

ROLESVILLE RURAL
FIRE DEPARTMENT, INC

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

ROLESVILLE RURAL FIRE DEPARTMENT, INC.
TABLE OF CONTENTS
FOR THE YEAR ENDED JUNE 30, 2020 AND 2019

	<u>Page</u>
Independent Auditors' Report	3
Statements of Financial Position	5
Statements of Activities	7
Schedules of Functional Expenses	9
Statements of Cash Flows	11
Notes to the Financial Statements	12
Supplementary Information:	
Actual vs. Budget Variance Reports	23

**PETWAY
MILLS &
PEARSON, PA**

CERTIFIED PUBLIC ACCOUNTANTS

C. Briggs Petway, Jr.
Phyllis M. Pearson

Zebulon Office
P.O. Box 1036
806 N. Arendell Ave.
Zebulon, NC 27597
919.269.7405
919.269.8728 Fax

Raleigh Office
9121 Anson Way
Suite 200
Raleigh, NC 27615
919.781.1047

www.pmpcpa.com

Memberships:

North Carolina
Association of
Certified Public
Accountants

American Institute
of Certified Public
Accountants

To the Board of Directors
Rolesville Rural Fire Department, Inc.
Rolesville, North Carolina

We have audited the accompanying financial statements of Rolesville Rural Fire Department, Inc. (the Organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses and cash flows for the year 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 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rolesville Rural Fire Department, Inc. as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of Rolesville Rural Fire Department, Inc. as of June 30, 2019 were audited by other auditors whose report dated October 17, 2019 expressed an unmodified opinion on those statements.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Actual vs. Budget Variance Report on page 22 is presented for purposes of additional analysis and are not a required part of the financial statements. Such information, except for the portion marked "unaudited", 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 our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The information marked "unaudited" has not been subjected to the auditing procedures applies in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Petway Mills & Pearson, PA

PETWAY MILLS & PEARSON, PA
Certified Public Accountants
Zebulon, North Carolina

October 16, 2020

ROLESVILLE RURAL FIRE DEPARTMENT, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30,

ASSETS

	<u>2020</u>	<u>2019</u>
CURRENT ASSETS:		
Cash, including Interest-Bearing Accounts	\$ 558,103	\$ 536,986
Certificates of Deposit	12,908	12,609
Accounts Receivable	31,763	30,515
Prepaid Insurance	<u>49,435</u>	<u>48,542</u>
Total Currents Assets	652,209	628,652
PROPERTY & EQUIPMENT (net of accumulated depreciation of \$2,924,040 in 2020, \$2,743,295 in 2019)	1,878,135	1,951,142
OTHER ASSETS:		
Restricted Cash - Ladder Truck/Building/Land Fund	350,296	241,583
Restricted Cash - Firefighters' Relief Fund	82,674	88,830
Cash held for Long Term Purposes - Capital Improvements	634,384	523,209
Cash held for Long Term Purposes - Ladder Truck Building Land	<u>204,825</u>	<u>200,171</u>
Total Other Assets	<u>1,272,179</u>	<u>1,053,793</u>
TOTAL ASSETS	<u><u>\$ 3,802,523</u></u>	<u><u>\$ 3,633,587</u></u>

The accompanying notes are an integral part of these financial statements.

ROLESVILLE RURAL FIRE DEPARTMENT, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30,

LIABILITIES AND NET ASSETS

	2020	2019
CURRENT LIABILITIES		
Accounts Payable	\$ 30,021	\$ 43,718
Accrued Interest	5,739	7,093
Accrued Payroll Liabilities	165	2,666
Accrued Payroll	22,251	23,794
Accrued Vacation	38,534	31,617
Current Maturities of Long-term Debt	90,178	87,161
	<hr/>	<hr/>
Total Current Liabilities	186,888	196,049
 LONG TERM DEBT (net of current portion of \$90,178 in 2020, AND \$87,161 in 2019)	 258,824	 349,002
	<hr/>	<hr/>
Total Liabilities	445,712	545,051
 NET ASSETS:		
Without Donor Restrictions		
Undesignated	534,885	502,875
Net Investment in Property and Equipment	1,529,133	1,514,979
Board Designated - Capital Improvements	634,384	523,209
Board Designated - Ladder Truck Building Land Fund	204,825	200,171
Board Designated - Firefighters' Day	20,614	20,285
	<hr/>	<hr/>
Total Net Assets Without Donor Restrictions	2,923,841	2,761,519
 With Donor Restrictions		
Firefighters' Relief Fund	82,674	88,830
Ladder Truck/Building/Land Fund	350,296	238,187
	<hr/>	<hr/>
Total Net Assets With Donor Restrictions	432,970	327,017
	<hr/>	<hr/>
Total Net Assets	3,356,811	3,088,536
	<hr/>	<hr/>
TOTAL LIABILITIES & NET ASSETS	\$ 3,802,523	\$ 3,633,587
	<hr/>	<hr/>

The accompanying notes are an integral part of these financial statements.

