

Spanish Fort Fire-Rescue Department, Inc.

Financial Statements
Fiscal Year Ended September 30, 2021

Spanish Fort Fire-Rescue Department, Inc.
Fiscal Year Ended September 30, 2021

Table of Contents

Independent Auditor’s Report	1
Statement of Assets, Liabilities, and Net Assets – Modified Cash Basis.....	3
Statement of Revenues, Expenses, and Changes in Net Assets by Fund – Modified Cash Basis...4	
Statement of Cash Flows – Modified Cash Basis.....	5
Notes to Financial Statements	6



R A HEADRICK, JR, CPA, LLC
PO BOX 161352 - MOBILE, AL 36616

ROBERT A HEADRICK, JR, CPA, CGMA, MBA
CELL: 251-776-3119
FAX: 251-930-6352
rah@rahjr CPA.com

INDEPENDENT AUDITOR'S REPORT

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

Opinion

I have audited the accompanying financial statements of the Spanish Fort Fire-Rescue Department, Inc. (a nonprofit organization), which comprise the statement of assets, liabilities, and net assets – modified cash basis as of September 30, 2021, and the related statement of revenues, expenses, and changes in net assets by fund – modified cash basis and cash flows for the Fiscal Year then ended, and the related notes to the financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Spanish Fort Fire-Rescue Department, Inc. as of September 30, 2021, and the related statement of revenues, expenses, and changes in net assets – modified cash basis and cash flows for the Fiscal Year then ended in accordance with the basis of accounting described in the accompanying notes to the financial statements.

Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Spanish Fort Fire-Rescue Department, Inc. and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the basis of accounting described in the accompanying notes to the financial statements, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Spanish Fort Fire-Rescue Department, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee

MEMBER AICPA
MEMBER ALABAMA SOCIETY OF CPAS
MEMBER CHARTERED GLOBAL MANAGEMENT ACCOUNTANTS
MEMBER AICPA PEER REVIEW PROGRAM
MEMBER GOVERNMENTAL AUDIT QUALITY CENTER

that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Spanish Fort Fire-Rescue Department, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Spanish Fort Fire-Rescue Department, Inc.'s ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that I identified during the audit.



*Mobile, Alabama
May 31, 2022*

SPANISH FORT FIRE-RESCUE DEPARTMENT, INC.
Statement of Assets, Liabilities, and Net Assets - Modified Cash Basis
September 30, 2021

ASSETS

Current assets	
Cash	\$ 355,744
Total current assets	355,744
Property and equipment	
Land	327,173
Fire trucks	2,807,422
Radio equipment	91,772
Other equipment	880,860
Training facility	46,390
Buildings	479,884
Total property and equipment	4,633,501
Less: accumulated depreciation	(3,545,716)
Total property and equipment (net)	1,087,785
Total assets	\$ 1,443,529

LIABILITIES AND NET ASSETS

Current liabilities	
Current maturities of long-term debt	\$ 60,624
Total current liabilities	60,624
Long-term liabilities	
Long-term debt	400,407
Total long-term liabilities	400,407
Total liabilities	461,031
Net assets	
Unrestricted net assets	982,498
Total net assets	982,498
Total liabilities & net assets	\$ 1,443,529

SPANISH FORT FIRE-RESCUE DEPARTMENT, INC.
Statement of Revenues, Expenses, and Changes Net Assets
by Fund - Modified Cash Basis
For the Fiscal Year Ended September 30, 2021

	General	Fire Tax	SAFER	Firefighter	Auxiliary	Total
City of Spanish Fort grant	\$ 1,000,000	\$ -	\$ -	\$ -	\$ -	\$ 1,000,000
Dues and contributions	78,555	-	-	-	-	78,555
Fire tax funds	-	222,549	-	-	-	222,549
Fundraising income	931	-	-	648	365	1,944
Interest received on investments	23	-	-	-	-	23
Training income	2,730	-	-	-	-	2,730
Miscellaneous income	7,700	-	-	-	-	7,700
Total revenues	<u>1,089,939</u>	<u>222,549</u>	<u>-</u>	<u>648</u>	<u>365</u>	<u>1,313,501</u>
Awards and benevolences	14,403	-	-	-	-	14,403
Depreciation	134,126	-	-	-	-	134,126
COVID-19 expenses	10,891	-	-	-	-	10,891
Dues and subscriptions	1,528	4,329	-	-	-	5,857
Employee benefits	134,497	-	-	-	-	134,497
Fundraising expenses	1,223	-	-	-	-	1,223
Fire prevention and education	2,148	1,023	-	-	-	3,171
Insurance	24,826	32,084	-	-	-	56,910
Interest expense	14,824	-	-	-	-	14,824
Marketing	5,837	-	-	-	-	5,837
Medical expense	2,764	3,994	-	-	-	6,758
Office expense	4,905	898	-	12	-	5,815
Payroll expenses	799,042	-	-	-	-	799,042
Professional fees	10,670	12,449	-	-	-	23,119
Public relations	141	-	-	-	-	141
Repairs and maintenance	25,896	128,146	-	-	-	154,042
Retirement plan contributions	50,645	-	-	-	-	50,645
Site development - training center	578	2,150	-	-	-	2,728
Supplies and equipment	41,237	18,211	-	-	-	59,448
Telephone and pagers	-	4,865	-	-	-	4,865
Training and travel	4,256	-	-	-	-	4,256
Uniforms	458	5,598	-	-	-	6,056
Utilities	164	17,630	-	-	-	17,794
Vehicle fuel	83	22,264	-	-	-	22,347
Total expenses	<u>1,285,142</u>	<u>253,641</u>	<u>-</u>	<u>12</u>	<u>-</u>	<u>1,538,795</u>
Excess revenues over (under) expenditures	(195,203)	(31,092)	-	636	365	(225,294)
Transfers in (out)	138,550	(92,440)	(44,619)	(1,491)	-	-
Net changes in net assets	(56,653)	(123,532)	(44,619)	(855)	365	(225,294)
Net assets, beginning of year	1,028,320	127,125	44,619	2,979	4,749	1,207,792
Net assets, end of year	<u>\$ 971,667</u>	<u>\$ 3,593</u>	<u>\$ -</u>	<u>\$ 2,124</u>	<u>\$ 5,114</u>	<u>\$ 982,498</u>

