

**Spanish Fort Fire-Rescue Department, Inc.**

Financial Statements and Supplemental Information  
Year Ended September 30, 2011

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# James T. Murray, III, CPA, LLC

*Certified Public Accountant*

## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
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, 2011, 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. 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 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, 2011, 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.

My 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 my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



January 2, 2012

**SPANISH FORT FIRE-RESCUE DEPARTMENT, INC.**  
**Statement of Assets, Liabilities, and Net Assets - Modified Cash Basis**  
**September 30, 2011**

	<u>General</u>	<u>Fire Tax</u>	<u>Firefighter</u>	<u>Auxiliary</u>	<u>Total</u>
<b>ASSETS</b>					
Cash					
Checking	\$ 187,109	\$ 11,190	\$ 1,097	\$ 444	\$ 199,840
Certificates of deposit	<u>227,797</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>227,797</u>
Total cash	414,906	11,190	1,097	444	427,637
Deposit	17,990	-	-	-	17,990
Fixed assets:					
Land	229,655	-	-	-	229,655
Fire trucks	1,578,679	-	-	-	1,578,679
Radio equipment	85,532	-	-	-	85,532
Other equipment	828,112	-	-	-	828,112
Training facility	46,390	-	-	-	46,390
Buildings	461,712	-	-	-	461,712
Accumulated depreciation	<u>(2,193,079)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,193,079)</u>
Total fixed assets	<u>1,037,001</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,037,001</u>
Total assets	<u>\$ 1,469,897</u>	<u>\$ 11,190</u>	<u>\$ 1,097</u>	<u>\$ 444</u>	<u>\$ 1,482,628</u>
<b>LIABILITIES AND NET ASSETS</b>					
Unrestricted net assets	<u>\$ 1,469,897</u>	<u>\$ 11,190</u>	<u>\$ 1,097</u>	<u>\$ 444</u>	<u>\$ 1,482,628</u>
Total liabilities and net assets	<u>\$ 1,469,897</u>	<u>\$ 11,190</u>	<u>\$ 1,097</u>	<u>\$ 444</u>	<u>\$ 1,482,628</u>

See accompanying notes and independent auditor's report.

**SPANISH FORT FIRE-RESCUE DEPARTMENT, INC.**  
**Statement of Activities - Modified Cash Basis**  
**For the Year Ended September 30, 2011**

	<u>General</u>	<u>Fire Tax</u>	<u>Firefighter</u>	<u>Auxiliary</u>	<u>Total</u>
Total revenues	\$ 197,204	\$ 165,418	\$ 5,515	\$ 1,384	\$ 369,521
Total expenses	(456,258)	(97,169)	(7,305)	(2,271)	(563,003)
Fund transfers	<u>106,722</u>	<u>(106,722)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	(152,332)	(38,473)	(1,790)	(887)	(193,482)
Net assets, beginning of year	<u>1,622,229</u>	<u>49,663</u>	<u>2,887</u>	<u>1,331</u>	<u>1,676,110</u>
Net assets, end of year	<u>\$ 1,469,897</u>	<u>\$ 11,190</u>	<u>\$ 1,097</u>	<u>\$ 444</u>	<u>\$ 1,482,628</u>

*See accompanying notes and independent auditor's report.*

**SPANISH FORT FIRE-RESCUE DEPARTMENT, INC.**  
**Statement of Cash Flows - Modified Cash Basis**  
**For the Year Ended September 30, 2011**

	<u>General</u>	<u>Fire Tax</u>	<u>Firefighter</u>	<u>Auxiliary</u>	<u>Total</u>
Cash flows from operating activities:					
Cash received from customers, donations and state agencies	\$ 191,647	\$ 165,418	\$ -	\$ -	\$ 357,065
Cash received from fundraising	-	-	5,515	1,384	6,899
Cash received from other income	3,747	-	-	-	3,747
Cash paid to suppliers	(258,473)	(97,169)	(7,305)	(2,271)	(365,218)
Interest received	1,810	-	-	-	1,810
Transfers from other funds	106,722	(106,722)	-	-	-
Net cash provided by (used in) operating activities	45,453	(38,473)	(1,790)	(887)	4,303
Cash flows from investing activities:					
Re-invested interest	(1,810)	-	-	-	-
Purchase of equipment	(45,351)	-	-	-	(45,351)
Net cash used in investing activities	(47,161)	-	-	-	(45,351)
Net decrease in cash and cash equivalents	(1,708)	(38,473)	(1,790)	(887)	(42,858)
Cash and cash equivalents at beginning of year	188,817	49,663	2,887	1,331	242,698
Cash and cash equivalents at end of year	<u>\$ 187,109</u>	<u>\$ 11,190</u>	<u>\$ 1,097</u>	<u>\$ 444</u>	<u>\$ 199,840</u>
Reconciliation of decrease in net assets to net cash from operating activities:					
Decrease in net assets	\$ (152,332)	\$ (38,473)	\$ (1,790)	\$ (887)	\$ (193,482)
Adjustments to reconcile decrease in net assets to net cash from operating activities:					
Depreciation	215,775	-	-	-	215,775
Increase in deposit	(17,990)	-	-	-	(17,990)
Net cash provided by (used in) operating activities	<u>\$ 45,453</u>	<u>\$ (38,473)</u>	<u>\$ (1,790)</u>	<u>\$ (887)</u>	<u>\$ 4,303</u>