ROLESVILLE RURAL FIRE DEPARTMENT, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30,

	<u>2020</u>	<u>2019</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:		
SUPPORT AND REVENUES:		
Support:		
Contributions - Cash	\$ -	\$ 390
Revenues:		
Government Fees and Contracts		
Wake County Appropriations	810,200	808,556
Wake County - Capital Improvement Fund	-	13,166
Town of Rolesville - Special District Taxes	743,433	684,122
Town of Rolesville - Capital Improvement Funds	<u>106,205</u>	<u>97,663</u>
Total Government Fees and Contracts	1,659,838	1,603,897
Other Revenues:		
Rental Income	7,800	7,800
Interest Income	7,969	4,292
Sales and Gas Tax Refund	16,422	13,112
Miscellaneous Income	<u>-</u>	<u>4,978</u>
Total Other Revenues	32,191	30,182
Net Assets Released From Restrictions:	<u>115,657</u>	<u>112,502</u>
TOTAL SUPPORT AND REVENUES WITHOUT DONOR RESTRICTIONS	1,807,686	1,746,581
EXPENSES:		
Program Services:		
Firefighting	1,382,853	1,349,582
Supporting Services:		
Management and General	<u>262,512</u>	<u>258,344</u>
Total Expenses	<u>1,645,365</u>	<u>1,607,926</u>
Increase/(Decrease) in Net Assets Without Donor Restrictions	\$ 162,321	\$ 138,655

The accompanying notes are an integral part of these financial statements.

ROLESVILLE RURAL FIRE DEPARTMENT, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30,

CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS:

Homeowners' Premium Allocations	\$ 8,486	\$ 9,944
Town of Rolesville Ladder Truck/Building/Land Appropriations	212,409	195,446
Donor Designated Contributions	-	-
Interest Income	716	746
Net Assets Released From Restrictions:		
Ladder Truck and Land Loan Payments	(100,457)	(100,502)
Land Purchase	-	-
Other Expenses	-	-
Firemen's Relief Fund Payment to Retirees	<u>(15,200)</u>	<u>(12,000)</u>
Total Net Assets Released From Restrictions	<u>(115,657)</u>	<u>(112,502)</u>
Increase/(Decrease) in Net Assets With Donor Restrictions	<u>105,954</u>	<u>93,634</u>
INCREASE/(DECREASE) IN NET ASSETS	268,275	232,289
NET ASSETS, beginning of year	<u>3,088,536</u>	<u>2,856,247</u>
NET ASSETS, end of year	<u><u>\$ 3,356,811</u></u>	<u><u>\$ 3,088,536</u></u>

The accompanying notes are an integral part of these financial statements.

ROLESVILLE RURAL FIRE DEPARTMENT, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020 AND 2019

	Program Services - Firefighting	Support Services - Management and General	2020 Total Expenses
Advertising	\$ -	\$ 210	\$ 210
Building and Grounds Maintenance	15,941	839	16,780
Contributions	-	98	98
Dues and Publication	1,899	-	1,899
Equipment Repairs and Maintenance	20,180	1,062	21,242
Firefighter Benefits	132,809	-	132,809
Firefighters' Pension Fund	2,640	-	2,640
Food and Provisions	9,862	-	9,862
Firefighters' Relief Fund	15,200	-	15,200
Firefighters' Day Supplies	-	-	-
Insurance	17,977	946	18,923
Interest Expense	13,297	-	13,297
Professional Fees	-	14,744	14,744
Medical Supplies	2,107	-	2,107
Miscellaneous	3,964	1,321	5,285
Office Supplies	2,069	2,069	4,138
Other Supplies and Materials	2,850	950	3,800
Wake County Personnel	92,133	-	92,133
Salaries	707,679	216,372	924,051
Postage	251	251	502
Property Taxes	-	3,670	3,670
Rental Expenses	-	2,455	2,455
Safety Gear and Uniforms	19,635	-	19,635
Service Awards and Reception	7,096	-	7,096
Telephone	9,821	3,274	13,095
Training Expenses	4,529	-	4,529
Truck Repairs and Maintenance	94,327	-	94,327
Turnout Gear	12,683	-	12,683
Utilities	15,174	798	15,972
Depreciation	178,730	13,453	192,183
Total	\$ 1,382,853	\$ 262,512	\$ 1,645,365

The accompanying notes are an integral part of these financial statements.

