

**East Lake Buchanan
Volunteer Fire Department
Audit Report
for the Year Ended
September 30, 2014
with Comparative Totals
as of September 30, 2013**

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

East Lake Buchanan Volunteer Fire Department

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INDEPENDENT AUDITORS' REPORT

Board of Directors
East Lake Buchanan Volunteer Fire Department
Burnet, Texas

We have audited the accompanying Statement of Financial Position of the East Lake Buchanan Volunteer Fire Department (a non-profit organization) as of September 30, 2014, 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 2013 financial statements, and in our report dated March 17, 2014, 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 East Lake Buchanan Volunteer Fire Department as of September 30, 2014, 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.

Javer & Burnett, PC

Burnet, Texas
February 15, 2015

East Lake Buchanan Volunteer Fire Department*Statements of Financial Position**As of September 30, 2014 and 2013***Assets**

	<u>2014</u>	<u>2013</u>
Current Assets		
Cash and cash equivalents (Note 2)	\$ 38,178	\$ 20,668
Prepaid expenses	<u>11,086</u>	<u>10,451</u>
Total Current Assets	<u>49,264</u>	<u>31,119</u>
Property and Equipment (Note 3)		
Building	77,009	74,071
Equipment	147,959	145,117
Land	6,000	6,000
Vehicles and equipment	<u>324,520</u>	<u>299,302</u>
Total Property and Equipment	555,488	524,490
Accumulated Depreciation	<u>(356,392)</u>	<u>(282,054)</u>
Net Property and Equipment	<u>199,096</u>	<u>242,436</u>
Total Assets	\$ <u>248,360</u>	\$ <u>273,555</u>

Liabilities and Net Assets

Current Liabilities		
Accounts payable	\$ <u>-</u>	\$ <u>-</u>
Total Current Liabilities	<u>-</u>	<u>-</u>
Net Assets (Notes 4 and 5)		
Unrestricted	248,360	273,555
Temporarily restricted	-	-
Permanently restricted	<u>-</u>	<u>-</u>
Total Net Assets	<u>248,360</u>	<u>273,555</u>
Total Liabilities and Net Assets	\$ <u>248,360</u>	\$ <u>273,555</u>

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

East Lake Buchanan Volunteer Fire Department*Statement of Activities**For the Year Ended September 30, 2014
with Comparative Totals for 2013*

	<u>Unrestricted Operating</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2014 Total</u>	<u>2013 Total</u>
Revenues, Gains, and Other Support:					
Emergency Services District					
No. 5 contributions	\$ 69,650	\$ -	\$ -	\$ 69,650	\$ 74,050
County contract	23,338	-	-	23,338	29,323
In-kind donations	10,000	-	-	10,000	-
Donations	5,461	-	-	5,461	4,565
Miscellaneous income	1,364	-	-	1,364	1,013
Gain on sale of assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,500</u>
Total Revenues, Gains, and Other Support	<u>109,813</u>	<u>-</u>	<u>-</u>	<u>109,813</u>	<u>110,451</u>
Cost of Special Activities and Programs:					
Buildings and grounds	12,060	-	-	12,060	11,216
Communication equipment	5,067	-	-	5,067	673
Depreciation	74,338	-	-	74,338	67,992
Insurance	13,603	-	-	13,603	13,416
Operations cost	18,863	-	-	18,863	17,705
Repairs and maintenance	5,428	-	-	5,428	5,629
Training and travel	<u>2,476</u>	<u>-</u>	<u>-</u>	<u>2,476</u>	<u>4,319</u>
Total Cost of Special Activities and Programs	<u>131,835</u>	<u>-</u>	<u>-</u>	<u>131,835</u>	<u>120,950</u>
Revenues Net of Cost of Special Activities and Programs	<u>(22,022)</u>	<u>-</u>	<u>-</u>	<u>(22,022)</u>	<u>(10,499)</u>
Supporting Services:					
Management and general	3,163	-	-	3,163	2,672
Professional fees	-	-	-	-	495
Public relations	10	-	-	10	1,119
Theft loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>600</u>
Total Supporting Services	<u>3,173</u>	<u>-</u>	<u>-</u>	<u>3,173</u>	<u>4,886</u>
Changes in Net Assets	(25,195)	-	-	(25,195)	(15,385)
Net Assets at Beginning of Year	<u>273,555</u>	<u>-</u>	<u>-</u>	<u>273,555</u>	<u>288,940</u>
Net Assets at End of Year	\$ <u>248,360</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>248,360</u>	\$ <u>273,555</u>

