

Spanish Fort Fire-Rescue Department, Inc.

Financial Statements and Supplemental Information
Year Ended September 30, 2009

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Spanish Fort Fire-Rescue
Department, Inc.
Spanish Fort, Alabama

We have audited the accompanying statement of assets, liabilities, and net assets - modified cash basis of Spanish Fort Fire-Rescue Department, Inc. (a non-profit organization) as of September 30, 2009, and the related statement of activities - modified cash basis and statement of cash flows - modified cash basis for the year then ended. These financial statements are the responsibility of Spanish Fort Fire-Rescue Department, Inc.'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. 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.

As described in Note A, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Spanish Fort Fire-Rescue Department, Inc. as of September 30, 2009, and the changes in its net assets and its cash flows for the year then ended, on the basis of accounting described in Note A.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information contained in attached Schedules I & II are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Simon & Simmons, P.C.

Mobile, Alabama
December 31, 2009

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Spanish Fort Fire-Rescue Department, Inc.

Statement of Assets, Liabilities, and Net Assets - Modified Cash Basis

September 30, 2009

	<u>General</u>	<u>Fire Tax</u>	<u>Firefighter</u>	<u>Auxiliary</u>	<u>Total</u>
ASSETS					
Cash					
Checking	\$ 265,260	\$ 91,591	\$ 4,090	\$ 949	\$ 361,890
Certificates of deposit	224,494	-	-	-	224,494
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total cash	489,754	91,591	4,090	949	586,384
Fixed assets:					
Land	191,669	-	-	-	191,669
Fire trucks	1,549,904	-	-	-	1,549,904
Radio equipment	85,002	-	-	-	85,002
Other equipment	579,835	-	-	-	579,835
Training facility	27,018	-	-	-	27,018
Buildings	451,715	-	-	-	451,715
Accumulated depreciation	(1,713,700)	-	-	-	(1,713,700)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total fixed assets	1,171,443	-	-	-	1,171,443
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 1,661,197</u>	<u>\$ 91,591</u>	<u>\$ 4,090</u>	<u>\$ 949</u>	<u>\$ 1,757,827</u>
LIABILITIES AND NET ASSETS					
Unrestricted net assets	<u>\$ 1,661,197</u>	<u>\$ 91,591</u>	<u>\$ 4,090</u>	<u>\$ 949</u>	<u>\$ 1,757,827</u>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 1,661,197</u>	<u>\$ 91,591</u>	<u>\$ 4,090</u>	<u>\$ 949</u>	<u>\$ 1,757,827</u>

See accompanying notes and auditors' report.

Spanish Fort Fire-Rescue Department, Inc.
Statement of Activities - Modified Cash Basis
For the Year Ended September 30, 2009

	<u>General</u>	<u>Fire Tax</u>	<u>Firefighter</u>	<u>Auxiliary</u>	<u>Total</u>
Total revenues	\$ 226,915	\$ 192,343	\$ 4,549	\$ 499	\$ 424,306
Total expenses	(361,785)	(95,139)	(3,417)	(198)	(460,539)
Fund transfers	<u>112,409</u>	<u>(112,409)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	(22,461)	(15,205)	1,132	301	(36,233)
Net assets, beginning of year	<u>1,683,658</u>	<u>106,796</u>	<u>2,958</u>	<u>648</u>	<u>1,794,060</u>
Net assets, end of year	<u>\$ 1,661,197</u>	<u>\$ 91,591</u>	<u>\$ 4,090</u>	<u>\$ 949</u>	<u>\$ 1,757,827</u>

See accompanying notes and auditors' report.

Spanish Fort Fire-Rescue Department, Inc.