ROLESVILLE RURAL FIRE DEPARTMENT, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019

	Program Services - Firefighting	Support Services - Management and General	2019 Total Expenses
Advertising	\$ 844	\$ -	\$ 844
Building and Grounds Maintenance	13,243	697	13,940
Contributions	500	-	500
Dues and Publication	2,094	-	2,094
Equipment Repairs and Maintenance	11,972	630	12,602
Firefighter Benefits	142,386	-	142,386
Firefighters' Pension Fund	2,520	-	2,520
Food and Provisions	9,419	-	9,419
Firefighters' Relief Fund	12,000	-	12,000
Firefighters' Day Supplies	3,200	-	3,200
Insurance	16,358	861	17,219
Interest Expense	16,265	-	16,265
Professional Fees	-	24,702	24,702
Medical Supplies	2,960	-	2,960
Miscellaneous	7,243	2,414	9,657
Office Supplies	2,786	2,785	5,571
Other Supplies and Materials	2,359	786	3,145
Wake County Personnel	85,590	-	85,590
Salaries	670,557	203,345	873,902
Postage	365	364	729
Property Taxes	-	2,678	2,678
Rental Expenses	-	2,992	2,992
Safety Gear and Uniforms	48,361	-	48,361
Service Awards and Reception	8,233	-	8,233
Telephone	7,987	2,662	10,649
Training Expenses	5,421	-	5,421
Truck Repairs and Maintenance	66,568	-	66,568
Turnout Gear	27,252	-	27,252
Utilities	15,619	822	16,441
Depreciation	167,480	12,606	180,086
Total	\$ 1,349,582	\$ 258,344	\$ 1,607,926

The accompanying notes are an integral part of these financial statements.

ROLESVILLE RURAL FIRE DEPARTMENT, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30,

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
INCREASE/(DECREASE) IN NET ASSETS	\$ 268,275	\$ 232,289
Adjustments to Reconcile Increase/(Decrease) in Net Assets to Net Cash Flow Provided by Operating Activities:		
Depreciation Expense	192,511	180,414
(Increase)/Decrease in:		
Accounts Receivable	(1,248)	5,070
Prepaid Insurance	(893)	(2,256)
Increase/(Decrease) in:		
Accounts Payable	(13,697)	13,943
Accrued Expenses	1,519	4,119
NET CASH FLOW PROVIDED BY OPERATING ACTIVITIES:	<u>446,467</u>	<u>433,579</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisitions of Property and Equipment	<u>(119,504)</u>	<u>(37,084)</u>
NET CASH FLOW (USED) BY INVESTING ACTIVITIES:	<u>(119,504)</u>	<u>(37,084)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principle Payments on Long-Term Debt	(87,161)	(84,237)
Purchases of Certificates of Deposit	<u>(299)</u>	<u>(96)</u>
NET CASH (USED) BY FINANCING ACTIVITIES	<u>(87,460)</u>	<u>(84,333)</u>
NET INCREASE IN CASH	239,503	312,162
CASH - BEGINNING OF YEAR	<u>1,590,779</u>	<u>1,278,617</u>
CASH - END OF YEAR	<u><u>\$ 1,830,282</u></u>	<u><u>\$ 1,590,779</u></u>
CASH SUMMARY		
Cash, including Interest-Bearing Accounts	\$ 558,103	\$ 536,986
Restricted Cash - Ladder Truck/Building/Land Fund	350,296	241,583
Restricted Cash - Firefighters' Relief Fund	82,674	88,830
Cash held for Long Term Purposes - Capital Improvements	634,384	523,209
Cash held for Long Term Purposes - Ladder Truck Building Land	<u>204,825</u>	<u>200,171</u>
CASH - END OF YEAR	<u><u>\$ 1,830,282</u></u>	<u><u>\$ 1,590,779</u></u>
SUPPLEMENTAL DISCLOSURES:		
Cash Paid For		
Interest	<u>\$ 13,297</u>	<u>\$ 16,265</u>

The accompanying notes are an integral part of these financial statements.

