

**BEXAR COUNTY
EMERGENCY SERVICES DISTRICT NO. 7**

ANNUAL FINANCIAL REPORT

**FISCAL YEAR ENDED
SEPTEMBER 30, 2011**

This page is left blank intentionally.

BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 7
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2011

DISTRICT OFFICIALS

PRESIDENT

LELA TALLEY

DIRECTORS

WILLIAM DAVIDSON
MARTI ROMANS
GARY SCHOTT
LONNIE STOCKTON

TREASURER

MARTI ROMANS

ATTORNEY

BURNS, ANDERSON, JURY & BRENNER

AUDITOR

ARMSTRONG, VAUGHAN & ASSOCIATES, P.C.

This page left blank intentionally.

BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 7
 ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

TABLE OF CONTENTS

	PAGE
TITLE PAGE	i
DISTRICT OFFICIALS	ii
TABLE OF CONTENTS	iii

FINANCIAL SECTION

INDEPENDENT AUDITOR’S REPORT	1
MANAGEMENT’S DISCUSSION AND ANALYSIS.....	3
BASIC FINANCIAL STATEMENTS.....	8
STATEMENT OF NET ASSETS	9
STATEMENT OF ACTIVITIES.....	10
BALANCE SHEET	11
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS.....	12
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE.....	13
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF THE GOVERNMENT FUND TO THE STATEMENT OF ACTIVITIES	14
NOTES TO BASIC FINANCIAL STATEMENTS	15
REQUIRED SUPPLEMENTARY INFORMATION.....	25
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL GENERAL FUND.....	26
OTHER SUPPLEMENTARY INFORMATION	28
COMPARATIVE BALANCE SHEETS - GENERAL FUND	29
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GENERAL FUND.....	30

This page left blank intentionally.

SHAREHOLDERS:

Nancy L. Vaughan, CPA
Deborah F. Fraser, CPA



Armstrong, Vaughan & Associates, P.C.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

District Commissioners
Bexar County Emergency Services District No. 7

We have audited the accompanying financial statements of the governmental activities and the major fund of the Bexar County Emergency Services District No. 7, as of and for the year ended September 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Bexar County Emergency Services District No. 7'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 the governmental activities and major fund of the Bexar County Emergency Services District No. 7, as of September 30, 2011, and the respective change in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 7 and 25 through 27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bexar County Emergency Services District No. 7 financial statements as a whole. The comparative statements are presented for purposes of additional analysis and are not a required part of the financial statements. The comparative statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Armstrong, Vaughan & Associates, P.C.

Armstrong, Vaughan & Associates, P.C.

April 20, 2012

MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of Bexar County Emergency Services District No. 7’s annual financial report presents our discussion and analysis of the District’s financial performance during the fiscal year ended September 30, 2011. Please read it in conjunction with the District’s financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District’s total net assets were \$224,904 at September 30, 2011.
- During the year, the District’s expenses were \$2,569 more than the \$1,418,811 generated in taxes and other revenues for governmental activities.
- The total cost of the District’s programs increased by \$23,320 from last year, but no programs were added this year. Increases were caused by increased cost of fire protection and administration.
- The general fund reported a fund balance this year of \$206,633.
- The District did not issue bonds during fiscal year ending September 30, 2011.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management’s discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District’s overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District’s operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-1, Required Components of the District’s Annual Financial Report

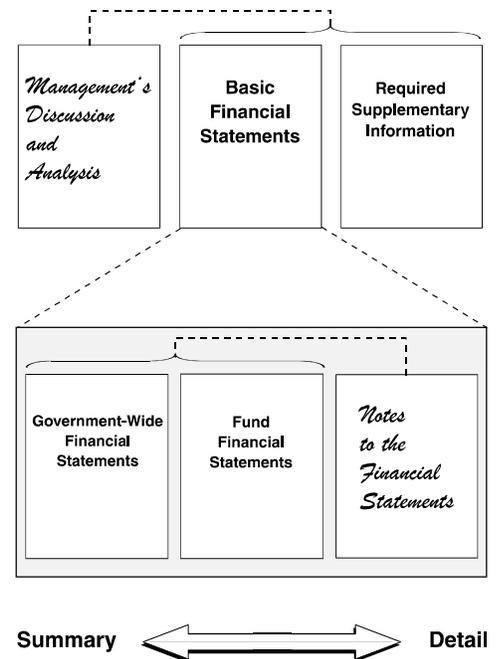


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

Figure A-2. Major Features of the District's Government-wide and Fund Financial Statements		
		Fund Statement
<i>Type of Statements</i>	Government-wide	Governmental Funds
<i>Scope</i>	Entire District's government (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary
<i>Required financial statements</i>	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of revenues, expenditures & changes in fund balances
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter

Government-Wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net assets and how they have changed. Net assets—the difference between the District's assets and liabilities—is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District's tax base

The government-wide financial statements of the District include the *Governmental activities*. Most of the District's basic services are included here, such as Emergency Services and general administration. Property taxes finance most of these activities.

