

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

FINANCIAL STATEMENTS

***FOR THE YEAR ENDED
SEPTEMBER 30, 2013***

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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, which comprise the statement of financial position as of September 30, 2013, 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.

Auditor's 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 District 7 Fire and Rescue as of September 30, 2013, 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.

Armstrong, Vaughan & Associates, P.C.

Armstrong, Vaughan & Associates, P.C.
April 18, 2014

DISTRICT 7 FIRE AND RESCUE
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2013

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 681,387
Accounts Receivable	400
Prepaid Insurance	6,733
<i>Total Current Assets</i>	688,520

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	1,924,564
Less Accumulated Depreciation	(585,571)
<i>Total Property and Equipment</i>	2,355,269

TOTAL ASSETS	\$ 3,043,789
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LIABILITIES AND NET ASSETS

LIABILITIES:

Current Liabilities:

Accounts Payable	\$ 13,140
Accrued Interest Expense	42,740
Current Maturities of Long-Term Liabilities	127,171
<i>Total Current Liabilities</i>	183,051

Long-Term Liabilities:

Capital Lease Obligation	786,559
Fire Station Loan	420,489
<i>Total Long-Term Liabilities</i>	1,207,048

<i>TOTAL LIABILITIES</i>	1,390,099
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NET ASSETS:

Unrestricted:

Operations	632,640
Investment in Property & Equipment, Net of Related Debt	1,021,050
<i>TOTAL NET ASSETS</i>	1,653,690

TOTAL LIABILITIES AND NET ASSETS	\$ 3,043,789
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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, 2013

REVENUES

Bexar County Emergency Services District No. 7	\$ 527,000
Miscellaneous Revenue	24,910
Interest Revenue	519
TOTAL REVENUES	552,429

EXPENSES

Program Services:

Firefighting & Prevention	370,766
Depreciation Expense	196,930
<i>Total Program Services</i>	<i>567,696</i>

Support Services:

Administrative	13,041
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TOTAL EXPENSES	580,737
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INCREASE (DECREASE) IN NET ASSETS	(28,308)
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BEGINNING NET ASSETS	1,681,998
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ENDING NET ASSETS	\$ 1,653,690
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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, 2013

	Firefighting and <u>Fire Prevention</u>	<u>Administrative</u>	<u>Total</u>
Buildings and Grounds Maintenance	\$ 31,728	\$ -	\$ 31,728
Equipment Maintenance	26,200	-	26,200
Fire Station Housing	19,026	-	19,026
Fire Truck Operations	85,937	-	85,937
Insurance	603	-	603
Interest Expense	102,562	-	102,562
Legal Notices	-	475	475
Professional Fees	8,500	5,000	13,500
Supplies and Equipment	63,290	7,566	70,856
Training and Travel	22,492	-	22,492
Utilities	10,428	-	10,428
Total Expenses Before Depreciation	<u>370,766</u>	<u>13,041</u>	<u>383,807</u>
Depreciation of Property and Equipment	196,930	-	196,930
TOTAL EXPENSES	<u>\$ 567,696</u>	<u>\$ 13,041</u>	<u>\$ 580,737</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, 2013

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase (Decrease) in Net Assets	\$ (28,308)
Adjustments to reconcile changes in net Assets to net Cash provided by operating activities:	
Depreciation Expense	196,930
(Increase) Decrease in Assets:	
Accounts Receivable	(400)
Prepaid Insurance	(4,417)
Increase (Decrease) in Liabilities:	
Accounts Payable	(11,541)
Accrued Interest Expense	25,743
NET CASH PROVIDED (REQUIRED) BY OPERATING ACTIVITIES	<u>178,007</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Equipment	<u>(967,930)</u>
NET CASH PROVIDED (REQUIRED) BY INVESTING ACTIVITIES	<u>(967,930)</u>
CASH FLOW FROM FINANCING ACTIVITIES	
Proceeds from Capital Lease Obligation	869,393
Principal Payment on Long-Term Debt	<u>(15,351)</u>
NET CASH PROVIDED (REQUIRED) BY FINANCING ACTIVITIES	<u>854,042</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	64,119
CASH AND CASH EQUIVALENTS AT BEGINNING YEAR	<u>617,268</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 681,387</u></u>
Supplemental Disclosure	
Interest Paid	\$ 76,819

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

DISTRICT 7 FIRE AND RESCUE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

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, 2013.

The District received grants for restricted purposes during the year ended September 30, 2013. 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 U.S. generally accepted accounting principles.

DISTRICT 7 FIRE AND RESCUE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2013

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 April 18, 2014, which is the date the financial statements were available to be issued.

DISTRICT 7 FIRE AND RESCUE
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2013

NOTE B -- PROPERTY AND EQUIPMENT

Property and equipment at September 30, 2013, 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	956,634	967,930	-	1,924,564
Less Accumulated Depreciation	(388,641)	(196,930)	-	(585,571)
Depreciable Property and Equipment, Net	<u>1,214,272</u>	<u>771,000</u>	<u>-</u>	<u>1,985,272</u>
Land	369,997	-	-	369,997
Total Property & Equipment	<u>\$ 1,584,269</u>	<u>\$ 771,000</u>	<u>\$ -</u>	<u>\$ 2,355,269</u>

NOTE C -- CAPITAL LEASE OBLIGATION

The Department entered into a Capital Lease agreement for the purchase of two pumper trucks in December 2011. The lease agreement consists of an original financed balance of \$954,940 over 10 years with an interest rate of 3.723%. The Department is to pay an annual payment of \$115,853. The requirement to amortize the lease over the remaining term as of September 30, 2013 is as follows:

Fiscal Year Ending September 30	Principal	Interest	Total
2014	\$ 82,834	\$ 33,019	\$ 115,853
2015	85,980	29,873	115,853
2016	89,246	26,607	115,853
2017	92,635	23,218	115,853
2018	96,153	19,700	115,853
2019-2022	422,545	40,867	463,412
	<u>\$ 869,393</u>	<u>\$ 173,284</u>	<u>\$ 1,042,677</u>

The equipment above is capitalized as property and equipment for \$954,940 with accumulated depreciation of \$70,029 as of September 30, 2013.

DISTRICT 7 FIRE AND RESCUE
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2013

NOTE D -- NOTE PAYABLE

The Department borrowed \$650,000 in May 2007 for construction of fire stations and purchase of related equipment. In January 2013, the Department refinanced the existing note with a principal balance of \$526,305 over 10 years with an interest rate of 3.771%. The loan requires annual payments of \$61,865. The loan is secured by a pledge of future revenues and the underlying real property. The requirement to amortize the loan over the remaining term as of September 30, 2013 is as follows:

Fiscal Year Ending September 30	Principal	Interest	Total
2014	\$ 44,337	\$ 17,528	\$ 61,865
2015	46,009	15,856	61,865
2016	47,744	14,121	61,865
2017	49,544	12,321	61,865
2018	51,412	10,452	61,864
2019-2022	225,780	21,678	247,458
	\$ 464,826	\$ 91,956	\$ 556,782

NOTE E -- CONCENTRATION OF SUPPORT

The Department received \$527,000 in agreement to provide fire protection for Bexar County Emergency Services District No. 7, which represents ninety five percent (95%) 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.