ROLESVILLE RURAL FIRE DEPARTMENT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 and 2019

NOTE 1 – NATURE OF ORGANIZATION

Rolesville Rural Fire Department, Inc ("the Organization") is a North Carolina non-profit Corporation whose purpose is to provide firefighting operating for the safety of citizens and protection of property in the Rolesville, North Carolina community. The Organization's support comes primarily from a portion of the Wake County and Town of Rolesville property tax collections.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statement of the Organization have been prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenditures are recognized when incurred. This basis of accounting conforms to accounting principles generally accepted in the United States of America.

Financial Statement Presentation

The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Organizations" (the "Guide"). (ASC) 958-205 was effective July 1, 2018.

Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

- Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.
- Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature' those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stimulated the funds be maintained in perpetuity. Donor-imposed restrictions are released when the stipulated purpose for which the resource was restricted has been fulfilled.

New Accounting Pronouncements

On August 18, 2016, FAB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statement accordingly. The ASU has been applied to all periods presented.

ROLESVILLE RURAL FIRE DEPARTMENT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 and 2019

Use of Estimates

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from the estimates that were assumed in preparing the financial statements.

Cash and Cash Equivalents

For purpose of cash flows, cash equivalents consist of highly liquid investments with an initial maturity of three months or less.

Accounts Receivable

Accounts receivable consists mainly of funds due to the Organization from fire services contracts. Management believes these receivables to be fully collectible, therefore, no allowance for uncollectible accounts is reflected.

Functional Allocation of Expenses

The cost of providing the Organization's various programs and supporting services have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expense that are allocated include the following:

Expense:	Method of Allocation:
Salaries	Time and Effort
Building & Equipment Maintenance	Reasonable basis consistently applied
Office & Postage	Reasonable basis consistently applied
Telephone & Utilities	Reasonable basis consistently applied
Insurance	Reasonable basis consistently applied
Other Supplies & Materials	Reasonable basis consistently applied
Depreciation	Reasonable basis consistently applied
Miscellaneous	Reasonable basis consistently applied

Advertising

The Organization expenses advertising cost as incurred. Advertising costs promote the Organization's services. Advertising expense was \$210 and \$844 for the years ended June 30, 2020 and 2019, respectively.

ROLESVILLE RURAL FIRE DEPARTMENT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 and 2019

Income Taxes

The Organization is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and therefore has made no provision for Federal income taxes in the accompanying financial statements. The Organization is also exempt from N.C. income taxes.

Management has evaluated all tax positions that could have a significant effect on the financial statements, under the guidance provided by GAAP related to Accounting for Uncertainty in Income Taxes, and determined the Organization had no uncertain income tax positions at June 30, 2020 or 2019. Income tax returns from 2018 through 2020 are open for examination by taxing authorities.

Property and Equipment

The Organization capitalizes all acquired property and equipment in excess of \$500. Property and equipment acquired by the Organization is recorded at cost. Property donated to the Organization are recorded at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method. The estimated useful lives of depreciable assets are:

Asset Type	Estimated Useful Lives
Building and Improvements	7 - 39 years
Fire Fighting Equipment & Vehicles	5 - 15 years
Furniture, Fixtures, & Equipment	3 - 5 years
Communication Equipment	5 years

Depreciation expense totaled \$192,183 and \$180,086 for the years ended June 30, 2020 and 2019, respectively. This includes depreciation on the rental house and an allocable portion of the new storage building of \$328 for the years ended June 30, 2020 and 2019. Rental depreciation is included in rental expenses on the Statement of Functional Expenses.

NOTE 3 – CONCENTRATIONS OF CREDIT RISK

The Organization holds monies in several different financial institutions, which were insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 at June 30, 2020 and June 30, 2019 for interest bearing accounts and non-interest-bearing accounts per institution. The Organization held balances in accounts in excess of the FDIC limit by \$1,109,138 and \$877,963 at June 30, 2020 and June 30, 2019, respectively.

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable consists of the following at June 30, 2020 and 2019:

	2020	2019
Town of Rolesville	\$ 17,985	\$ 18,483
Wake County	5,296	3,451
Sales Tax Refund	8,095	8,120
Gas Tax Refund	387	461
	<u>\$ 31,763</u>	<u>\$ 30,515</u>

ROLESVILLE RURAL FIRE DEPARTMENT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 and 2019

NOTE 5 – PROPERTY AND EQUIPMENT

Balances of the different classes of property and equipment and accumulated depreciation at June 30, 2020 and 2019 are as follows:

	2020	2019
Property and Equipment		
Land - Fire Station	\$ 36,110	\$ 36,110
Land - EMS Lot	50,000	50,000
Land - Rental House	9,000	9,000
Land - Pearce Property	152,274	149,149
Land - Clontz Property	274,950	274,100
Land - Fowler Property	173,384	172,084
Fire Station Buildings & Improvements	469,328	466,278
New Storage Building	65,608	65,608
New Dormitory Building	325,123	325,123
Land Improvements	45,621	45,621
Fire Fighting Equipment	2,847,938	2,749,139
Communication Equipment	126,263	127,963
Furniture & Fixtures	127,879	125,565
Rental House & Improvements	98,697	98,697
Total Property and Equipment, at cost	<u>4,802,175</u>	<u>4,694,437</u>
Accumulated Depreciation		
Fire Station Buildings & improvements	317,525	306,508
New Storage Building	27,510	26,083
New Dormitory Building	115,032	109,696
Land Improvements	38,343	36,430
Fire Fighting Equipment	2,160,851	2,025,155
Communication Equipment	76,168	61,559
Furniture & Fixtures	99,640	89,221
Rental House & Improvements	88,971	88,643
	<u>2,924,040</u>	<u>2,743,295</u>
Total Property and Equipment, net	<u><u>\$ 1,878,135</u></u>	<u><u>\$ 1,951,142</u></u>

The Fire Department owns six fire trucks which are included in property and equipment.

NOTE 6 – RESTRICTED CASH

Restricted cash consists of funds that have donor or contractual restrictions for long-term purposes. The cash restricted either by donor or contractually for firefighters' relief and contract purposes are reflected as Net Assets with Donor Restrictions.

ROLESVILLE RURAL FIRE DEPARTMENT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 and 2019

NOTE 7 – ACCRUED EXPENSES

Accrued expenses at June 30, 2020 and 2019 consist of the following:

	2020	2019
Accrued Payroll	\$ 22,251	\$ 23,794
Accrued Payroll Liabilities	165	2,666
Accrued Interest	5,739	7,093
Accrued Vacation	38,534	31,617
	<u>\$ 66,689</u>	<u>\$ 65,170</u>

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

The Organization has the following categories of net assets with donor restrictions:

Firefighter's Relief Fund – The Department of Insurance annually distributes a portion of the gross premium tax collected on certain insurance policies to Firefighters' Relief Funds maintained by each fire department. The funds can be used to assist any firefighter in active service for a sickness or injury contracted in the line of duty or their families should a firefighter lose their life in the line of duty. The fund can also be used to pay for specific insurance, pension contributions, educational benefits, annual required physical examinations, and certain other benefits.

The fund is overseen by a five-member Local Relief Fund Board, which must approve all expenditures. Certain classes of expenditures must also be approved by the North Carolina State Firefighters Association.

Ladder Truck/Building/Land Fund – These funds are restricted due to donor designation of the use of the funds. The donor restricted the use of funds to be used for land acquisition and building of substations, expansion of the fire station building, or purchase of a new firetruck or for making loan payments on loans for ladder truck, building, or land purchases.

NOTE 9 – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of either event specified by the donors.

Ladder Truck and Land Loan Payments	\$ 100,457
Distributions from Relief Fund	15,200
	<u>\$ 115,657</u>

NOTE 10 – CONCENTRATION OF REVENUE THAT COMPRISES MAJOR PORTION OF SUPPORT

The Organization receives a major portion of its support and revenue from the collection of a portion of the property taxes collected by Wake County and the Town of Rolesville. For the years ended June 30, 2020 and 2019, this revenue amounted to 87% and 87% of total revenue, respectively.

ROLESVILLE RURAL FIRE DEPARTMENT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 and 2019

NOTE 11 – CONTRIBUTED SERVICES

The Organization receives a substantial amount of services donated by its volunteer firemen. These services meet the criteria established in FASB ASC 958-605 (Formerly SFAS No. 116, *Accounting for Contributions Received and Contributions Made.*)

No amounts are reflected in the financial statements because it is both impractical and unreasonable, due to the varying levels of experience of each volunteer fireman and the large amount of calls the volunteers answer during the year, to estimate the amount of contributed services to the Organization. The effect on the financial statements as of June 30, 2020 and 2019 has not been determined.

NOTE 12 – RETIREMENT PROGRAMS

The Organization contributes ten dollar per month per fireman into the North Carolina's State Pension Fund and Rescue Division. This sum is payable for a period of twenty years at which time the individual fireman will become eligible for a monthly pension, currently one hundred seventy dollars per month, upon reaching fifty-five years of age. Expenses related to the plan for the year ended June 30, 2020 and 2019 were \$2,640 and \$2,520, respectively.

