

Spanish Fort Fire-Rescue Department, Inc.

Financial Statements and Supplemental Information
Year Ended September 30, 2017

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JAMES T. MURRAY, III, CPA, LLC

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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, 2017, 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.

Management's Responsibility for the Financial Statements

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

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 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 entity'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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit 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.

Opinion

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, 2017, 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 financial statements as a whole. The supplemental information contained in the attached Schedule of Revenues and Expenses by Fund is presented for the purpose of additional analysis and is not a required part of the basic 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 information contained in the supplemental schedules is fairly stated in all material respects in relation to the financial statements as a whole.

James T. Munay, III, CPA, LLC

January 31, 2018

SPANISH FORT FIRE-RESCUE DEPARTMENT, INC.
Statement of Assets, Liabilities, and Net Assets - Modified Cash Basis
September 30, 2017

ASSETS

Current assets	
Cash	\$ 311,653
Certificate of deposit	80,703
Total current assets	<u>392,356</u>
Property and equipment	
Land	256,841
Fire trucks	2,218,120
Radio equipment	91,772
Other equipment	873,743
Training facility	46,390
Buildings	461,712
Total property and equipment	3,948,578
Less: accumulated depreciation	<u>3,191,434</u>
Total property and equipment(net)	<u>757,144</u>
Total assets	<u>\$ 1,149,500</u>

LIABILITIES AND NET ASSETS

Current liabilities	
Current maturities of long-term debt	\$ 39,301
Total current liabilities	<u>39,301</u>
Long term liabilities	
Long-term debt	184,593
Total long-term liabilities	<u>184,593</u>
Total liabilities	223,894
Net assets	
Unrestricted net assets	925,606
Total net assets	<u>925,606</u>
Total liabilities & net assets	<u>\$ 1,149,500</u>

SPANISH FORT FIRE-RESCUE DEPARTMENT, INC.
Statement of Activities- Modified Cash Basis
For the Year Ended September 30, 2017

SUPPORT & REVENUES

Public support - City of Spanish Fort	\$ 540,000
Dues and contributions	71,027
Fire tax funds	170,086
FEMA funds	116,674
State funds	<u>1,058</u>
Total support and fund revenues	898,845
Other revenues	
Fund raising	15,779
Interest income	1,095
Other income	<u>9,055</u>
Total other revenues	<u>25,929</u>
Total support and revenues	<u>924,774</u>

EXPENSES

Operating expenses	<u>905,545</u>
Net Increase in Unrestricted Net Assets	19,229
Unrestricted Net Assets, beginning of year	<u>906,377</u>
Unrestricted Net Assets, end of year	<u><u>\$ 925,606</u></u>

SPANISH FORT FIRE-RESCUE DEPARTMENT, INC.
Statement of Cash Flows- Modified Cash Basis
For the Year Ended September 30, 2017

Cash flows from operating activities:

Increase in net assets	\$	19,229
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation		114,926
Net cash provided by operating activities		134,155

Investing Activities

Increase in certificate of deposit		(3,871)
Purchase of depreciable assets		(75,949)
Net cash used in investing activities		(79,820)

Cash flows from financing activities:

Proceeds from new loans		62,666
Repayment of long-term debt		(47,802)
Net cash provided by financing activities		14,864

Net increase in cash		69,199
Cash, beginning of year		242,454
Cash, end of year	\$	311,653
Supplement cash flow information:		
Interest paid:	\$	6,800

SPANISH FORT FIRE-RESCUE DEPARTMENT, INC.
Schedule of Revenues and Expenses by Fund - Modified Cash Basis
For the Year Ended September 30, 2017

