

Pleak Volunteer Fire Department
Annual Financial Report
For the Year Ended April 30, 2012

PS Stephenson & Co., P.C.
Certified Public Accountants
Wharton, Texas

Pleak Volunteer Fire Department
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April 30, 2012

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Pleak Volunteer Fire Department
Elected Officials, Administration and Other Information
April 30, 2012

Current Elected Governing Body of the Village of Pleak, Texas:

		<u>Term</u>
Larry Bittner	Mayor	Nov. 8, 2011 to April 30, 2013
Michael John	Mayor Pro Tem and Alderman	May 1, 2011 to April 30, 2015
Wade A. Goates	Alderman	May 1, 2011 to April 30, 2015
Joanne McRae	Alderwoman	Nov. 8, 2011 to April 30, 2013
Brenda Jaynes	Alderwoman	May 1, 2011 to April 30, 2015
Al Warnasch	Alderman	May 1, 2009 to April 30, 2013

Administrative Officials

Ruth Elster	City Secretary
Jimmy Dean	Fire Chief
Lora Lenzsch	City Attorney

General Information

Village Hall, Pleak, Texas 6621 FM 2218 South, Richmond Texas, 77469
Phone: Village Hall (281) 239-8504; Fire Department (282) 342-3692

Council Meetings 3rd Wednesday of each month at 7:00 p.m.
Meeting place: Village Hall, Pleak, Texas

2011-2012 State of Texas Sales Tax Rate 8.00%

2011-2012 Property Tax Rate No Property Taxes.

FINANCIAL SECTION



PS STEPHENSON & CO., P.C.

Certified Public Accountants
1609 N. Richmond Road
Wharton, Texas 77488

INDEPENDENT AUDITOR'S REPORT

Mayor and Alderpersons of Village of Pleak, Texas
and the Fire Chief and Board of Directors of
Pleak Volunteer Fire Department

We have audited the accompanying financial statements of the governmental activities and each major fund of Pleak Volunteer Fire Department ("PVFD"), a component unit of the Village of Pleak, Texas, as of and for the year ended April 30, 2012, which collectively comprise PVFD's basic financial statements as listed in the index to the financial statements. These financial statements are the responsibility of PVFD's management. 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 applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of PVFD as of April 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 2 through 4 and 13, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 2012 on our consideration of PVFD's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

PS Stephenson & Co., P.C.

Wharton, Texas
August 25, 2012

**Pleak Volunteer Fire Department
 Management's Discussion and Analysis
 April 30, 2012**

The discussion and analysis of Pleak Volunteer Fire Department ("PVFD") financial performance provides an overview of PVFD's financial activities for the year ended April 30, 2012. The intent of this discussion and analysis is to look at PVFD's financial performance as a whole; readers should also review the basic financial statements to enhance their understanding of PVFD's performance. PVFD is a component unit of the Village of Pleak, Texas.

Overview of the Financial Statements

This annual financial report of PVFD consists of the following parts: Management's Discussion and Analysis, Basic Financial Statements, and Required Supplementary Information. The financial statements include notes that explain in detail some of the information included in the basic financial statements.

Government-Wide Financial Analysis

The Statements of Net Assets and the Statements of Revenues, Expenses and Changes in Net Assets provide an indication of PVFD's financial condition. PVFD's net assets reflect the difference between assets and liabilities. The Statements of Revenues, Expenses and Change in Net Assets identify the various revenue and expense items that affect the change in net assets.

A summary of PVFD's Statements of Net Assets is presented below.

	Governmental Activities
Current and other assets	\$ 22,562
Capital assets, net	4,299
Total assets	<u>26,861</u>
Current and other liabilities	-
Long-term debt	-
Total liabilities	<u>-</u>
Net assets	
Invested in capital assets, net of related debt	4,299
Restricted	-
Unrestricted	22,562
Total Net Assets	<u>\$ 26,861</u>

The largest portion of PVFD's net assets (84%) reflects its unrestricted net assets (e.g., cash, investments and receivables, net). PVFD uses these assets to provide services to citizens.

Governmental activities decreased PVFD's net assets by \$3,131.

**Pleak Volunteer Fire Department
Management's Discussion and Analysis
April 30, 2012**

A summary of PVFD's Changes in Net Assets is presented below.