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

East Lake Buchanan Volunteer Fire Department*Statements of Cash Flows**For the Years Ended September 30, 2014 and 2013*

	<u>2014</u>	<u>2013</u>
Cash Flows from Operating Activities:		
Changes in Net Assets	\$ (25,195)	\$ (15,385)
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by (Used In) Operating Activities:		
Depreciation	74,338	67,992
(Increase) decrease in prepaid insurance	(635)	280
Increase (decrease) in accounts payable	<u>-</u>	<u>(4,682)</u>
Net Cash Provided by (Used In) Operating Activities	<u>48,508</u>	<u>48,205</u>
Cash Flows from Investing Activities:		
Purchases of property and equipment	<u>(30,998)</u>	<u>(42,983)</u>
Net Cash Provided by (Used In) Investing Activities	<u>(30,998)</u>	<u>(42,983)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	17,510	5,222
Cash and Cash Equivalents at Beginning of Year	<u>20,668</u>	<u>15,446</u>
Cash and Cash Equivalents at End of Year	\$ <u><u>38,178</u></u>	\$ <u><u>20,668</u></u>
Supplemental Cash Flows Disclosures:		
Cash Paid During the Year for:		
Interest	\$ <u>-</u>	\$ <u>-</u>
Income taxes	\$ <u>-</u>	\$ <u>-</u>

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The East Lake Buchanan Volunteer Fire Department (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. 5 (ESD). The Organization's primary source of revenue is from the ESD. See Note 6.

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 reports 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)(4), 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, 2014 and 2013, no provision for income taxes has been made. The Organization's open audit periods are for the fiscal year ends September 30, 2012 to September 30, 2014.

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, 2014 and 2013.

Use of Estimates

The preparation of financial statements in conformity with 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 Statements 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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's fiscal year 2013 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. The carrying amount for cash and cash equivalents approximates fair value.

East Lake Buchanan Volunteer Fire Department*Notes to the Financial Statements**September 30, 2014***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 \$1,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets. Depreciation is computed on the straight line basis over the useful lives of the assets as follows:

Buildings and Improvements	5 to 25 years
Equipment	5 to 10 years
Vehicles and Equipment	5 to 10 years

NOTE 2 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents totaled \$38,178 at September 30, 2014 and \$20,668 at September 30, 2013. 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, 2014, are as follows:

	Balance October 1, <u>2013</u>	<u>Additions</u>	<u>Reductions</u>	Balance September 30, <u>2014</u>
Building	\$ 74,071	\$ 2,938	\$ -	\$ 77,009
Equipment	145,117	2,842	-	147,959
Land	6,000	-	-	6,000
Vehicles and Equipment	<u>299,302</u>	<u>25,218</u>	<u>-</u>	<u>324,520</u>
	524,490	30,998	-	555,488
Less accumulated depreciation	<u>(282,054)</u>	<u>(74,338)</u>	<u>-</u>	<u>(356,392)</u>
Net Property and Equipment	\$ <u>242,436</u>	\$ <u>(43,340)</u>	\$ <u>-</u>	\$ <u>199,096</u>

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS

There are no temporarily restricted net assets as of September 30, 2014 or 2013.

NOTE 5 - PERMANENTLY RESTRICTED NET ASSETS

There are no permanently restricted net assets as of September 30, 2014 or 2013.

NOTE 6 - EMERGENCY SERVICE DISTRICT

The Burnet County Emergency Services District No. 5 (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.

On 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.

The ESD owns firefighting vehicles, radios, and equipment with a fair market value of approximately \$565,000 that it provides for use by the Organization. These assets are not reflected in the Statement of Financial Position because title remains with the ESD.

NOTE 7 - OTHER CONCENTRATIONS OF RISK

Revenues from the ESD were approximately 63 percent and 67 percent of the Organization's total revenues for the years ended September 30, 2014 and 2013, respectively. The Organization received approximately 21 and 27 percent of its revenue from the Burnet County Fire Protection Contract during the years ended September 30, 2014 and 2013, respectively.

NOTE 8 - SUBSEQUENT EVENTS

The Organization did not have any subsequent events through February 15, 2015, 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, 2014.