Statement of Cash Flows - Modified Cash Basis

For the Year Ended September 30, 2009

	General	Fire Tax	Firefighter	Auxiliary	Total
Cash flows from operating activities:					
Cash received from customers, donations and state agencies	\$ 164,282	\$ 192,319	\$ -	\$ -	\$ 356,601
Cash received from fundraising	50	-	4,549	499	5,098
Cash received from other income	2,965	24	-	-	2,989
Cash paid to suppliers	(84,218)	(95,139)	(3,417)	(198)	(182,972)
Interest received	7,198	-	-	-	7,198
Interest paid	(1,281)	-	-	-	(1,281)
Transfers from other funds	112,409	(112,409)	-	-	-
Net cash provided by operating activities	201,405	(15,205)	1,132	301	187,633
Cash flows from investing activities:					
Re-investment of interest	(7,198)	-	-	-	(7,198)
Sale of right-of-way	52,420	-	-	-	52,420
Purchase of equipment	(204,076)	-	-	-	(204,076)
Net cash used in investing activities	(158,854)	-	-	-	(158,854)
Cash flows from financing activities:					
Principal payments of debt	(24,369)	-	-	-	(24,369)
Net cash used in financing activities	(24,369)	-	-	-	(24,369)
Net increase in cash and cash equivalents	18,182	(15,205)	1,132	301	4,410
Cash and cash equivalents at beginning of year	247,078	106,796	2,958	648	357,480
Cash and cash equivalents at end of year	\$ 265,260	\$ 91,591	\$ 4,090	\$ 949	\$ 361,890
Reconciliation of increase (decrease) in net assets to net cash from operating activities:					
Increase (decrease) in net assets	\$ (22,461)	\$ (15,205)	\$ 1,132	\$ 301	\$ (36,233)
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:					
Depreciation	276,286	-	-	-	276,286
Sale of right-of-way	(52,420)	-	-	-	(52,420)
Net cash provided by operating activities	\$ 201,405	\$ (15,205)	\$ 1,132	\$ 301	\$ 187,633

See accompanying notes and auditors' report.

Spanish Fort Fire-Rescue Department, Inc.

NOTES TO FINANCIAL STATEMENTS

September 30, 2009

Note A - Accounting policies:

Nature of activities - Spanish Fort Fire-Rescue Department, Inc., (the Organization) is a non-profit organization that provides emergency fire fighting assistance, fire prevention services and rescue services for flood, hurricane and other major emergencies to the citizens of the City of Spanish Fort.

Basis of presentation - The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization has no temporarily or permanently restricted net assets at September 30, 2009.

Basis of accounting - The financial statements of Spanish Fort Fire-Rescue Department, Inc. have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Accordingly, revenue and the related assets are recorded when received rather than when earned and certain expenses are recognized when paid rather than when the obligations are incurred. Modifications to the cash basis of accounting include recording investments and depreciation on property and equipment.

Cash and cash equivalents - For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Property and depreciation - Property and equipment are stated at cost. Expenditures for maintenance and repairs are charged against operations as they are incurred. Renewals and betterments that materially extend the life of the assets are capitalized. Depreciation for financial reporting purposes is calculated using a combination of straight-line and double-declining balance methods over the useful lives of the assets. Depreciation expense of the property and equipment for the year ended September 30, 2009, was \$276,286. The principal lives (in years) used in determining depreciation rates of various assets and buildings and improvements (10-31); leasehold improvements (10-31); automobiles and trucks (3-5); office furniture and fixtures (5-40); and shop and warehouse equipment (5-10).

Contributed services, facilities and assets - The Organization receives donated services from a variety of volunteers assisting in the operation and support of the department. The Organization is required to recognize these services due to materiality and the specialized nature of the skills performed by the volunteers. The organization chooses not to recognize or include the value of these services in the financial statements due to cost exceeding the benefit for the information obtained.

On December 31, 1999, the organization received facilities and property valued at \$160,000 (Fire Station #2) as a donation to the fire department. These assets have been recorded in the statement of activities and capitalized in the statement of financial position.