	<u>Governmental Activities</u>
Program revenues	
Charges for services	\$ 26,309
Capital grants and contributions	-
General revenues	
Interest Income	7
Donations and Fundraiser income	12,197
Total revenues	<u>38,513</u>
Expenses	
Salary Costs	25,123
Operations Costs	12,688
Depreciation Expense	3,833
Total expenses	<u>41,644</u>
Change in net assets	(3,131)
Beginning net assets	<u>29,992</u>
Ending net assets	<u>\$ 26,861</u>

Following is a detail of revenue by source for the governmental activities:

<u>Description</u>	<u>Governmental Activates</u>	
	<u>Revenues</u>	<u>% of Total</u>
Charges for services	\$ 26,309	68.31%
Grants	-	0.00%
Donations and contributions	12,197	31.67%
Franchise fees	-	0.00%
Investment earnings	7	0.02%
Miscellaneous	-	0.00%
Total	<u>\$ 38,513</u>	<u>100.00%</u>

Financial Analysis of Government Funds

The focus of PVFD's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing PVFD's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the government's net resources available for spending at the end of the fiscal year.

**Pleak Volunteer Fire Department
Management's Discussion and Analysis
April 30, 2012**

As of the end of fiscal 2012, PVFD's governmental funds, consisting only of the General Fund, reported an ending fund balance of \$22,562, a decrease of \$2,179 in comparison with the prior year. The entire fund balance is unreserved and is available for spending, subject to regulatory, statutory and budgetary restrictions.

The fund balance of PVFD's General Fund decreased \$2,179 during the current fiscal year. The main driver of the decrease relates to increased training, equipment, and operating costs as compared to the prior year.

Analysis of Changes in Capital Assets and Long-Term Debt

Capital Assets

As of April 30, 2012, PVFD had total capital assets, net of accumulated depreciation of \$4,299. This investment in capital assets includes fire equipment. Additional information of PVFD's capital assets can be found in Note 1 of this report.

Long-Term Debt

As of April 30, 2012, PVFD did not have any debts outstanding.

Economic Factors and Next Year's Budget and Rates

PVFD have adopted its 2013 budget. The approval of the budget provides funding for PVFD's operating and capital costs for the 2013 fiscal year. PVFD expects revenues from all sources to remain consistent with the 2012 fiscal year and expects a positive growth in net assets during 2013.

Additional Financial Information

This financial report is designed to present users with a general overview of PVFD's financial operations and financial condition and to demonstrate PVFD's accountability. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the Pleak Volunteer Fire Department or the Village of Pleak, 6621 FM 2218 South, Richmond, Texas 77469.

BASIC FINANCIAL STATEMENTS

Pleak Volunteer Fire Department
Statement of Net Assets
April 30, 2012

Assets	<u>Governmental Activities</u>
Current assets	
Cash and cash equivalents	\$ 9,290
Investment in TexPool	7,879
Due from other governments	<u>5,393</u>
Total current assets	22,562
Noncurrent assets	
Capital assets	
Land	-
Buildings, infrastructure and improvements	-
Furniture, fixtures and equipment	-
Fire trucks and other fire equipment	50,747
Less accumulated depreciation	<u>(46,448)</u>
Total capital assets	4,299
Total assets	<u><u>\$ 26,861</u></u>
Liabilities and Net Assets	
Liabilities	
Current liabilities	
Accounts payable and accrued liabilities	<u>\$ -</u>
Total current liabilities	-
Net assets	
Invested in capital assets, net of related debt	4,299
Restricted net assets	-
Unrestricted net assets	<u>22,562</u>
Total Net Assets	<u><u>\$ 26,861</u></u>

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

Pleak Volunteer Fire Department

Statement of Activities

For the Year Ended April 30, 2012

Function/Program	<u>Expenses</u>	<u>Charges for Services</u>	<u>Capital Grants and Contributions</u>	<u>Net Revenue (Expense) and Change in Net Assets</u>
				<u>Governmental Activities</u>
Governmental Activities				
Fire department	41,644	26,309	-	(15,335)
Total governmental activities	<u>41,644</u>	<u>26,309</u>	<u>-</u>	<u>(15,335)</u>
Total	<u>\$ 41,644</u>	<u>\$ 26,309</u>	<u>\$ -</u>	<u>\$ (15,335)</u>

General revenues:

Fundraisers and donations, net	12,197
Interest income	<u>7</u>
Total general revenues	<u>12,204</u>
Changes in net assets	(3,131)
Net assets - beginning	<u>29,992</u>
Net assets - ending	<u>\$ 26,861</u>

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

Pleak Volunteer Fire Department
Balance Sheet - Governmental Funds
April 30, 2012

Assets	<u>General Fund</u>
Cash and cash equivalents	\$ 9,290
Investment in TexPool	7,879
Due from other governments	5,393
Total assets	<u>\$ 22,562</u>
Liabilities and Fund Balance	
Liabilities	
Accounts payable and accrued liabilities	<u>\$ -</u>
Total liabilities	-
Fund balance	
Fund balance - unreserved	22,562
Total fund balance	<u>22,562</u>
Total liabilities and fund balance	<u>\$ 22,562</u>
Reconciliation to the Statement of Net Assets of Governmental Activities:	
Total governmental fund balance	\$ 22,562
Add capital assets not reported in governmental funds, net of accumulated depreciation of \$46,448	4,299
Less liabilities not reported in governmental funds	-
Net Assets of Governmental Activities	<u>\$ 26,861</u>