See accompanying notes to the financial statements and independent auditor's report.

SPANISH FORT FIRE-RESCUE DEPARTMENT, INC.

Statement of Cash Flows- Modified Cash Basis

For the Fiscal Year Ended September 30, 2021

Cash flows from operating activities:

Cash received from grants, public support, and other sources	\$ 1,313,501
Cash paid to employees	(799,042)
Cash paid for operations	(590,803)
Cash paid for interest	<u>(14,824)</u>

Net cash used in operating activities (91,168)

Cash flows from investing activities:

Purchase of capital assets	<u>(520,033)</u>
----------------------------	------------------

Net cash used in investing activities (520,033)

Cash flows from financing activities:

Proceeds from new loans	520,033
Repayment of long-term debt	<u>(104,018)</u>

Net cash provided by financing activities 416,015

Net decrease in cash (195,186)

Cash, beginning of year 550,930

Cash, end of year \$ 355,744

SPANISH FORT FIRE-RESCUE DEPARTMENT, INC.

Notes to the Financial Statements

September 30, 2021

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 - Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed stipulations. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations. Net assets without restrictions may be designated for specific purposes by action of the Board of Directors.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time.

As of September 30, 2021 the Organization had no activity or net assets with donor restrictions.

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).

SPANISH FORT FIRE-RESCUE DEPARTMENT, INC.

Notes to the Financial Statements

September 30, 2021

Accounting policies (continued):

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.

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. The general fund is also supported by a contract with the City of Spanish Fort.

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

Functional allocation of expenses - Program and supporting service expenses have been reported by fund in the statement of revenues, expenses, and changes in net assets. It is management's policy to charge direct expenses to the related function. Indirect expenses are allocated according to percentages determined by management based primarily on the distribution of wages and the portion of the facility related to each function.

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. The organization is required to file an annual Form 990 – *Return of Organization Exempt from Income Tax*. The Board of Directors and management believe that the Organization is no longer subject to income tax examinations for years prior to 2019.

Concentration of credit risk for cash held in bank:

Spanish Fort Fire-Rescue Department, Inc. had no uninsured cash balances as of September 30, 2021.

SPANISH FORT FIRE-RESCUE DEPARTMENT, INC.

Notes to the Financial Statements

September 30, 2021

Long-term debt:

Long-term debt consists of:

Note payable to a bank, due in annual installments of \$73,303, including interest at 5.99% and secured by a new fire truck. The final payment is due May 2028. The loan balance as of September 30, 2021 is \$461,031.

Future maturities of long-term debt are as follows:

2022	\$ 60,624
2023	62,292
2024	64,005
2025	65,766
2026	67,573
2027 and thereafter	140,771
	<u>\$ 461,031</u>

Liquidity and availability of financial resources

As of September 30, 2021, the Organization had approximately \$355,000 of financial assets available within 1 year of the balance sheet date to meet cash needs for general expenditure consisting of cash of approximately \$355,000, which is not subject to donor or contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. The Organization has a goal to maintain financial assets, which consists of cash on hand to meet at least 90 days of normal operating expenses, which are, on average, approximately \$385,000. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Concentration of geographic area and revenue:

The Organization activities are concentrated in Spanish Fort and outlying areas. Revenues are derived almost entirely two sources: an annual grant from the City of Spanish Fort and ad valorem taxes from Baldwin County. Loss of either source of revenues would significantly impact the operations of the organization.

Subsequent Events:

The Organization has evaluated subsequent events through May 31, 2022, the date which the financial statements were available to be issued. Management is not aware of any material subsequent events which should be presented or disclosed in the financial statements.