Use of estimates - The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

Support and revenue - The Organization's general fund is subsidized by the citizens residing within the communities it serves. Citizens are solicited annually for membership dues and contributions; however they are under no legal obligation to support the Organization. This fund is also supported by a contract with the City of Spanish Fort. The amount received from the City of Spanish Fort for the year ended September 30, 2009, was \$100,000. The contract is expected to renew for the year ended September 30, 2010.

Spanish Fort Fire-Rescue Department, Inc.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

September 30, 2009

Note A - Accounting policies (con't):

For the year ended September 30, 2005, the City of Spanish Fort made a one time, lump sum donation to the Organization in the amount of \$296,000. This payment was designated for the purchase of a new fire engine.

For the year ended September 30, 2007, the City of Spanish Fort made a one time, lump sum donation to the Organization in the amount of \$894,731. This payment was designated for the purchase of a new fire engine.

The Organization's fire tax fund is financed with Ad Valorem tax funds from Baldwin County, financial assistance from the Alabama Forestry Commission and FEMA for use in operations and equipment purchases. These funds are accounted for separately and are maintained in a separate bank account.

Note B - Income taxes:

Spanish Fort Fire-Rescue Department, Inc. is a non-profit organization and is exempt from income taxation under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

Note C - Concentration of risk:

The Spanish Fort Fire-Rescue Department, Inc. maintains cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At September 30, 2009, the uninsured cash balances total \$20,298.

SUPPLEMENTAL INFORMATION

Spanish Fort Fire-Rescue Department, Inc.

SCHEDULE I - Revenues - Modified Cash Basis

For the Year Ended September 30, 2009

	<u>General</u>	<u>Fire Tax</u>	<u>Firefighter</u>	<u>Auxiliary</u>	<u>Total</u>
Dues and contributions	\$ 64,282	\$ -	\$ -	\$ -	\$ 64,282
Interest received on investments	7,198	-	-	-	7,198
City of Spanish Fort contract	100,000	-	-	-	100,000
Fire tax funds	-	190,599	-	-	190,599
State funds	-	1,720	-	-	1,720
Fundraising income	50	-	4,549	499	5,098
Sale of right-of-way	52,420	-	-	-	52,420
Miscellaneous income	2,965	24	-	-	2,989
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total revenues	<u>\$ 226,915</u>	<u>\$ 192,343</u>	<u>\$ 4,549</u>	<u>\$ 499</u>	<u>\$ 424,306</u>

See accompanying notes and auditors' report.

Spanish Fort Fire-Rescue Department, Inc.

SCHEDULE II - Expenses - Modified Cash Basis

For the Year Ended September 30, 2009

	<u>General</u>	<u>Fire Tax</u>	<u>Firefighter</u>	<u>Auxiliary</u>	<u>Total</u>
Awards and benevolences	\$ 17,138	\$ -	\$ -	\$ -	\$ 17,138
Computer supplies	1,141	-	-	-	1,141
Contract labor	1,057	3,563	-	-	4,620
Depreciation	276,286	-	-	-	276,286
Dues and subscriptions	2,166	995	-	-	3,161
Fundraising expenses	-	-	3,417	198	3,615
Fire prevention and education	2,303	-	-	-	2,303
Insurance	-	23,473	-	-	23,473
Interest expense	1,281	-	-	-	1,281
Office expense	4,048	146	-	-	4,194
Payroll expenses	31,016	-	-	-	31,016
Professional fees	2,576	28	-	-	2,604
Public relations	501	10	-	-	511
Repairs and maintenance	9,272	40,439	-	-	49,711
Supplies, equipment and uniforms	1,889	1,564	-	-	3,453
Telephone and pagers	1,438	2,518	-	-	3,956
Training and travel	2,504	704	-	-	3,208
Uniforms	7,121	-	-	-	7,121
Utilities	-	13,209	-	-	13,209
Vehicle expense	48	8,490	-	-	8,538
Total expenses	<u>\$ 361,785</u>	<u>\$ 95,139</u>	<u>\$ 3,417</u>	<u>\$ 198</u>	<u>\$ 460,539</u>

See accompanying notes and auditors' report.