The Organization started a Code Section 457 Deferred Compensation Retirement Plan effective January 1, 2006 for full-time employees. For the fiscal year ending June 30, 2020 and 2019, full-time employees contribute \$78,777 and \$64,690, respectively, through salary deferrals into the 457 Deferred Compensation Plan.

NOTE 13 – RELATED PARTY TRANSACTIONS

The Organization purchases insurance services from an individual in key management. The amounts of these services were \$28,990 in 2020 and \$26,975 in 2019.

The Organization purchases maintenance and repair services from an individual on the Board of Director. The amount of these services was \$7,024 in 2020.

The Organization purchases maintenance and repair services from an individual on the Board of Director. The amount of these services was \$200 in 2020.

A key member of management is on the Board of Directors at a bank in which the Organization maintains accounts. The value of the accounts are \$737,673 and \$632,324 for the years ended June 30, 2020 and 2019, respectively.

ROLESVILLE RURAL FIRE DEPARTMENT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 and 2019

Note 14 – HOUSE & STORAGE BUILDING RENTAL

The Board approved leasing the house to Rolesville Chamber of Commerce, beginning March 1, 2013. The lease continued to be in effect for monthly rental of \$650 per month beginning in August 2016.

The costs and accumulated depreciation associated with the house and the storage building are as follows:

	2020	2019
Rental House & Improvements	\$ 98,697	\$ 98,697
Rental House - Land	9,000	9,000
Storage Building	65,608	65,608
Total Cost	<u>173,305</u>	<u>173,305</u>
Accumulated Depreciation - Rental House	88,971	88,643
Accumulated Depreciation - Storage Building	28,405	26,722
Total Accumulated Depreciation	<u>117,376</u>	<u>115,365</u>
Net Book Value	<u>\$ 55,929</u>	<u>\$ 57,940</u>

NOTE 15 – ACCRUED VACATION AND SICK PAY

The Organization offers vacation and sick pay benefits to full-time employees.

Full-time employees begin accruing vacation for each year of service starting after a six-month probation period. The vacation pay policy limits accumulated vacation pay based on years of service not to exceed 240 hours of accrued vacation time. Upon termination of employment, any unused vacation pay is payable to the employee. As of June 30, 2020 and 2019, the balance of accrued vacation pay was \$38,534 and \$31,617, respectively.

Full-time employees earn twelve days of sick pay each year. There is no limit on the amount of sick pay that can be accrued; however, upon termination, any unused sick pay is forfeited. Therefore, no accrual for sick pay is included.

ROLESVILLE RURAL FIRE DEPARTMENT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 and 2019

NOTE 16 – LONG-TERM DEBT

Long-term debt consists of the following:

	<u>2020</u>	<u>2019</u>
A note payable dated February 3, 2012 to a financial institution with annual installments of \$83,373, including interest at 3.62%, beginning February 3, 2013. The note will mature on February 3, 2023. The note is secured by an Aerial Platform Firetruck.	\$ 233,046	\$ 305,365
A note payable dated October 5, 2016 to a financial institution with annual installments of \$18,439, including interest at 2.75%, beginning October 5, 2018. The note will mature on October 5, 2026. The note is secured by land located at 5713 Old Pearce Road, Wake Forest, NC 27587.	<u>115,956</u>	<u>130,798</u>
Total Debt at June 30,	349,002	436,163
Less: Current Maturities	<u>(90,178)</u>	<u>(87,161)</u>
Total Long-Term Debt	<u><u>\$ 258,824</u></u>	<u><u>\$ 349,002</u></u>

Maturities of long-term debt for the next five years are as follows:

Years ending June 30,	
2021	\$ 90,178
2022	93,318
2023	96,560
2024	16,543
2025	16,993
2026 - 2027	<u>35,410</u>
Total Maturities of Long-Term Debt	<u><u>\$ 349,002</u></u>

Interest expense was \$13,297 and \$16,265 for the years ended June 30, 2020 and 2019, respectively.

ROLESVILLE RURAL FIRE DEPARTMENT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 and 2019

NOTE 17 – BOARD DESIGNATED – FIREFIGHTERS' DAY

The Board of Directors have designated a portion of net assets without donor restrictions towards firefighter's day. Firefighters' Day funds are intended to be used for the benefit of the full-time and volunteer firemen only. These funds are not intended to be used for normal operating purposes.

