

**LAKEVIEW FIRE PROTECTION DISTRICT, INC.  
LAKE VIEW, ALABAMA**

**DECEMBER 31, 2018 and 2019**

**DON WALLACE, CPA, PC  
527 MAIN AVENUE, STE. G  
NORTHPORT, AL 35476**

**Lakeview Fire Protection District, Inc.**  
**Lake View, Alabama**  
**Annual Report**  
**December 31, 2018 and 2019**  
**Table of Contents**

<b><u>DESCRIPTION</u></b>	<b><u>PAGE</u></b>
Independent Auditor's Report.....	1-2
 <b><u>FINANCIAL STATEMENTS</u></b>	
Statement of Net Assets.....	4
Statement of Revenues, Expenses & Change in Net Assets.....	5
Statement of Cash Flows.....	6
Notes to the Financial Statements .....	7-11

**DON WALLACE, CPA, PC  
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September 3, 2020

**Independent Auditor's Report**

Mr. Steven H. Johnson, President &  
Members of the Board of Directors  
Lakeview Fire Protection District, Inc.  
Lake View, Alabama

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors

I have audited the accompanying financial statements of Lakeview Fire Protection District, Inc. (a non-profit organization), which comprise the statement of assets, liabilities, and net assets— modified cash basis as of December 31, 2018 and 2019, and the related statement of support, revenue, and expenses—modified cash basis, and cash flows for the years then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting as described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

**Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on the audit. I conducted the 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.

**Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Lakeview Fire Protection District, Inc. (a non-profit organization). as of December 31, 2018 and 2019, and its support, revenue, and expenses, and changes in cash flows for the years then ended in accordance with the modified cash basis of accounting as described in Note 1.

**Basis of Accounting**

I draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. My opinion is not modified with respect to that matter.

Sincerely,

Don Wallace, CPA, PC

**FINANCIAL STATEMENTS**

**Lakeview Fire Protection District, Inc.**  
**Lake View, Alabama**  
**Statement of Assets, Liabilities & Net Assets – Modified Cash Basis**  
**December 31, 2018 and 2019**

<u>ASSETS</u>	<u>12-31-2018</u>	<u>12-31-2019</u>
Current:		
Checking	\$ 85,679	\$ 124,403
Savings	<u>173,250</u>	<u>173,799</u>
Total Current	<u>258,929</u>	<u>298,202</u>
Fixed Assets:		
Nondepreciable	1,500	1,500
Depreciable assets, net	<u>390,698</u>	<u>350,432</u>
Net Fixed Assets	<u>392,198</u>	<u>351,932</u>
Total assets	<u>651,127</u>	<u>650,134</u>
 <u>LIABILITIES</u>		
Current:		
Payroll liabilities	<u>3,316</u>	<u>3,740</u>
 <u>NET ASSETS</u>		
Investment in net capital assets	392,198	351,932
Unrestricted	<u>255,613</u>	<u>294,462</u>
Total net assets	<u>647,811</u>	<u>646,394</u>
Total liabilities & net assets	<u>651,127</u>	<u>650,134</u>

**Lakeview Fire Protection District, Inc.**  
**Lake View, Alabama**  
**Statement of Revenues, Expenses & Change in Net Assets – Modified Cash Basis**  
**Years Ended December 31, 2018 and 2019**

	<u>12-31-2018</u>	<u>12-31-2019</u>
<u>OPERATING REVENUES</u>		
District assessments	\$ 239,914	\$ 239,451
Governmental support	17,157	10,111
Other grants	3,271	2,506
Fundraising, net	7,625	460
Recoveries	7,119	20,462
Miscellaneous	<u>5,953</u>	<u>9,239</u>
Total operating revenues	<u>281,039</u>	<u>282,229</u>
<u>OPERATING EXPENSES</u>		
Payroll & related taxes	136,636	133,527
Firefighter reimbursements	3,300	8,850
Occupancy (utilities, etc)	15,264	14,576
Insurance	19,435	21,905
Depreciation expense	74,854	45,689
Fuel & oil	9,852	7,912
Vehicle/equipment maintenance	14,567	26,717
Medical supplies	4,339	4,244
Accounting & legal	3,891	3,512
Office & copier	2,645	9,219
Dues & subscriptions	0	3,432
Other	<u>5,407</u>	<u>6,190</u>
Total operating expenses	<u>290,190</u>	<u>285,773</u>
Operating income (loss)	<u>-9,151</u>	<u>-3,544</u>
<u>OTHER ITEMS</u>		
Interest revenue	443	1,413
Other revenue	<u>0</u>	<u>714</u>
Net other items	<u>443</u>	<u>2,127</u>
Change in net assets	-8,708	-1,417
Net assets- Beginning	658,016	647,811
Prior period adjustment	<u>-1,497</u>	<u></u>
Net assets- Ending	<u>647,811</u>	<u>646,394</u>