*See accompanying notes and independent auditor's report.*

# SPANISH FORT FIRE-RESCUE DEPARTMENT, INC.

## Notes to Financial Statements

September 30, 2011

### 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, 2011.

**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, 2011, was \$215,775. 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, 2011**

### **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, 2011, was \$100,000. The contract will expire September 30, 2012, but is expected to be renewed.

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, 2011.

### **Purchase commitments:**

Spanish Fort Fire-Rescue Department, Inc. has committed to purchase a new rapid-response emergency truck at a cost of approximately \$178,000. A deposit of \$17,990 was paid in April 2011 and the Organization expects to take delivery of the asset in early 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 2, 2012, the date which the financial statements were available to be issued.

## SUPPLEMENTAL INFORMATION

**SPANISH FORT FIRE-RESCUE DEPARTMENT, INC.**  
**SCHEDULE I - Revenues - Modified Cash Basis**  
**For the Year Ended September 30, 2011**

	<u>General</u>	<u>Fire Tax</u>	<u>Firefighter</u>	<u>Auxiliary</u>	<u>Total</u>
Dues and contributions	\$ 65,340	\$ -	\$ -	\$ -	\$ 65,340
Interest received on investments	1,810	-	-	-	1,810
City of Spanish Fort contract	100,000	-	-	-	100,000
FEMA funds	25,000	-	-	-	25,000
Fire tax funds	-	165,418	-	-	165,418
State funds	1,307	-	-	-	1,307
Fundraising income	-	-	5,515	1,384	6,899
Miscellaneous income	<u>3,747</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,747</u>
Total revenues	<u>\$ 197,204</u>	<u>\$ 165,418</u>	<u>\$ 5,515</u>	<u>\$ 1,384</u>	<u>\$ 369,521</u>

*See accompanying notes and independent auditor's report.*

**SPANISH FORT FIRE-RESCUE DEPARTMENT, INC.**  
**SCHEDULE II - Expenses - Modified Cash Basis**  
**For the Year Ended September 30, 2011**

	<u>General</u>	<u>Fire Tax</u>	<u>Firefighter</u>	<u>Auxiliary</u>	<u>Total</u>
Awards and benevolences	\$ 3,348	\$ 411	\$ -	\$ -	\$ 3,759
Contract labor	1,935	575	-	-	2,510
Depreciation	215,775	-	-	-	215,775
Dues and subscriptions	2,334	1,063	-	-	3,397
Fundraising expenses	-	-	7,305	2,271	9,576
Fire prevention and education	958	624	-	-	1,582
Insurance	-	24,145	-	-	24,145
Medical expense	122	-	-	-	122
Office expense	4,701	1,691	-	-	6,392
Payroll expenses	134,572	-	-	-	134,572
Professional fees	2,500	-	-	-	2,500
Public relations	1,424	38	-	-	1,462
Repairs and maintenance	30,515	30,919	-	-	61,434
Retirement plan contributions	45,000	-	-	-	45,000
Supplies, equipment and uniforms	412	13,637	-	-	14,049
Telephone and pagers	2,274	803	-	-	3,077
Training and travel	2,591	723	-	-	3,314
Uniforms	730	1,006	-	-	1,736
Utilities	-	14,275	-	-	14,275
Vehicle expense	<u>7,067</u>	<u>7,259</u>	<u>-</u>	<u>-</u>	<u>14,326</u>
Total expenses	<u>\$ 456,258</u>	<u>\$ 97,169</u>	<u>\$ 7,305</u>	<u>\$ 2,271</u>	<u>\$ 563,003</u>

*See accompanying notes and independent auditor's report.*

