

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

FINANCIAL STATEMENTS

***FOR THE YEAR ENDED
SEPTEMBER 30, 2012***

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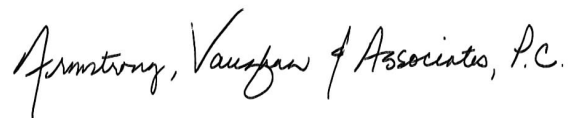
INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of District 7 Fire and Rescue (a nonprofit fire department), as of September 30, 2012, 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 to the financial position of District 7 Fire and Rescue as of September 30, 2012, and the changes in its net assets 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.

May 31, 2013

DISTRICT 7 FIRE AND RESCUE
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2012

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 617,268
Prepaid Insurance	2,316
<i>Total Current Assets</i>	619,584

Property and Equipment:

Land	369,997
Fire Station No. 1	299,856
Fire Station No. 2	323,262
Fire Station Improvements	23,161
Trucks and Equipment	956,634
Less Accumulated Depreciation	(388,641)
<i>Total Property and Equipment</i>	1,584,269

TOTAL ASSETS	\$ 2,203,853
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LIABILITIES AND NET ASSETS

LIABILITIES:

Current Liabilities:

Accounts Payable	\$ 24,681
Accrued Interest Expense	16,997
Current Maturities of Long-Term Liabilities	37,615
<i>Total Current Liabilities</i>	79,293

Long-Term Liabilities:

Fire Station Loan	442,562
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<i>TOTAL LIABILITIES</i>	521,855
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NET ASSETS:

Unrestricted:

Operations	577,906
Investment in Property & Equipment, Net of Related Debt	1,104,092
<i>TOTAL NET ASSETS</i>	1,681,998

TOTAL LIABILITIES AND NET ASSETS	\$ 2,203,853
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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, 2012

REVENUES	
Bexar County Emergency Services District No. 7	\$ 455,650
Grant Revenue	21,045
Gain (Loss) on Disposal of Equipment	13,988
Miscellaneous Revenue	12,110
Interest Revenue	633
TOTAL REVENUES	<u>503,426</u>
 EXPENSES	
<i>Program Services:</i>	
Firefighting & Prevention	244,174
Depreciation Expense	135,726
<i>Total Program Services</i>	<u>379,900</u>
 <i>Support Services:</i>	
Administrative	12,661
 TOTAL EXPENSES	 <u>392,561</u>
 INCREASE (DECREASE) IN NET ASSETS	 110,865
 BEGINNING NET ASSETS	 <u>1,571,133</u>
 ENDING NET ASSETS	 <u>\$ 1,681,998</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, 2012

	<u>Firefighting and Fire Prevention</u>	<u>Administrative</u>	<u>Total</u>
Buildings and Grounds Maintenance	\$ 18,753	\$ -	\$ 18,753
Equipment Maintenance	22,802	237	23,039
Fire Station Housing	3,370	-	3,370
Fire Truck Operations	55,000	-	55,000
Interest Expense	51,866	-	51,866
Legal Notices	-	2,116	2,116
Postage and Printing	-	32	32
Professional Fees	7,750	5,000	12,750
Supplies and Equipment	49,054	5,276	54,330
Training and Travel	27,012	-	27,012
Utilities	8,567	-	8,567
Total Expenses Before Depreciation	<u>244,174</u>	<u>12,661</u>	<u>256,835</u>
Depreciation of Property and Equipment	135,726	-	135,726
TOTAL EXPENSES	<u><u>\$ 379,900</u></u>	<u><u>\$ 12,661</u></u>	<u><u>\$ 392,561</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, 2012