**Lakeview Fire Protection District, Inc.**  
**Lake View, Alabama**  
**Statement of Cash Flows**  
**Years Ended December 31, 2018 and 2019**

	12-31-2018	12-31-2019
<b><u>CASH FLOW FROM OPERATING ACTIVITIES</u></b>		
Receipts from fire assessments	\$ 239,914	239,451
Receipts of public grants and assistance	20,428	12,617
Other receipts	20,697	30,161
Payments of:		
Payroll, stipends & taxes	-139,936	-141,954
Insurance	-19,435	-22,346
Fuel, maintenance & supplies	-28,758	-38,873
Occupancy expenses	-15,264	-14,135
Other District operations	-11,942	-22,353
Cash flow from operating activities	65,704	42,569
<b><u>CASH FLOW FROM INVESTING ACTIVITIES</u></b>		
Receipts of interest	443	1,413
Purchase of equipment	0	-5,423
Proceeds from sale of assets	0	714
Cash flow from investing activities	443	-3,296
<b><u>CASH FLOW FROM FINANCING ACTIVITIES</u></b>		
Proceeds/Repayment of long-term debt	0	0
Change in cash	66,147	39,273
Cash- Beginning	192,782	258,929
Cash- Ending	258,929	298,202
<b><u>RECONCILIATION OF OPERATING INCOME TO CASH FLOW FROM OPERATING ACTIVITIES</u></b>		
Operating income	\$ -9,150	\$ -3,544
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	74,854	45,689
Change in operating assets, less:		
Change in operating liabilities:		
Payroll taxes and withholdings payable	0	424
Cash flows from operating activities	65,704	42,569

**Lakeview Fire Protection District, Inc.**  
**Lake View, Alabama**  
**Annual Report**  
**December, 31, 2018 and 2019**  
**Notes to the Financial Statements**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies is presented to assist in the understanding of the District's financial statements. The financial statements and notes are representations of the District's management who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of financial statements, as applied to governmental units.

CORPORATE STRUCTURE

The Lakeview Fire Protection District, Inc. was incorporated under the laws of the State of Alabama on November 14, 1988. The District's purpose and activities are outlined in its Articles of Incorporation, and "includes but is not limited to the meeting the following objectives: to prevent or to suppress fires in the District's coverage area, to save lives, to aid in disaster, to administer first aid, to promote public safety and to provide such other public safety services and/or emergency assistance to the county or state when called upon to do so." The District's membership consists of property owners that are assessed fees on property lying within the district boundaries.

BASIS OF ACCOUNTING

The accompanying financial statements have been prepared on the modified cash basis of accounting. That basis differs from generally accepted accounting principles primarily because the District recognizes support and revenues when received rather than when earned, and expenses are recognized when disbursed rather than when the obligation is incurred. The recording of fixed assets and related depreciation is a modification to the cash basis of accounting.

BASIS OF PRESENTATION

The District presents its financial statements using the three classes of net assets required by FASB ASC (Topic 958), *Presentation of Financial Statements of Not-for-Profit Entities*. Accordingly, net assets and changes therein are classified as: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. As of December 31, 2019, the District's assets are all reflected in the unrestricted category, as a business type activity.

**Lakeview Fire Protection District, Inc.**  
**Lake View, Alabama**  
**Annual Report**  
**December, 31, 2018 and 2019**  
**Notes to the Financial Statements**

INCOME TAX STATUS

On February 16, 2016, the District received its tax exempt determination from the Internal Revenue Service, effective December 16, 2015. The stated letter indicated the District is exempt from federal income tax under Section 509 (a)(2) of the Internal Revenue Code as an organization described in Section (c)(3). The letter further states that the Organization is considered a public charity within the meaning of Section 509 (a) of the Code.

