



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

*FINANCIAL STATEMENTS*

*FOR THE YEAR ENDED  
SEPTEMBER 30, 2018*

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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, 2018, 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, 2018, 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.

***Emphasis of Matter***

As discussed in Note A11 of the financial statements, in October 2017, District 7 Fire and Rescue adopted new accounting guidance from the Financial Accounting Standards Board Update 2016-14 regarding the reporting and disclosure requirements for not-for-profit organizations. Our opinion is not modified with respect to this matter.

*Armstrong, Vaughan & Associates, P.C.*

Armstrong, Vaughan & Associates, P.C.

April 8, 2019

DISTRICT 7 FIRE AND RESCUE  
STATEMENT OF FINANCIAL POSITION  
SEPTEMBER 30, 2018

**ASSETS**

*Current Assets:*

Cash and Cash Equivalents	\$ 2,976
<i>Total Current Assets</i>	2,976

*Property and Equipment:*

Fire Station No. 2	323,262
Fire Station Improvements	23,161
Trucks and Equipment	1,039,279
Less: Accumulated Depreciation	(690,463)
<i>Total Property and Equipment</i>	695,239

<b>TOTAL ASSETS</b>	<b>\$ 698,215</b>
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**NET ASSETS**

*Net Assets:*

Without Donor Restrictions	\$ 698,215
<i>Total Net Assets</i>	698,215

<b>TOTAL NET ASSETS</b>	<b>\$ 698,215</b>
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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, 2018

<b>REVENUES, SUPPORT, AND GAINS</b>	
Interest Revenue	\$ 1
<b>TOTAL REVENUES, SUPPORT, AND GAINS</b>	1
 <b>EXPENSES</b>	
<i>Program Services:</i>	
Depreciation Expense	100,129
<i>Total Program Services</i>	100,129
 <b>TOTAL EXPENSES</b>	 100,129
 <b>INCREASE (DECREASE) IN NET ASSETS</b>	 (100,128)
 <b>BEGINNING NET ASSETS</b>	 798,343
 <b>ENDING NET ASSETS</b>	 \$ 698,215

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, 2018

	Firefighting and Fire Prevention	Administrative	Total
Depreciation of Property and Equipment	\$ 100,129	\$ -	\$ 100,129
TOTAL EXPENSES	\$ 100,129	\$ -	\$ 100,129

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, 2018

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Increase (Decrease) in Net Assets	\$ (100,128)
Adjustments to reconcile changes in net Assets to net Cash provided by operating activities:	
Depreciation Expense	100,129
<b>NET CASH PROVIDED (REQUIRED) BY OPERATING ACTIVITIES</b>	<u>1</u>
 <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	 1
 <b>CASH AND CASH EQUIVALENTS AT BEGINNING YEAR</b>	 <u>2,975</u>
 <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	 <u><u>\$ 2,976</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, 2018

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 of District 7 Fire and Rescue have been prepared on the accrual basis of accounting in accordance with U. S. generally accepted accounting principles. Net assets, support and revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in the general operations and not subject to donor restrictions. Assets restricted solely through the actions of the Board of Directors are reported as net assets without donor restrictions, board-designated.

*Net Assets With Donor Restrictions* – Net assets subject to donor-imposed stipulations that will be met by actions of District 7 Fire and Rescue and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. There were no net assets with donor restrictions as of September 30, 2018.

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, 2018

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 2013 through 2015 are open to examination by the Internal Revenue Service as of September 30, 2018.

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash deposits and investments with a maturity within three (3) months of the date acquired by the District.

7. INVESTMENTS

The Department reports investments at fair value based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Department had no investments at September 30, 2018.

8. 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	25 years
Fire Fighting Equipment	7 to 10 years
Fire Trucks & Equipment	5 to 12.5 years

9. 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 benefitted.

DISTRICT 7 FIRE AND RESCUE  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 SEPTEMBER 30, 2018

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

10. SUBSEQUENT EVENTS

Subsequent events were considered through April 8, 2019, which is the date the financial statements were available to be issued.

11. RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENT

In August 2016, the Financial Accounting Standards Board issued Accounting Standard Update 2016-14, regarding the reporting and disclosure requirements for not-for-profit organizations, effective for periods beginning after December 15, 2017 with early adoption encouraged. The pronouncement replaces the three classes of net assets with two new classes, requires the reporting of expense by function and natural classification, enhances disclosures on liquidity and availability of resources, and includes several other less significant reporting enhancements. District 7 Fire and Rescue has early adopted this new pronouncement effective October 1, 2017, and the prior presentation is conformed.

NOTE B -- PROPERTY AND EQUIPMENT

Property and equipment at September 30, 2018, 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	1,039,279	-	-	1,039,279
Less: Accumulated Depreciation	(590,334)	(100,129)	-	(690,463)
Property & Equipment, Net	<u>\$ 795,368</u>	<u>\$ (100,129)</u>	<u>\$ -</u>	<u>\$ 695,239</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 -- RELATED PARTIES

The Board of Bexar County Emergency Services District No. 7 is also the Board of District 7 Fire and Rescue.

NOTE E -- LITIGATION

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

DISTRICT 7 FIRE AND RESCUE  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2018

NOTE F -- LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

District 7 Fire and Rescue. has approximately \$2,976 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures. This consists of cash and cash equivalents of \$2,976. District 7 Fire and Rescue has turned operations over to Bexar County Emergency Services District No. 7, and receives full support from Bexar County Emergency Services District No. 7.