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase (Decrease) in Net Assets	\$ 110,865
Adjustments to reconcile changes in net Assets to net Cash provided by operating activities:	
Depreciation Expense	135,726
(Gain) Loss on Disposal of Equipment	(13,988)
(Increase) Decrease in Assets:	
Grants Receivable	155,000
Prepaid Insurance	1,985
Increase (Decrease) in Liabilities:	
Accounts Payable	11,997
Accrued Interest Expense	(11,357)
NET CASH PROVIDED (REQUIRED) BY OPERATING ACTIVITIES	<u>390,228</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Disposal of Equipment	148,500
Purchase of Equipment	(98,747)
NET CASH PROVIDED (REQUIRED) BY INVESTING ACTIVITIES	<u>49,753</u>
 CASH FLOW FROM FINANCING ACTIVITIES	
Principal Payment on Long-Term Debt	(457,574)
NET CASH PROVIDED (REQUIRED) BY FINANCING ACTIVITIES	<u>(457,574)</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 (17,593)
 CASH AND CASH EQUIVALENTS AT BEGINNING YEAR	 <u>634,861</u>
 CASH AND CASH EQUIVALENTS AT END OF YEAR	 <u><u>\$ 617,268</u></u>
 Supplemental Disclosure	
Interest Paid	\$ 51,866

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

DISTRICT 7 FIRE AND RESCUE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

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, 2012.

The District received grants for restricted purposes during the year ended September 30, 2012. 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, 2012

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 May 31, 2013, which is the date the financial statements were available to be issued.

DISTRICT 7 FIRE AND RESCUE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

NOTE B -- PROPERTY AND EQUIPMENT

Property and equipment at September 30, 2012, consisted of the following:

	Beginning Balance	Additions	Deletions	Ending Balance
Fire Station No. 1	\$ 299,856	\$ -	\$ -	\$ 299,856
Fire Station No. 2	323,262	-	-	323,262
Fire Station Improvements	-	23,161	-	23,161
Trucks and Equipment	1,080,227	75,586	(199,179)	956,634
Less Accumulated Depreciation	(317,582)	(135,726)	64,667	(388,641)
Depreciable Property and Equipment, Net	<u>1,385,763</u>	<u>(36,979)</u>	<u>(134,512)</u>	<u>1,214,272</u>
Land	369,997	-	-	369,997
Total Property & Equipment	<u>\$ 1,755,760</u>	<u>\$ (36,979)</u>	<u>\$ (134,512)</u>	<u>\$ 1,584,269</u>

NOTE C -- CAPITAL LEASE OBLIGATION

The Department entered into Capital Lease Purchase agreements for a fire, tanker, and related equipment in August 2007. As of September 30, 2012 the Department paid the full balance owed on the Capital Lease Purchase agreement.

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, 2012 is as follows:

Fiscal Year Ending September 30	Principal	Interest	Total
2013	\$ 37,615	\$ 25,531	\$ 63,146
2014	39,615	23,531	63,146
2015	41,721	21,425	63,146
2016	43,940	19,206	63,146
2017	46,276	16,870	63,146
2018-2022	271,010	44,720	315,730
	<u>\$ 480,177</u>	<u>\$ 151,283</u>	<u>\$ 631,460</u>

DISTRICT 7 FIRE AND RESCUE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

NOTE E -- CONCENTRATION OF SUPPORT

The Department received \$455,650 in agreement to provide fire protection for Bexar County Emergency Services District No. 7, which represents ninety one percent (91%) 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 December, 2012 the Department signed a ten year (10) capital lease agreement with Oshkosh Capital for the purchase of two new Dash-CF Pierce Class A Pumper Fire Trucks. The capital lease calls for annual payments of \$115,853 to be made through December 2021. An interest rate of 3.8% will be assessed annually on the remaining outstanding balance of the capital lease. The Department received approval to sign the capital lease from both the Bexar County Emergency Services District No. 7 and the Bexar County Commissioners Court prior to signing of the lease.

Subsequent to year-end, the Department signed a commercial promissory note with Government Capital Corporation to refinance the existing fire station loan. The promissory note is for a term of ten years (10), and calls for annual payments of \$61,865. The promissory note calls for an annual interest rate of 3.771% and will be paid off in February 2022. The promissory note is secured by the land and building located at Station 1. The Department received approval to sign the promissory note from both the Bexar County Emergency Services District No. 7 and the Bexar County Commissioners Court prior to signing of the note.