elimination of these funds could have a significant impact on the Organization.

NOTE 8 - LIQUIDITY AND RESERVES

The Organization has a policy to manage its liquidity and reserves in order to operate with financial stability, maintain adequate liquidity, and maintain sufficient reserves. The following table reflects the Organization's financial assets (cash and cash equivalents and investments) as of December 31, 2019, reduced by amounts not available for general expenditures within one year.

NOTE 8 - LIQUIDITY AND RESERVES (Continued)

		2019
Total financial assets	$	244,010
Less those unavailable for general expenditure within one year		-
Financial assets available to meet cash needs for general expenditures within one year	$	244,010

NOTE 9 - RELATED PARTY TRANSACTIONS

During fiscal years ended December 31, 2019 and 2018, the Organization paid $13,399 and $8,817, respectively, to a business owned by a Board member for automotive services.

NOTE 10 - SUBSEQUENT EVENTS

The Organization did not have any subsequent events through June 17, 2020, 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 December 31, 2019.