

***DISTRICT 7 FIRE AND RESCUE
(A NONPROFIT FIRE DEPARTMENT)***

FINANCIAL STATEMENTS

***FOR THE YEAR ENDED
SEPTEMBER 30, 2011***

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Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
District 7 Fire and Rescue
San Antonio, Texas

We have audited the accompanying statement of financial position of District 7 Fire and Rescue (a nonprofit fire department), as of September 30, 2011 and the related statement of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Department's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of District 7 Fire and Rescue as of September 30, 2011 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Armstrong, Vaughan & Associates, P.C.

Armstrong, Vaughan & Associates, P.C.

June 08, 2012

DISTRICT 7 FIRE AND RESCUE
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2011

ASSETS

Current Assets:

Cash and Cash Equivalents	\$	634,861
Grants Receivable		155,000
Prepaid Insurance		4,301
<i>Total Current Assets</i>		794,162

Property and Equipment:

Land		369,997
Fire Station No. 1		299,856
Fire Station No. 2		323,262
Trucks and Equipment		1,080,227
Less Accumulated Depreciation		(317,582)
<i>Total Property and Equipment</i>		1,755,760

TOTAL ASSETS	\$	2,549,922
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LIABILITIES AND NET ASSETS

LIABILITIES:

Current Liabilities:

Accounts Payable	\$	12,684
Accrued Interest Expense		28,354
Current Maturities of Long-Term Liabilities		97,308
<i>Total Current Liabilities</i>		138,346

Long-Term Liabilities:

Fire Station Loan		480,178
Equipment Lease		360,265
<i>Total Long-Term Liabilities, Net of Current Maturities</i>		840,443

<i>TOTAL LIABILITIES</i>		978,789
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NET ASSETS:

Unrestricted:

Operations		753,124
Investment in Property & Equipment, Net of Related Debt		818,009
<i>TOTAL NET ASSETS</i>		1,571,133

TOTAL LIABILITIES AND NET ASSETS	\$	2,549,922
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The accompanying notes are an integral part of these financial statements.

DISTRICT 7 FIRE AND RESCUE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2011

REVENUES	
Bexar County Emergency Services District No. 7	\$ 866,700
Grant Revenue	155,000
Miscellaneous Revenue	700
Interest Revenue	464
TOTAL REVENUES	<u>1,022,864</u>
 EXPENSES	
<i>Program Services:</i>	
Firefighting & Prevention	441,001
Depreciation Expense	110,507
<i>Total Program Services</i>	<u>551,508</u>
 <i>Support Services:</i>	
Administrative	<u>39,974</u>
 TOTAL EXPENSES	 <u>591,482</u>
 INCREASE (DECREASE) IN NET ASSETS	 431,382
 BEGINNING NET ASSETS	 <u>1,139,751</u>
 ENDING NET ASSETS	 <u><u>\$ 1,571,133</u></u>

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

DISTRICT 7 FIRE AND RESCUE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<u>Firefighting and Fire Prevention</u>	<u>Administrative</u>	<u>Total</u>
Salaries	\$ 171,907	\$ 28,666	\$ 200,573
Payroll Taxes	14,971	-	14,971
Total Personnel	<u>186,878</u>	<u>28,666</u>	<u>215,544</u>
Supplies and Equipment	68,919	4,609	73,528
Equipment Maintenance	19,619	1,151	20,770
Utilities	9,910	-	9,910
Buildings and Grounds Maintenance	13,080	-	13,080
Fire Station Housing	5,744	-	5,744
Postage and Printing	-	548	548
Fire Truck Operations	38,628	-	38,628
Training and Travel	6,675	-	6,675
Insurance	7,611	-	7,611
Professional Fees	1,010	5,000	6,010
Interest Expense	82,927	-	82,927
Total Expenses Before Depreciation	<u>441,001</u>	<u>39,974</u>	<u>480,975</u>
Depreciation of Property and Equipment	110,507	-	110,507
TOTAL EXPENSES	<u><u>\$ 551,508</u></u>	<u><u>\$ 39,974</u></u>	<u><u>\$ 591,482</u></u>

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

DISTRICT 7 FIRE AND RESCUE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase (Decrease) in Net Assets	\$ 431,382
Adjustments to reconcile changes in net Assets to net Cash provided by operating activities:	
Depreciation Expense	110,507
(Increase) Decrease in Assets:	
Grants Receivable	(155,000)
Prepaid Insurance	6,638
Increase (Decrease) in Liabilities:	
Accounts Payable	9,670
Accrued Interest Expense	28,354
Payroll Liabilities	(6,282)
NET CASH PROVIDED (REQUIRED) BY OPERATING ACTIVITIES	<u>425,269</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Equipment	<u>(309,431)</u>
NET CASH PROVIDED (REQUIRED) BY INVESTING ACTIVITIES	<u>(309,431)</u>
CASH FLOW FROM FINANCING ACTIVITIES	
Principal Payment on Long-Term Debt	<u>(92,419)</u>
NET CASH PROVIDED (REQUIRED) BY FINANCING ACTIVITIES	<u>(92,419)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	23,419
CASH AND CASH EQUIVALENTS AT BEGINNING YEAR	<u>611,442</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 634,861</u></u>
Supplemental Disclosure	
Interest Paid	\$ 82,928

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

DISTRICT 7 FIRE AND RESCUE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE A -- NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

1. NATURE OF ACTIVITIES

District 7 Fire and Rescue (a nonprofit fire department) provides fire protection and emergency services to the area covered by Bexar County Emergency Services District No. 7 (Northwest section of Bexar County). The Department receives the majority of its income from Bexar County Emergency Services District No. 7.