NOTE 18 – BOARD DESIGNATED – CAPITAL IMPROVEMENTS

The Board of Directors has designated a portion of net assets without donor restrictions towards capital improvements. Capital improvement funds are intended to be used to assist in paying the portion of capital improvements that are not funded by the Wake County Capital Improvements Fund. These funds are not intended to be used for normal operating purposes. Since the cash balances are designated for expenditure in the acquisition of noncurrent assets, these balances are not considered Current Assets, and are thus presented in the Other Assets section of the Statement of Financial Position.

NOTE 19 – BOARD DESIGNATED – LADDER TRUCK, BUILDING, LAND

The Board of Directors has designated a portion of net assets without donor restrictions towards future acquisition of ladder trucks, fire station building, or land purchase. These funds are intended to be used to for future acquisition of fire station property and ladder truck equipment. These funds are not intended to be used for normal operating purposes. Since the cash balances are designated for expenditure in the acquisition of noncurrent assets, these balances are not considered Current Assets, and are thus presented in the Other Assets section of the Statement of Financial Position.

NOTE 20 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash, including Interest-Bearing Accounts	\$ 558,103
Certificates of Deposit	12,908
Accounts Receivable	31,763
	<u>\$ 602,774</u>

The contract with Wake County requires the Organization to have minimum year-end balances as follows:

- Expendable Net Assets Without Donor Restrictions or Board Designations – at least 5% of annual total expenses reported in the audited financial statements. Expendable Net Assets Without Donor Restrictions or Board Designations is defined as Net Assets Without Donor Restrictions, less net investment in capital assets, less amounts designated for specific expenditures by the governing board. Net investment in capital assets is total property and equipment, net of accumulated depreciation, less debt owed on property and equipment
- Financial Assets to Meet Cash Needs for General Expenditures Within One Year – at least 10% of annual total expenses reported in the audited financial statements. This amount is total assets, less nonfinancial assets (e.g. property and equipment, inventory, prepaid amounts), less assets that are unavailable for general expenditures due to contractual or donor-imposed restrictions, less assets that are unavailable for general expenditures because they have been designated for other purposes by the governing board.

ROLESVILLE RURAL FIRE DEPARTMENT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 and 2019

The Organization reported financial assets to meet cash needs for general expenditure within one year as follows:

	2020	2019
Cash, including Interest-Bearing Accounts	\$ 558,103	\$ 536,986
Certificates of Deposit	12,908	12,609
Accounts Receivable	31,763	30,515
Less: Cash Designated for Firefighters' Day	(20,614)	(20,285)
Financial Assets to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 582,160</u>	<u>\$ 559,825</u>

Both amounts were equal to or greater than the required minimum at year-end.

NOTE 21 – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events from the date of the statement of financial position through the date the report is available to be issued which is the date of the independent auditors' report. The Organization has not evaluated subsequent events after that date. There were no subsequent events during this period that require disclosure.

NOTE 22 – CONTINGENCIES

During the year ended June 30, 2020, the COVID-19 outbreak in the United States caused business disruption through mandated and voluntary closings. The extent of the impact of COVID-19 on operational and financial performance will depend on certain developments and cannot be reasonably predicted and estimated at this time. The COVID-19 outbreak is ongoing as of June 30, 2020, and additional impact on operational and financial performance may occur.

NOTE 23 – RISK MANAGEMENT

The Organization is exposed to various risks of loss related to torts; theft of; damage to; and destruction of assets; errors and omissions; and natural disasters. During the year ended June 30, 2020, the Department carried insurance through the commercial carrier to cover all risks of losses. The Department has had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

