

Spanish Fort Fire-Rescue Department , Inc.

Financial Statements and Supplemental Information
Year Ended September 30, 2012

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Spanish Fort Fire-Rescue Department, Inc.

I 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, 2012, 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. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my 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. Those standards require that I 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As described in the accompanying notes to financial statements, 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 my 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, 2012, and the changes in its net assets and its cash flows for the year then ended, on the basis of accounting described in the accompanying notes to financial statements.

In accordance with *Government Auditing Standards*, I have also issued my report dated January 18, 2013, on my consideration of Spanish Fort Fire-Rescue Department, Inc.'s internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

James T. Murray, III, CPA, LLC

Mobile, Alabama
January 18, 2013

Spanish Fort Fire-Rescue Department, Inc.
Statement of Assets, Liabilities, and Net Assets - Modified Cash Basis
September 30, 2012

ASSETS

Current Assets

Cash	\$ 180,512
Certificates of deposit	<u>152,219</u>
Total current assets	332,731

Property and Equipment

Land	229,655
Fire trucks	1,756,269
Radio equipment	87,932
Other equipment	828,112
Training facility	46,390
Buildings	<u>461,712</u>
	3,410,070

Less accumulated depreciation	<u>2,417,286</u>
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Total property and equipment	<u>992,784</u>
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\$ 1,325,515

LIABILITIES AND NET ASSETS

Net Assets

Unrestricted	<u>\$ 1,325,515</u>
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\$ 1,325,515

Spanish Fort Fire-Rescue Department, Inc.
Statement of Activities - Modified Cash Basis
For the Year Ended September 30, 2012

Support and Revenues	
Public support - City of Spanish Fort	\$ 177,000
Dues and contributions	76,709
Fire tax funds	153,161
FEMA funds	929,934
State funds	1,148
Other revenues	
Fund raising	5,064
Interest income	531
Other income	<u>32,310</u>
Total other revenues	<u>37,905</u>
Total support and revenues	1,375,857
Operating Expenses	<u>1,532,970</u>
Net Decrease in Unrestricted Net Assets	(157,113)
Unrestricted Net Assets, beginning of year	<u>1,482,628</u>
Unrestricted Net Assets, end of year	<u><u>\$ 1,325,515</u></u>

Spanish Fort Fire-Rescue Department, Inc.
Statement of Cash Flows - Modified Cash Basis
For the Year Ended September 30, 2012

Operating Activities	
Decrease in net assets	\$ (157,113)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	224,207
Decrease in deposit	<u>17,990</u>
Net cash provided by operating activities	85,084
Investing Activities	
Decrease in certificates of deposit	75,578
Purchase of depreciable assets	<u>(179,990)</u>
Net cash used in investing activities	(104,412)
Net decrease in cash	(19,328)
Cash, beginning of year	<u>199,840</u>
Cash, end of year	<u><u>\$ 180,512</u></u>

See accompanying notes and independent auditor's report.

SPANISH FORT FIRE-RESCUE DEPARTMENT, INC.

Notes to Financial Statements

September 30, 2012

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, 2012.

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, 2012, was \$224,207. 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.

SPANISH FORT FIRE-RESCUE DEPARTMENT, INC.

Notes to Financial Statements

September 30, 2012

Accounting policies (continued):

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, 2012, was \$177,000.

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.

Concentration of credit risk for cash held in bank:

Spanish Fort Fire-Rescue Department, Inc. had no uninsured cash balances at September 30, 2012.

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.

Subsequent Events:

The Organization has evaluated subsequent events through January 18, 2013, the date which the financial statements were available to be issued.

Spanish Fort Fire-Rescue Department, Inc.
Schedule of Revenues and Expenses by Fund - Modified Cash Basis
For the Year Ended September 30, 2012