	General	Fire Tax	SAFER	Firefighter	Auxiliary	Total
City of Spanish Fort contract	\$ 540,000	\$ -	\$ -	\$ -	\$ -	\$ 540,000
Dues and contributions	71,027	-	-	-	-	71,027
Fire tax funds	-	170,086	-	-	-	170,086
FEMA funds	-	-	116,674	-	-	116,674
State funds	1,058	-	-	-	-	1,058
Fundraising income	12,743	-	-	1,699	1,337	15,779
Interest received on investments	1,095	-	-	-	-	1,095
Miscellaneous income	9,055	-	-	-	-	9,055
Total revenues	<u>634,978</u>	<u>170,086</u>	<u>116,674</u>	<u>1,699</u>	<u>1,337</u>	<u>924,774</u>
Awards and benevolences	20,630	-	-	-	-	20,630
Depreciation	114,926	-	-	-	-	114,926
Dues and subscriptions	3,453	1,396	-	-	-	4,849
Employee benefits	63,951	-	-	-	-	63,951
Fundraising expenses	-	-	-	300	1,860	2,160
Fire prevention and education	6,804	-	-	-	-	6,804
Insurance	26,595	26,362	-	-	-	52,957
Interest expense	6,560	240	-	-	-	6,800
Marketing	4,476	3,030	2,000	-	-	9,506
Medical expense	65	840	2,963	-	-	3,868
Office expense	4,829	547	27	-	-	5,403
Payroll expenses	357,930	-	-	-	-	357,930
Professional fees	7,428	-	-	-	-	7,428
Public relations	746	-	-	-	-	746
Repairs and maintenance	12,591	69,413	-	-	-	82,004
Retirement plan contributions	10,748	-	-	-	-	10,748
Supplies and equipment	1,588	5,247	17,405	-	-	24,240
Stipends	360	-	76,512	-	-	76,872
Telephone and pagers	2,306	1,524	642	-	-	4,472
Training and travel	2,828	8,250	-	-	-	11,078
Uniforms	343	6,249	428	323	-	7,343
Utilities	-	16,481	-	-	-	16,481
Vehicle expense	-	14,349	-	-	-	14,349
Total expenses	<u>649,157</u>	<u>153,928</u>	<u>99,977</u>	<u>623</u>	<u>1,860</u>	<u>905,545</u>
Excess revenues over (under) expenditures	(14,179)	16,158	16,697	1,076	(523)	19,229
Transfers in (out)	<u>33,079</u>	<u>(8,143)</u>	<u>(24,831)</u>	<u>(160)</u>	<u>55</u>	<u>-</u>
Net change in fund balances	18,900	8,015	(8,134)	916	(468)	19,229
Fund balance, beginning of year	870,052	20,732	11,765	1,271	2,557	906,377
Fund balance, end of year	<u>\$ 888,952</u>	<u>\$ 28,747</u>	<u>\$ 3,631</u>	<u>\$ 2,187</u>	<u>\$ 2,089</u>	<u>\$ 925,606</u>

See accompanying notes and independent auditor's report.

SPANISH FORT FIRE-RESCUE DEPARTMENT, INC.

Notes to the Financial Statements

September 30, 2017

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, 2017.

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. 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 the Financial Statements

September 30, 2017

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, 2017, was \$540,000.

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.

Long-term debt:

Long-term debt consists of:

Note payable to a bank, due in annual installments of \$45,539, including interest at 2.99% and secured by a new fire truck. The final payment is due July 2021. The loan balance at September 30, 2017 is \$169,838.

Note payable to a bank, due in monthly installments of \$565, including interest at 5.99% and secured by a vehicle. The final payment is due January 2022. The loan balance at September 30, 2017 is \$24,893.

Note payable to a bank, due in monthly installments of \$684, including interest at 5.99% and secured by a vehicle. The final payment is due February 2022. The loan balance at September 30, 2017 is \$29,163.

The loan maturity schedule is as follows:

Current	\$ 52,108
2019	54,035
2020	56,043
2021	58,724
2022	2,984
	<hr/>
	\$ 223,894
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SPANISH FORT FIRE-RESCUE DEPARTMENT, INC.
Notes to the Financial Statements
September 30, 2017

Concentration of credit risk for cash held in bank:

Spanish Fort Fire-Rescue Department, Inc. had no uninsured cash balances at September 30, 2017.

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 31, 2018, the date which the financial statements were available to be issued.