CONTRIBUTED SERVICES & ASSETS

Services

The value of the manpower used in providing the District's volunteer fire fighting and emergency service efforts has not been recorded within the financial statements. The District's Board of Directors approved paying volunteer firefighters a stipend reimbursement.

Assets

The District's Fire Station No. 1 is located at 21289 Phyllis Drive in Lake View. Adjacent to the City of Lake View municipal complex at 22757 Central Park Dr., Lake View, AL 35111 is Station 2.

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

FIRE DISTRICT FEES

Fees remitted by district residents and landowners are based upon annual assessments which have been voted upon by the membership and enforced by the District's Board of Directors. Annual property assessments are voted upon by the members attending publicly held meetings and are billed annually by the office staff.

**Lakeview Fire Protection District, Inc.**  
**Lake View, Alabama**  
**Annual Report**  
**December, 31, 2018 and 2019**  
**Notes to the Financial Statements**

PROPERTY & EQUIPMENT

Land, equipment and the water system are stated at cost or, if donated, fair market value on the date received. Maintenance and repair coats are charged to operation as incurred, while renewals and betterments are capitalized. The costs of assets sold, retired or otherwise dispose of and the related allowance for depreciation is eliminated from the accounts, and any resulting gain or loss is included in operations.

Depreciation is provided for using the straight-line method over the estimated useful lives of the assets, which range as follows:

Automotive equipment	5 – 8 years
Fire and medical equipment	5 –10 years
Buildings	40 years

CASH & EQUIVALENTS

For purposes of the Statement of Cash Flows, the Organization considers all highly liquid investment with a maturity of three months or less when purchased to be cash equivalents.

FAIR VALUE MEASUREMENT

ASC Topic, Fair Value Measurements, establishes a framework for measuring fair value and expands disclosures about fair value measurements. The standards establish a fair value hierarchy that prioritizes the inputs and assumptions used to measure fair value.

**NOTE 2: CASH DEPOSITS**

Cash balances as of December 31, 2019 were as follows,

<u>PNC Bank</u>	
Checking– Operations	\$ 124,403
Money Market	15,333
<u>Landmark Credit Union</u>	
Money Market & Share	116,073
Certificate of Deposit	<u>42,393</u>
Total Cash Deposits	<u>298,202</u>

The Company maintains all of its cash deposits in financial institutions which provide FDIC or NCUA coverage, thereby insuring the deposits which are maintained therein. As of December 31, 2019, all deposits were fully covered by FDIC or NCUA.

**Lakeview Fire Protection District, Inc.**  
**Lake View, Alabama**  
**Annual Report**  
**December, 31, 2018 and 2019**  
**Notes to the Financial Statements**

**NOTE 3: PROPERTY AND EQUIPMENT**

The following is a summary of the changes in property and equipment and accumulated depreciation during the year ended October 31, 2019:

**Schedule of Changes in Capital Assets**  
**Year Ended October 31, 2019**

<u>CAPITAL ASSETS</u>	<u>1/1/2018</u>	<u>Additions</u>	<u>Disposals</u>	<u>12/31/2018</u>
Land	\$ 1,500	\$ 0	\$ 0	\$ 1,500
Buildings	365,645	0	0	365,645
Apparatus & vehicles	950,476	0	0	950,476
Furniture & equipment	374,224	0	53,598	320,626
Total assets, at historical cost	1,691,845	0	53,598	1,638,247
Less: Accumulated depreciation	1,224,793	74,854	53,598	1,246,049
Capital assets, net	467,052	-74,854	0	392,198

<u>CAPITAL ASSETS</u>	<u>1/1/2019</u>	<u>Additions</u>	<u>Disposals</u>	<u>12/31/2019</u>
Land	\$ 1,500	\$ 0	\$ 0	\$ 1,500
Buildings	365,645	0	0	365,645
Apparatus & vehicles	950,476	0	0	950,476
Furniture & equipment	320,626	5,423	0	326,049
Total assets, at historical cost	1,638,247	5,423	0	1,643,670
Less: Accumulated depreciation	1,246,049	45,689	0	1,291,738
Capital assets, net	392,198	-40,266	0	351,932

**NOTE 4: LONG-TERM LIABILITIES**

The District had no long-term debt as of December 31, 2018 or 2019. Neither is the District a participant in the Retirement System of Alabama, therefore there are no long-term liabilities for deferrals and net pension obligations.