2. BASIS OF PRESENTATION

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles whereby revenues are recognized when earned and expenses are recognized when they are incurred. Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Department and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets that are available for use, but expendable only for those purposes specified by the donor or grantor.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Department.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. There have been no temporary or permanent restrictions placed on net assets as of September 30, 2011.

The District received grants for restricted purposes during the year ended September 30, 2011. All restrictions were met during the year therefore these transactions were recorded as unrestricted net assets for reporting purposes.

3. USE OF ESTIMATES

The preparation of financial statements in conformity with U.S. 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.

4. CONTRIBUTED SERVICES

The Department receives a substantial amount of services donated by its volunteers in carrying out the Department's mission. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition under FASB ACS 958-605-15.

DISTRICT 7 FIRE AND RESCUE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

NOTE A -- NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT):

5. INCOME TAX STATUS

The Department is a not-for-profit Department exempt from Federal income taxes under current Internal Revenue Code Section 501(c)(3). Accordingly, income tax expense is limited to activities that are deemed by the Internal Revenue Service to be unrelated to their exempt purpose.

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

7. PROPERTY AND EQUIPMENT

All acquisitions of property and equipment are recorded at cost, if purchased or at fair value at date of gift, if donated. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. A salvage value of 10% of original cost is utilized for fire trucks. When assets are disposed of, their cost and accumulated depreciation are removed from the accounts and the resulting gains or losses are credited or charged to operations.

Furniture and equipment is capitalized if cost is over \$5,000. Major improvements and renewals of real property are capitalized if cost is over \$25,000. Repairs and maintenance are expensed as incurred. Estimated useful lives are as follows:

Fire Stations (Buildings) & Improvements	15 to 25 years
Fire Fighting Equipment	7 to 15 years
Fire Trucks & Equipment	5 to 12.5 years

Land is not depreciated.

8. FUNCTIONAL EXPENSE ALLOCATION

The costs of providing the Department's programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

9. SUBSEQUENT EVENTS

Subsequent events were considered through June 08, 2012, which is the date the financial statements were available to be issued.

DISTRICT 7 FIRE AND RESCUE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

NOTE B -- PROPERTY AND EQUIPMENT

Property and equipment at September 30, 2011, consisted of the following:

	Beginning Balance	Additions	Deletions	Ending Balance
Fire Station No. 1	\$ 294,631	\$ 5,225	\$ -	\$ 299,856
Fire Station No. 2	323,262	-	-	323,262
Trucks and Equipment	776,021	304,206	-	1,080,227
Less Accumulated Depreciation	(207,075)	(110,507)	-	(317,582)
Depreciable Property and Equipment, Net	<u>1,186,839</u>	<u>198,924</u>	<u>-</u>	<u>1,385,763</u>
Land	369,997	-	-	369,997
Total Property & Equipment	<u>\$ 1,556,836</u>	<u>\$ 198,924</u>	<u>\$ -</u>	<u>\$ 1,755,760</u>

NOTE C -- CAPITAL LEASE OBLIGATION

The Department entered into Capital Lease Purchase agreements for a fire, tanker, and related equipment in August 2007. The lease/purchase agreement is for 10 years. The lease was financed at a 3.47% interest rate. These assets are depreciated over their estimated useful lives and depreciation on these assets is included in depreciation expense. Asset values are as follows:

	Purchase Value	Accumulated Depreciation	Book Value
Fire Truck	\$ 199,179	\$ 51,388	\$ 147,791
Tanker	192,190	53,044	139,146
Related Equipment	258,631	97,752	160,879
	<u>\$ 650,000</u>	<u>\$ 202,184</u>	<u>\$ 447,816</u>

Future minimum payments under these capital leases as of September 30, 2011 are as follows:

Fiscal Year Ending September 30	Total
2012	\$ 83,846
2013	83,846
2014	83,846
2015	83,846
2016	83,846
2017	83,846
Total Minimum Lease Payments	<u>503,076</u>
Less: Amount Representing Interest	81,219
Net Minimum Lease Payments	<u>\$ 421,857</u>

DISTRICT 7 FIRE AND RESCUE
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2011

NOTE D -- NOTE PAYABLE

The Department borrowed \$650,000 in May 2007 for construction of fire stations and purchase of related equipment. These assets are depreciated over their estimated useful lives and depreciation on these assets is included in depreciation expense. The loan was financed at 5.317% interest rate for 15 years. The requirement to amortize the loan over the remaining term as of September 30, 2011 is as follows:

Fiscal Year Ending September 30	Principal	Interest
2012	\$ 35,716	\$ 27,430
2013	37,615	25,531
2014	39,615	23,531
2015	41,721	21,425
2016	43,940	19,206
2017-2021	257,328	58,402
2022	59,959	3,188
	\$ 515,894	\$ 178,713

NOTE E -- CONCENTRATION OF SUPPORT

The Department received \$866,700 in agreement to provide fire protection for Bexar County Emergency Services District No. 7, which represents ninety nine percent (84.7%) of the Fire Department's revenue. The Board of Directors of District 7 Fire and Rescue are also the Commissioners of Bexar County Emergency Services District No. 7.

NOTE F -- LITIGATION

The Department management is unaware of any threatened or pending lawsuits.

NOTE G -- SUBSEQUENT EVENTS

In March, 2012 the Department signed three construction contracts with Tejas Water Well, LLC to drill a residential water well, build a mud containment wall for the new water well, and cap the existing water well for Station 2. The total fees associated with these contracts are \$32,770.

In March, 2012 the Department also approved the purchase of two new Pumper Fire Trucks for the Department. The contract was signed in March, and calls for a fee of \$954,900 in exchange for the two Dash-CF Pierce Class A Pumpers.