SUPPLEMENTARY INFORMATION

ROLESVILLE RURAL FIRE DEPARTMENT, INC.
ACTUAL VS BUDGET VARIANCE REPORTS
FOR THE YEAR ENDED JUNE 30, 2020 AND 2019

	2020		
	BUDGET (UNAUDITED)	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Support & Revenues:			
Wake County - Special District Taxes	\$ 806,256	\$ 810,200	\$ 3,944
Wake County - Capital Improvement Fund	-	-	-
Town of Rolesville - Special District Taxes	700,000	743,433	43,433
Town of Rolesville - Capital Improvement	100,000	106,205	6,205
Town of Rolesville - Ladder Truck	200,000	212,409	12,409
Interest Income	500	8,685	8,185
Rental Income	7,800	7,800	-
Sales and Gas Tax Refunds	8,500	16,422	7,922
Donations	-	-	-
Homeowners' Premium Allocations	-	8,486	8,486
Miscellaneous Income	-	-	-
Total Revenue and Support	1,823,056	1,913,640	90,584
Expenses			
Salaries	773,636	924,051	(150,415)
Wake County Personnel	89,298	92,133	(2,835)
Firemen Expenses	191,729	132,809	58,920
Firemen's Relief Fund	-	15,200	(15,200)
Equipment Repair & Maintenance	12,000	21,242	(9,242)
Insurance	23,000	18,923	4,077
Safety Gear & Uniforms	24,500	19,635	4,865
Utilities	19,345	15,972	3,373
Truck Repairs & Maintenance	68,300	94,327	(26,027)
Interest Expense	-	13,297	(13,297)
Building & Grounds Maintenance	12,000	16,780	(4,780)
Firemen's Pension Fund	-	2,640	(2,640)
Medical Supplies	5,000	2,107	2,893
Training Expenses	10,000	4,529	5,471
Miscellaneous	10,800	5,285	5,515
Contributions	-	98	(98)
Professional Services	5,600	14,744	(9,144)
Office Supplies	4,000	4,138	(138)
Telephone	9,000	13,095	(4,095)
Dues & Publications	2,500	1,899	601
Other Supplies & Materials	3,200	3,800	(600)
Service Awards & Receptions	6,000	7,096	(1,096)
Turnout Gear	23,000	12,683	10,317
Food & Provisions	8,000	9,862	(1,862)
Advertising	500	210	290
Postage	675	502	173
Property Taxes	-	3,670	(3,670)
Rental Expenses	-	2,455	(2,455)
Depreciation	-	192,183	(192,183)
Total Expenses	1,302,083	1,645,365	(343,282)
Net Increase/(Decrease) in Net Assets	\$ 520,973	\$ 268,275	\$ (252,698)

ROLESVILLE RURAL FIRE DEPARTMENT, INC.
ACTUAL VS BUDGET VARIANCE REPORTS
FOR THE YEAR ENDED JUNE 30, 2020 AND 2019

	2019		VARIANCE
	BUDGET (UNAUDITED)	ACTUAL	FAVORABLE (UNFAVORABLE)
Support & Revenues:			
Wake County - Special District Taxes	\$ 808,556	\$ 808,556	\$ -
Wake County - Capital Improvement Fund	8,823	13,165	4,342
Town of Rolesville - Special District Taxes	626,560	684,122	57,562
Town of Rolesville - Capital Improvement	89,500	97,663	8,163
Town of Rolesville - Ladder Truck	179,000	195,446	16,446
Interest Income	600	5,038	4,438
Rental Income	7,800	7,800	-
Sales and Gas Tax Refunds	8,200	13,113	4,913
Donations	-	390	390
Homeowners' Premium Allocations	-	9,944	9,944
Miscellaneous Income	-	4,978	4,978
Total Revenue and Support	1,729,039	1,840,215	111,176
Expenses			
Salaries	838,148	873,902	(35,754)
Wake County Personnel	66,828	85,590	(18,762)
Firemen Expenses	127,482	142,386	(14,904)
Firemen's Relief Fund	-	12,000	(12,000)
Firemen's Day Supplies	-	3,200	(3,200)
Equipment Repair & Maintenance	12,000	12,602	(602)
Insurance	23,000	17,219	5,781
Safety Gear & Uniforms	24,500	48,361	(23,861)
Utilities	19,345	16,441	2,904
Truck Repairs & Maintenance	58,300	66,568	(8,268)
Interest Expense	-	16,265	(16,265)
Building & Grounds Maintenance	8,000	13,940	(5,940)
Firemen's Pension Fund	-	2,520	(2,520)
Medical Supplies	5,000	2,960	2,040
Training Expenses	10,000	5,421	4,579
Miscellaneous	10,800	9,658	1,142
Contributions	-	500	(500)
Professional Services	5,600	24,702	(19,102)
Office Supplies	4,000	5,571	(1,571)
Telephone	9,000	10,649	(1,649)
Dues & Publications	2,500	2,094	406
Other Supplies & Materials	3,200	3,145	55
Service Awards & Receptions	6,000	8,233	(2,233)
Turnout Gear	23,000	27,252	(4,252)
Food & Provisions	8,000	9,419	(1,419)
Advertising	500	844	(344)
Postage	675	729	(54)
Property Taxes	-	2,678	(2,678)
Rental Expenses	-	2,992	(2,992)
Depreciation	-	180,085	(180,085)
Total Expenses	1,265,878	1,607,926	(342,048)
Net Increase/(Decrease) in Net Assets	\$ 463,161	\$ 232,289	\$ (230,872)