

Spanish Fort Fire-Rescue Department, Inc.

Financial Statements and Supplemental Information
Year Ended September 30, 2020

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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, 2020, 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, 2020, 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. Munday, III, CPA, LLC

February 5, 2021

SPANISH FORT FIRE-RESCUE DEPARTMENT, INC.
Statement of Assets, Liabilities, and Net Assets - Modified Cash Basis
September 30, 2020

ASSETS

Current assets		
Cash		\$ 550,930
Total current assets		<u>550,930</u>
Property and equipment		
Land		327,173
Fire trucks		2,287,389
Radio equipment		91,772
Other equipment		880,860
Training facility		46,390
Buildings		<u>479,884</u>
Total property and equipment		4,113,468
Less: accumulated depreciation		<u>3,411,590</u>
Total property and equipment(net)		<u>701,878</u>
Total assets		<u>\$ 1,252,808</u>

LIABILITIES AND NET ASSETS

Current liabilities		
Current maturities of long-term debt		\$ 45,016
Total current liabilities		<u>45,016</u>
Total liabilities		45,016
Net assets		
Unrestricted net assets		<u>1,207,792</u>
Total net assets		<u>1,207,792</u>
Total liabilities & net assets		<u>\$ 1,252,808</u>

SPANISH FORT FIRE-RESCUE DEPARTMENT, INC.
Statement of Activities- Modified Cash Basis
For the Year Ended September 30, 2020

SUPPORT & REVENUES

Public support - City of Spanish Fort	\$	800,000
Dues and contributions		76,905
Fire tax funds		199,855
FEMA funds		<u>90,962</u>
Total support and fund revenues		1,167,722
Other revenues		
Fund raising		5,239
Interest income		47
Fire prevention program		1,334
Training income		4,570
CARES Act grant		15,000
SBA Payroll Protection forgiveness		111,182
Other income		<u>4,500</u>
Total other revenues		<u>141,872</u>
Total support and revenues		<u>1,309,594</u>

EXPENSES

Operating expenses		<u>1,233,128</u>
Net Increase in Unrestricted Net Assets		76,466
Unrestricted Net Assets, beginning of year		<u>1,131,326</u>
Unrestricted Net Assets, end of year	\$	<u><u>1,207,792</u></u>

SPANISH FORT FIRE-RESCUE DEPARTMENT, INC.
Statement of Cash Flows- Modified Cash Basis
For the Year Ended September 30, 2020

Cash flows from operating activities:

Increase in net assets	\$	76,466
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Adjustments to reconcile increase in net assets
to net cash provided by operating activities:

Depreciation		<u>75,091</u>
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Net cash provided by operating activities		151,557
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Investing Activities

Decrease in certificate of deposit		76,832
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Purchase of capital assets		<u>(76,386)</u>
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Net cash used in investing activities		446
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Cash flows from financing activities:

Repayment of long-term debt		<u>(73,964)</u>
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Net cash used in financing activities		<u>(73,964)</u>
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Net increase in cash		78,039
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Cash, beginning of year		<u>472,891</u>
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Cash, end of year	\$	<u><u>550,930</u></u>
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Supplement cash flow information:

Interest paid:	\$	<u><u>2,683</u></u>
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SPANISH FORT FIRE-RESCUE DEPARTMENT, INC.
Notes to the Financial Statements
September 30, 2020

Accounting policies:

Nature of activities - Spanish Fort Fire-Rescue Department, Inc., (the Organization) is a non-profit organization that provides emergency firefighting 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, 2020.

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, 2020

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, 2020, was \$800,000.

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, 2020 is \$45,016.

Concentration of credit risk for cash held in bank:

Spanish Fort Fire-Rescue Department, Inc. had no uninsured cash balances at September 30, 2020.

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 February 5, 2021, 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, 2020

	General	Fire Tax	SAFER	Firefighter	Auxiliary	Total
City of Spanish Fort contract	\$ 800,000	\$ -	\$ -	\$ -	\$ -	\$ 800,000
Dues and contributions	76,905	-	-	-	-	76,905
Fire tax funds	-	199,855	-	-	-	199,855
FEMA funds	-	-	90,962	-	-	90,962
Fundraising income	431	-	-	4,540	268	5,239
Interest received on investments	47	-	-	-	-	47
Fire prevention program	1,334	-	-	-	-	1,334
Training income	4,570	-	-	-	-	4,570
CARES Act grant	15,000	-	-	-	-	15,000
SBA Payroll Protection forgiveness	111,182	-	-	-	-	111,182
Miscellaneous income	4,500	-	-	-	-	4,500
Total revenues	<u>1,013,969</u>	<u>199,855</u>	<u>90,962</u>	<u>4,540</u>	<u>268</u>	<u>1,309,594</u>
Awards and benevolences	14,885	-	-	-	-	14,885
Depreciation	75,091	-	-	-	-	75,091
COVID-19 expenses	2,815	-	-	-	-	2,815
Dues and subscriptions	4,518	1,661	-	-	-	6,179
Employee benefits	95,799	-	-	-	-	95,799
Fundraising expenses	249	-	-	4,500	150	4,899
Fire prevention and education	4,096	1,033	-	-	-	5,129
Insurance	49,426	-	-	-	-	49,426
Interest expense	2,683	-	-	-	-	2,683
Marketing	7,644	-	6,673	-	-	14,317
Medical expense	5,150	3,007	-	-	-	8,157
Office expense	6,889	-	200	-	-	7,089
Payroll expenses	656,984	-	25,927	-	-	682,911
Professional fees	7,344	-	220	-	-	7,564
Public relations	1,094	-	-	-	-	1,094
Repairs and maintenance	26,155	90,284	-	-	-	116,439
Retirement plan contributions	18,514	-	-	-	-	18,514
Site development - training center	10,020	4,676	-	-	-	14,696
Supplies and equipment	2,699	35,586	-	-	-	38,285
Stipends	-	-	14,932	-	-	14,932
Telephone and pagers	1,900	3,048	326	-	-	5,274
Training and travel	3,503	1,380	-	-	-	4,883
Uniforms	2,677	1,942	-	-	-	4,619
Utilities	50	17,027	-	-	-	17,077
Vehicle fuel	5,420	14,951	-	-	-	20,371
Total expenses	<u>1,005,605</u>	<u>174,595</u>	<u>48,278</u>	<u>4,500</u>	<u>150</u>	<u>1,233,128</u>
Excess revenues over (under) expenditures	8,364	25,260	42,684	40	118	76,466
Tranfers in (out)	<u>72,785</u>	<u>(72,785)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	81,149	(47,525)	42,684	40	118	76,466
Fund balance, beginning of year	947,171	\$ 174,650	\$ 1,935	\$ 2,939	\$ 4,631	1,131,326
Fund balance, end of year	<u>\$ 1,028,320</u>	<u>\$ 127,125</u>	<u>\$ 44,619</u>	<u>\$ 2,979</u>	<u>\$ 4,749</u>	<u>\$ 1,207,792</u>

See accompanying notes and independent auditor's report.