

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

FINANCIAL STATEMENTS

***FOR THE YEAR ENDED
SEPTEMBER 30, 2016***

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Armstrong, Vaughan & Associates, P.C.
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 financial statements of District 7 Fire and Rescue, which comprise the statement of financial position as of September 30, 2016, 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, 2016, 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.

May 26, 2017

DISTRICT 7 FIRE AND RESCUE
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2016

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 2,973
<i>Total Current Assets</i>	2,973

Property and Equipment:

Fire Station No. 2	323,262
Fire Station Improvements	23,161
Trucks and Equipment	1,248,150
Less Accumulated Depreciation	(682,277)
<i>Total Property and Equipment</i>	912,296

TOTAL ASSETS	\$ 915,269
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NET ASSETS

NET ASSETS:

Unrestricted:

Operations	\$ 2,973
Investment in Property & Equipment	912,296
<i>TOTAL NET ASSETS</i>	915,269

TOTAL NET ASSETS	\$ 915,269
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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, 2016

REVENUES, SUPPORT, AND GAINS	
Interest Revenue	\$ 1
TOTAL REVENUES, SUPPORT, AND GAINS	<u>1</u>
 EXPENSES	
<i>Program Services:</i>	
Firefighting & Prevention	15,267
Depreciation Expense	<u>120,540</u>
<i>Total Program Services</i>	<u>135,807</u>
 TOTAL EXPENSES	 <u>135,807</u>
 INCREASE (DECREASE) IN NET ASSETS	 (135,806)
 BEGINNING NET ASSETS	 <u>1,051,075</u>
 ENDING NET ASSETS	 <u><u>\$ 915,269</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, 2016

	<u>Firefighting and Fire Prevention</u>	<u>Administrative</u>	<u>Total</u>
Fire Truck Operations	\$ 10,666	\$ -	\$ 10,666
Firefighting Supplies & Equipment	1,885	-	1,885
Training and Travel	2,441	-	2,441
Buildings and Grounds Maintenance	275	-	275
Total Expenses Before Depreciation	<u>15,267</u>	<u>-</u>	<u>15,267</u>
Depreciation of Property and Equipment	120,540	-	120,540
TOTAL EXPENSES	<u>\$ 135,807</u>	<u>\$ -</u>	<u>\$ 135,807</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, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase (Decrease) in Net Assets	\$ (135,806)
Adjustments to reconcile changes in net Assets to net Cash provided by operating activities:	
Depreciation Expense	120,540
Increase (Decrease) in Assets:	
Accounts Receivable	400
Prepaid Insurance	12,707
Increase (Decrease) in Liabilities:	
Accounts Payable	(7,435)
NET CASH PROVIDED (REQUIRED) BY OPERATING ACTIVITIES	<u>(9,594)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(9,594)
 CASH AND CASH EQUIVALENTS AT BEGINNING YEAR	 <u>12,567</u>
 CASH AND CASH EQUIVALENTS AT END OF YEAR	 <u><u>\$ 2,973</u></u>
 Supplemental Disclosure	
Interest Paid	\$ -

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

DISTRICT 7 FIRE AND RESCUE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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 is fully supported 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, 2016.

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, 2016

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. The Organization's tax years for 2012 through 2014 are open to examination by the Internal Revenue Service as of September 30, 2016.

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

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 26, 2017, which is the date the financial statements were available to be issued.

DISTRICT 7 FIRE AND RESCUE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2016

NOTE B -- PROPERTY AND EQUIPMENT

Property and equipment at September 30, 2016, consisted of the following:

	Beginning Balance	Additions	Deletions/ Transfers	Ending Balance
Fire Station No. 2	\$ 323,262	\$ -	\$ -	\$ 323,262
Fire Station Improvements	23,161	-	-	23,161
Trucks and Equipment	1,248,150	-	-	1,248,150
Less Accumulated Depreciation	<u>(561,737)</u>	<u>(120,540)</u>	<u>-</u>	<u>(682,277)</u>
Depreciable Property and Equipment, Net	<u>1,032,836</u>	<u>(120,540)</u>	<u>-</u>	<u>912,296</u>
Land	<u>369,997</u>	<u>-</u>	<u>(369,997)</u>	<u>-</u>
Total Property & Equipment	<u>\$ 1,402,833</u>	<u>\$ (120,540)</u>	<u>\$ (369,997)</u>	<u>\$ 912,296</u>

NOTE C -- SERVICE PROVIDER

The District currently allows the Emergency Services District No. 7 to use its property and equipment. The District will continue to pay for the liability insurance on the assets.

NOTE D -- LITIGATION

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