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

Pleak Volunteer Fire Department
Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds
For the Year Ended April 30, 2012

	<u>General</u>
Revenues	
Fire assistance revenues	\$ 26,309
Donations and fundraiser income	12,197
Interest income	7
Total revenues	<u>38,513</u>
Expenditures	
Salaries and benefits	
Day person	23,338
Payroll taxes	1,785
Total salaries and benefits	<u>25,123</u>
Operating expenditures	
Maintenance	
Fire trucks and equipment	2,145
Supplies	
Equipment	1,923
Office	535
Gas and oil	2,313
Fundraiser expenses	
Dues	180
Telephone and other communication	4,254
Training	1,338
Capital outlay - equipment	2,881
Total operating expenses	<u>15,569</u>
Total expenditures	<u>40,692</u>
Other Financial Sources (Uses)	
Grant revenues	-
Donations to Village of Pleak, Texas	-
Total other financial sources (uses)	<u>-</u>
Net change in fund balance	(2,179)
Beginning fund balance	24,741
Ending fund balance	<u>\$ 22,562</u>

Reconciliation to the Statement of Activities

Total net change in fund balance - governmental funds	\$ (2,179)
Current year capital outlays not included in the Statement of Activities	2,881
Expenses on the Statement of Activities not included in the governmental funds statement - Depreciation expense	(3,833)
Change in net assets of governmental activities	<u>\$ (3,131)</u>

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

1. Summary of Significant Accounting Policies

Introduction

Pleak Volunteer Fire Department of Pleak, Texas ("PVFD") was created by Ordinance Number 27 of the Village of Pleak, Texas on June 23, 1993. Under the ordinance, PVFD may elect its board members and officers with final approval by the Village of Pleak, Texas elected Alderpersons. PVFD can adopt its own constitution and by-laws, provided they are consistent with applicable laws and/or the Village of Pleak's ordinances. PVFD is considered a component unit of the Village of Pleak, Texas, as it exercises significant influence and legal authority over PVFD. Significant influence or accountability is based primarily on operational or financial relationships. Legal authority is derived from the ordinance creating the component unit.

The financial statements of the PVFD are prepared in accordance with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In June 1999, the GASB unanimously approved Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. The PVFD implemented the requirements under GASB No. 34 and subsequent GASB statements during the fiscal year 2005.

Reporting Entity

In evaluating how to define PVFD for reporting purposes, management has considered all potential component units. The decision to exclude all potential component units from the reporting entity was made by applying the criteria set forth in GAAP.

Basic Financial Statements

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type.

Government-wide financial statements report information about the reporting unit as a whole. For the most part, the effect of interfund activity has been removed from these statements. These statements focus on the sustainability of PVFD as an entity and the change in aggregate financial position resulting from the activities of the year. These aggregated statements consist of the Statement of Net Assets and the Statement of Activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or business-type activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or business-type activity. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from services or privileges provided by a given function or business-type activity. Other items not reported as program revenues are reported instead as general revenues.

Fund financial statements report information at the individual fund level. Each fund is considered to be a separate accounting entity. PVFD reports governmental type funds.

Measurement Focus, Basis of Accounting, and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. A one-year availability period is used for revenue recognition. Expenditures are recorded when the related fund liability is incurred.

PVFD reports the following funds:

Governmental Fund Types

Governmental funds use the current financial resources measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available resources during a given period. Governmental fund types include the following:

General Fund – is used to account for resources used in general operations. This is a budgeted fund and any fund balances are considered resources available for current operations. All revenues and expenditures not required to be accounted for in other funds are accounted for in this fund.

Budget policy and practice

The Fire Chief submits an annual budget to the Village of Pleak, Texas for approval in accordance with the June 23, 1993 ordinance and the Texas Municipal Budget Act. In April of each year, the Fire Chief, with approval by Village of Pleak, Texas adopts an annual fiscal year appropriated budget for the general fund. Once approved, the Fire Chief may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

Budgetary control

The general fund appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by departments. This constitutes the legal level of control. Expenditures may not exceed appropriations and beginning fund balances. Budget revisions at this level are subject to final review by the board. Within these above control levels, the Fire Chief may transfer appropriations without Alderperson approval.

Budget basis of accounting

The budget for the general fund is prepared on a basis consistent with accounting principles generally accepted in the United States of America. Any unencumbered appropriations for annually budgeted funds lapse at fiscal year-end.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. PVFD did not have any outstanding encumbrances at April 30, 2012.