	General	Fire Tax	SAFER LOSAP	ATF Operations and Safety	Firefighter	Auxiliary	Total
City of Spanish Fort contract	\$ 177,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 177,000
Dues and contributions	76,709	-	-	-	-	-	76,709
Fire tax funds	-	153,161	-	-	-	-	153,161
FEMA funds	-	-	30,000	899,934	-	-	929,934
State funds	-	1,148	-	-	-	-	1,148
Fundraising income	-	-	-	-	2,572	2,492	5,064
Interest received on investments	531	-	-	-	-	-	531
Miscellaneous income	32,310	-	-	-	-	-	32,310
Total revenues	<u>286,550</u>	<u>154,309</u>	<u>30,000</u>	<u>899,934</u>	<u>2,572</u>	<u>2,492</u>	<u>1,375,857</u>
Awards and benevolences	8,567	173	30,000	-	-	-	38,740
Depreciation	224,207	-	-	-	-	-	224,207
Dues and subscriptions	35	3,323	-	-	-	-	3,358
Fundraising expenses	-	-	-	-	3,054	1,317	4,371
Fire prevention and education	290	1,190	-	-	-	-	1,480
Insurance	863	27,247	-	-	-	-	28,110
Medical expense	572	-	-	-	-	-	572
Office expense	4,161	2,951	-	-	-	-	7,112
Payroll expenses	147,206	-	-	-	-	-	147,206
Professional fees	16,483	3,455	-	-	-	-	19,937
Public relations	669	-	-	-	-	-	669
Repairs and maintenance	2,069	41,831	-	-	-	-	43,900
Retirement plan contributions	7,416	-	-	-	-	-	7,416
Supplies and equipment	1,818	16,886	-	947,301	-	-	966,005
Telephone and pagers	267	2,672	-	-	-	-	2,939
Training and travel	1,969	859	-	-	-	-	2,828
Uniforms	590	4,776	-	-	-	-	5,366
Utilities	-	13,808	-	-	-	-	13,808
Vehicle expense	24	14,922	-	-	-	-	14,946
Total expenses	<u>417,206</u>	<u>134,093</u>	<u>30,000</u>	<u>947,301</u>	<u>3,054</u>	<u>1,317</u>	<u>1,532,970</u>
Excess revenues over (under) expenditures	(130,656)	20,217	-	(47,367)	(482)	1,175	(157,113)
Tranfers in (out)	<u>(43,388)</u>	<u>(4,440)</u>	<u>(200)</u>	<u>47,367</u>	<u>661</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(174,044)	15,777	(200)	-	179	1,175	(157,113)
Fund balance, beginning of year	1,469,697	11,190	200	-	1,097	444	1,482,628
Fund balance, end of year	<u>\$ 1,295,654</u>	<u>\$ 26,967</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,276</u>	<u>\$ 1,619</u>	<u>\$ 1,325,515</u>

See accompanying notes and independent auditor's report.



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REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
Spanish Fort Fire-Rescue Department, Inc.

I have audited the financial statements of Spanish Fort Fire-Rescue Department, Inc. (a nonprofit organization) as of and for the year ended September 30, 2012, and have issued my report thereon dated January 18, 2013. I conducted my 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.

Internal Control over Financial Reporting

Management of Spanish Fort Fire-Rescue Department, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing my audit, I considered Spanish Fort Fire-Rescue Department, Inc.'s internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Spanish Fort Fire-Rescue Department, Inc.'s internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Spanish Fort Fire-Rescue Department, Inc.'s financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, others within the entity, the Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

James T. Murray, III, CPA, LLC

Mobile, Alabama
January 18, 2013



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

I have audited Spanish Fort Fire-Rescue Department, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Spanish Fort Fire-Rescue Department, Inc.'s major federal programs for the year ended September 30, 2012. Spanish Fort Fire-Rescue Department, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Spanish Fort Fire-Rescue Department, Inc.'s management. My responsibility is to express an opinion on Spanish Fort Fire-Rescue Department, Inc.'s compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Spanish Fort Fire-Rescue Department, Inc.'s compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of Spanish Fort Fire-Rescue Department, Inc.'s compliance with those requirements.

In my opinion, Spanish Fort Fire-Rescue Department, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012.

Internal Control Over Compliance

Management of Spanish Fort Fire-Rescue Department, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered Spanish Fort Fire-Rescue Department, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Spanish Fort Fire-Rescue Department, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

Spanish Fort Fire-Rescue Department, Inc.'s responses to the findings identified in my audit are described in the accompanying schedule of findings and questioned costs. I did not audit Spanish Fort Fire-Rescue Department, Inc.'s responses and, accordingly, I express no opinion on the responses.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

James T. Murray, III, CPA, LLC

Mobile, Alabama
January 18, 2013

Spanish Fort Fire-Rescue Department, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2012

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA #	Pass-Through Grant #	Expenditures
Federal Emergency Management Agency			
Staffing for Adequate Fire and Emergency Response - SAFER	97.083	EMW-2009-FF-00695	30,000
Assistance to Firefighters Grant Program - Operations and Safety Program	97.044	EMW-2011-FR-00448	899,934
Total Federal Emergency Management Agency			929,934
Total Federal Expenditures			929,934

Spanish Fort Fire-Rescue Department, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2012

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
Significant deficiency(ies) identified that are not considered to be a material weaknesses?	<u> </u> Yes	<u> X </u> None reported

Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No
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Federal Awards

Internal control over major programs: Unqualified

Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
Significant deficiency(ies) identified that are not considered to be a material weaknesses?	<u> </u> Yes	<u> X </u> None reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of circular A-133?	<u> </u> Yes	<u> X </u> No
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Identified major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
97.044	Assistance to Firefighters Grant Program - Operations and Safety Program

Dollar threshold used to distinguish between type A and type B programs?	\$300,000
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Auditee qualified as low risk?	<u> </u> Yes	<u> X </u> No
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Section II - Financial Statements Findings

None reported.

Section III - Federal Award Findings and Questioned Costs

None reported.