**NOTE 5: ANNUAL ASSESSMENTS**

As stated in Note 1, the primary funding for the District comes from its property owners. The membership of the District is for the purpose of providing it with a funding base and also the ability to govern itself. It is not used in any manner to qualify or disqualify recipients of the District's fire protection and emergency services.

**Lakeview Fire Protection District, Inc.**  
**Lake View, Alabama**  
**Annual Report**  
**December, 31, 2018 and 2019**  
**Notes to the Financial Statements**

As of December 31, 2019, the District's membership billing reflected 3,590 property assessments. The membership is assessed annual fees based upon minimum lot values and capped at \$75.00 to support the fire protection and emergency services provided by the District.

**NOTE 7: GOVERNMENTAL DONATIONS**

During the years ended December 31, 2018 and 2019, the District was the recipient of annual appropriations made by Tuscaloosa County Commission, the Alabama Forestry Commission and other agencies. The amounts received from these entities were for the purpose of providing funding to assist with the daily operations of the District.

**NOTE 8: INSURANCE**

Insurance coverage for the year ended December 31, 2019, was reviewed with the staff and agent handling the insurance for the Board. The District has maintained adequate coverage for all physical properties, as well as liability and employee's insurance coverage.

**NOTE 10: SUBSEQUENT EVENTS**

Subsequent events have been evaluated through September 30, 2020, which is the date the financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the financial statements.

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September 30, 2020

Mr. Steven H. Johnson, President &  
Members of the Board of Directors  
Lakeview Fire Protection District, Inc.  
Lake View, Alabama

**RE: Management Letter and Letter of Recommendations**

Dear Board of Directors:

In planning and performing my audit of the financial statements of the Lakeview Fire Protection District, Inc., as of and for the years ended December 31, 2018 and 2019, in accordance with auditing standards generally accepted in the United States of America, I considered the District's internal control over financial reporting as a basis for designing the auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I do not express an opinion on the effectiveness of the District's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency or a combination of control deficiencies that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

Further, a material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of an entity's financial statements will not be prevented, or detected and corrected on a timely basis.

I considered the following deficiencies in internal control to be significant deficiencies or material weaknesses:

**MATERIAL WEAKNESSES**

1. The District did not have or maintain a balanced general ledger and set of accounting records for the periods audited in a manner able to fully reconcile underlying accounting records to the tax returns and other financial statements made available.

2. The 2019 totals were maintained through October 2019 before changes occurred in staff and report formats. The beginning balances used in the new reports had not been reconciled to the October reports due to gaps in deposit records that were obtained from the bank during the audit.
3. The engagement had to be stepped down from a full accrual audit to a modified cash basis audit due to lack of records to verify outstanding balances due to the District from the prior billing spreadsheets.

#### OTHER MATTERS/RECOMMENDATIONS

4. Credit Unions do not participate in the State of Alabama's SAFE program which is a requirement for financial institutions to hold public deposits. If, as a District, you are considered a public/governmental, then the credit union would need to demonstrate they are part of the SAFE program, or the District should consider moving those funds to another bank.
5. Quickbooks totals need to be updated as of January 1, 2020, and the current year data entered and balanced in the system for audit. I would recommend the use of a fee accountant to help enter and reconcile that activity, review posting and filing of payroll records, etc.
6. A billing system needs to be employed to make sure that district assessments are submitted and tracked for receipt of payment, outstanding balances at yearend, etc. Consideration of a property tax assessment so that revenues are collected by the county and then remitted to the District annually would reduce the billing concerns to only contracted entities.
7. Overall financial position of the District declined slightly due to depreciation, however, the cash position improved in each period.

#### CONCLUSION

With any organization of this size, certain deficiencies in internal control may exist. I would like to commend the District's management for steps already taken to improve internal accounting controls and encourage the District to consider the recommendations made above.

I would like to express my appreciation to the District for allowing my firm to serve you in this capacity. I would especially like to thank Tracy Pearson and Katherine Armstrong for their assistance and cooperation in completing this audit. Upon reviewing this document, I will be happy to talk with you to discuss any questions or comments you may have. Thank you.

Sincerely,

Don Wallace, CPA  
Certified Public Accountant