Pleak Volunteer Fire Department
Notes to Financial Statements
April 30, 2012

Primary Government

The primary government of PVFD is the Village of Pleak, Texas. A copy of the primary government's report may be obtained from the Village of Pleak, Texas. PVFD reports as a general government type of entity.

Cash and investments

PVFD maintains one cash operating account and one investment fund at April 30, 2012.

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, drainage systems, sidewalks, and similar items), are reported in the applicable governmental columns in the government-wide statement of net assets. PVFD defines capital assets as assets with initial, individual costs of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property, plant and equipment of PVFD is depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	40 years
Furniture, fixtures and equipment	5 - 10 years
Infrastructure	50 years
Fire truck and other fire equipment	5 - 10 years

Compensated absences and retirement plan

There are no compensated absences for any employee of PVFD and PVFD does not participate in any retirement plan for its employees.

2. Deposits and Investments

It is PVFD's policy for deposits and investments to be 100% secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance. PVFD's deposits and investments are categorized to give an indication of the level of risk assumed by the Village at fiscal year-end. The categories are described as follows:

Category 1- Insured or collateralized with securities held by PVFD or by its agent in PVFD's name.

Category 2- Collateralized with securities held by the pledging financial institution trust department or agent in PVFD's name.

Category 3- Uncollateralized

PVFD is classified as Category 1, with deposits and investments secured by the Federal Deposit Insurance Corporation insurance at April 30, 2012.

3. Fort Bend County, Texas Assistance Revenues

PVFD has entered into an agreement with Fort Bend County, Texas to provide fire-fighting services to rural areas for a fee. For the year ended April 30, 2012, PVFD earned \$21,874 from Fort Bend County, Texas. At April 30, 2012, PVFD was due \$5,393 under this agreement.

4. Donations and Fundraiser Income

PVFD receives donations for assistance through the Pleak Volunteer Fire Fighters Association, (a non-profit organization) and other non-profit organizations. For the year ended April 30, 2012, PVFD received \$12,197 in donations and fundraiser income from charitable organizations and individuals.

5. Contingencies

Litigation

PVFD is not a party to any litigation that its insurance would not cover as of April 30, 2012.

REQUIRED SUPPLEMENTARY INFORMATION

Pleak Volunteer Fire Department
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget (GAAP Basis) and Actual - General Fund
For the Year Ended April 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Fire assistance revenues	\$ 22,192	\$ 26,309	\$ 4,117
Donations and fundraiser income	-	12,197	12,197
Interest income	-	7	7
Total revenues	<u>22,192</u>	<u>38,513</u>	<u>16,321</u>
Expenditures			
Salaries and benefits			
Day person	22,500	23,338	(838)
Payroll taxes	-	1,785	(1,785)
Total salaries and benefits	<u>22,500</u>	<u>25,123</u>	<u>(2,623)</u>
Operating expenditures			
Maintenance			
Fire trucks and equipment	7,650	2,145	5,505
Supplies			
Equipment	4,725	1,923	2,802
Office	840	535	305
Gas and oil	3,500	2,313	1,187
Dues	635	180	455
Telephone and other communications	3,852	4,254	(402)
Training	1,455	1,338	117
Capital outlay	-	2,881	(2,881)
Miscellaneous	-	-	-
Total operating expenses	<u>22,657</u>	<u>15,569</u>	<u>7,088</u>
Total expenditures	<u>45,157</u>	<u>40,692</u>	<u>4,465</u>
Other Financial Sources (Uses)			
Grant revenues	-	-	-
Donation to Village of Pleak, Texas	-	-	-
Total other financial sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficit) of revenues over expenditures	<u>\$ (22,965)</u>	<u>(2,179)</u>	<u>\$ 20,786</u>
Fund balance, beginning of year		<u>24,741</u>	
Fund balance, end of year		<u>\$ 22,562</u>	

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

OTHER REQUIRED REPORTS



PS STEPHENSON & CO., P.C.

Certified Public Accountants
1609 N. Richmond Road
Wharton, Texas 77488

**Independent Auditor's Report on Compliance and on Internal Control over
Financial Reporting Based on an Audit of Financial Statements Performed
In Accordance with Government Auditing Standards**

Mayor and Alderpersons of Village of Pleak, Texas
and the Fire Chief and Board of Directors of
Pleak Volunteer Fire Department

We have audited the financial statements of the Pleak Volunteer Fire Department ("PVFD"), a component unit of the Village of Pleak, Texas as of and for the year ended April 30, 2012 and have issued our report thereon dated August 25, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether PVFD's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*

Internal Control over Financial Reporting

In planning and performing our audit, we considered PVFD's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We also noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the PVFD's board, Village Alderpersons, management, others within the Village and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

PS Stephenson & Co., P.C.

Wharton, Texas
August 25, 2012