Fund Financial Statements

The District has the following kinds of funds:

- *Governmental funds*—All of the District’s basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District’s programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Assets. The District’s combined net assets were \$224,904 at September 30, 2011. (See Table A-1).

Table A-1
Bexar County Emergency Services District No. 7 Net Assets
(In thousands dollars)

	Governmental Activities		Total Percentage Change
	2011	2010	2011 - 2010
Current assets:			
Cash and Investments	\$ 227.9	\$ 210.9	8.0%
Property Taxes Receivable	20.7	-	100.0%
Other Receivables	4.5	17.1	-73.5%
Prepaid Items	10.5	-	100.0%
TOTAL ASSETS	\$ 263.5	\$ 228.0	15.6%
Current Liabilities:			
Accounts Payable and accrued liabilities	\$ 18.8	\$ 0.5	3650.0%
Payroll Liabilities	19.9	-	100.0%
Total Liabilities	38.7	0.5	7632.2%
Net Assets:			
Unrestricted	224.9	227.5	-1.1%
Total Net Assets	224.9	227.5	-1.1%
TOTAL LIABILITIES & NET ASSETS	\$ 263.6	\$ 228.0	15.6%

Changes in Net Assets. The District’s total revenues were \$1,418,811. All of the District’s revenue comes from taxes and investment income. There was no state aid or grants during the fiscal year.

The total cost of all programs and services was \$1,421,380.

Governmental Activities

- Property tax rates decreased from \$0.100000 per \$100 valuation to \$0.099687 per \$100 valuation. While rates decreased, increasing assessed values resulted in increased tax revenues of \$52,143.

Table A-2
Changes in District's Net Assets
(In thousands dollars)

	Governmental Activities		Total Percentage Change
	2011	2010	2011 - 2010
General Revenues			
Property Taxes	\$ 1,418.2	\$ 1,366.1	3.8%
Investment Income	0.6	0.8	-21.3%
Total Revenues	<u>1,418.9</u>	<u>1,366.9</u>	3.8%
General Government	1,421.4	1,398.1	1.7%
Total Expenses	<u>1,421.4</u>	<u>1,398.1</u>	1.7%
Increase (Decrease) in Net Assets	<u>\$ (2.5)</u>	<u>\$ (31.2)</u>	-91.9%

Table A-3 presents the cost of each of the District's largest functions, as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by local tax dollars.

- The cost of all *governmental* activities this year was \$1,421,380, and were financed 100% through taxes.

Table A-3
Net Cost of Selected District Functions

	Total Cost of Services		Total Percentage Change
	2011	2010	2011 -
General Administration	\$ (116)	\$ 32	-467.5%
Emergency Services	<u>(1,305)</u>	<u>1,366</u>	-195.5%
Total Costs	<u>\$ (1,421)</u>	<u>\$ 1,398</u>	-201.7%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$1,415,198. The increase in local revenues is a result of higher property appraisals. Additionally, significant population growth will result in increased expenses for emergency services.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget. Actual expenditures were \$642,915 less than budget amounts. The most significant variances resulted from emergency services and administrative expenses.

Revenues were also \$4,297 less than the final budgeted amount, as property tax collections were less than expected.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2011, the District had no capital assets.

Long Term Debt

At year-end the District had no outstanding long-term debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised value used for the 2012 budget preparation has decreased, and revenue projections have also decreased.
- General operating fund spending decreased in the 2012 budget from \$2,064,295 to \$1,675,175. This is a 19.7% decrease.

These indicators were taken into account when adopting the general fund budget for 2012. Amounts available for appropriation in the general fund budget are \$1,409,000, a decrease of 0.44% over the final 2011 actual revenue of \$1,415,198. Property taxes will increase due to the increasing values. The District will adjust expenditures to finance programs the District currently offers.

If these estimates are realized, the District's budgetary general fund balance is expected to change appreciably by the close of 2012.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide Bexar County Emergency Services District No. 7 citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District Administrator by phone at 210-688-0665.

This page left blank intentionally.

BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 7
ANNUAL FINANCIAL REPORT
FOR YEAR ENDED SEPTEMBER 30, 2011

BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the Governmental Accounting Standards Board (GASB). The sets of statements include:

- Government – wide financial statements
- Fund financial statements:
 - Governmental funds

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 7
 STATEMENT OF NET ASSETS
 SEPTEMBER 30, 2011

	<u>Governmental Activities</u>
ASSETS	
Cash and Cash Equivalents	\$ 227,866
Property Taxes Receivable	20,704
Other Accounts Receivable	4,527
Prepaid Items	<u>10,468</u>
TOTAL ASSETS	<u><u>\$ 263,565</u></u>
 LIABILITIES AND NET ASSETS	
<i>Liabilities:</i>	
Accounts Payable	\$ 18,750
Payroll Liabilities	<u>19,911</u>
<i>Total Liabilities</i>	<u>38,661</u>
 <i>Net Assets:</i>	
Unrestricted	<u>224,904</u>
<i>Total Net Assets</i>	<u>224,904</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 263,565</u></u>

The accompanying notes are an integral part of these statements.

BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 7
STATEMENT OF ACTIVITIES
FOR YEAR ENDED SEPTEMBER 30, 2011

<u>Functions and Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses), Revenues and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Primary Government:				
Governmental Activities:				
General Administration	\$ 116,498	\$ -	\$ -	\$ 116,498
Emergency Services	1,304,882	-	-	1,304,882
Total Governmental Activities	<u>1,421,380</u>	<u>-</u>	<u>-</u>	<u>1,421,380</u>
Total Primary Government	<u><u>\$ 1,421,380</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>1,421,380</u></u>
General Revenues:				
General Property Taxes				1,418,181
Interest Income				630
Total General Revenues				<u>1,418,811</u>
Change in Net Assets				(2,569)
Net Assets at Beginning of Year				<u>227,473</u>
Net Assets at End of Year				<u><u>\$ 224,904</u></u>

The accompanying notes are an integral part of these statements.

BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 7
 BALANCE SHEET
 GOVERNMENTAL FUND
 SEPTEMBER 30, 2011

	<u>General Fund</u>
ASSETS	
Cash and Cash Equivalents	\$ 227,866
Property Taxes Receivable	20,704
Other Accounts Receivable	4,527
Prepaid Items	<u>10,468</u>
TOTAL ASSETS	<u><u>\$ 263,565</u></u>
LIABILITIES AND FUND BALANCE	
<i>Liabilities:</i>	
Accounts Payable	\$ 18,750
Payroll Liabilities	19,911
Deferred Revenue	<u>18,271</u>
<i>Total Liabilities</i>	<u><u>56,932</u></u>
<i>Fund Balance:</i>	
Nonspendable	10,468
Unassigned	<u>196,165</u>
<i>Total Fund Balance</i>	<u><u>206,633</u></u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 263,565</u></u>

The accompanying notes are an integral part of these statements.

BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 7
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011

TOTAL FUND BALANCE - GOVERNMENTAL FUND \$ 206,633

Amounts reported for governmental activities in the Statement of
Net Assets are different because:

Property taxes receivable assets are not available to pay current period
expenditures and, therefore, are deferred in the funds statements. 18,271

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES \$ 224,904

The accompanying notes are an integral part of these statements.

BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 7
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<u>General Fund</u>
REVENUES	
Property Taxes	\$ 1,414,568
Interest and Other Income	630
TOTAL REVENUES	<u>1,415,198</u>
 EXPENDITURES	
Current:	
Emergency Services	1,305,902
Administrative	108,246
Professional Fees	5,597
Membership Fees	1,635
TOTAL EXPENDITURES	<u>1,421,380</u>
 Net Change in Fund Balance	 (6,182)
 Fund Balance - October 1	 <u>212,815</u>
 Fund Balance - September 30	 <u><u>\$ 206,633</u></u>

The accompanying notes are an integral part of these statements.

This page left blank intentionally.

NOTES TO BASIC FINANCIAL STATEMENTS

BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 7
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Bexar County Emergency Services District No. 7 is a political subdivision of the State of Texas and was created by the Bexar County Commissioners' Court after a Public Election on May 13, 2006. The District was created to provide emergency services and promote public safety, welfare, health and convenience of persons residing in the District.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below:

A. THE FINANCIAL REPORTING ENTITY

In evaluating how to define the government for financial purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement 14, "The Financial Reporting Entity." The definition of the reporting entity is based primarily on the concept of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. Based on the foregoing criteria, there were no component units identified that would require inclusion in this report.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The **government-wide financial statements** include the statement of net assets and the statement of activities. Government-wide statements report information on all of the activities of the District. Governmental activities are supported mainly by property taxes.

The statement of activities reflects the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included in program revenues are reported as general revenues.

Separate **fund financial statements** are provided for governmental funds. The General Fund meets the criteria of a *major governmental fund*. The District has no other governmental funds.

BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 7
NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)
SEPTEMBER 30, 2011

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The **government-wide financial statements** are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenue types, which have been accrued, are revenue from the investments, intergovernmental revenue and charges for services. Property taxes are recognized in the year for which they are levied. Grants are recognized as revenue when all applicable eligibility requirements imposed by the provider are met.

Revenues are classified as *program revenues* and *general revenues*. Program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues include all taxes, grants not restricted to specific programs and investment earnings.

Governmental fund level financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Receivables which are measurable but not collectible within 60 days after the end of the fiscal period are reported as deferred revenue. Property taxes which were levied prior to September 30, 2010, and became due October 01, 2010 have been assessed to finance the budget of the fiscal year beginning October 01, 2010.

Expenditures generally are recorded when an expense is incurred.

The government reports the following major governmental fund:

The General Fund is the general operating fund of the District and is always classified as a major fund. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property taxes and investment of idle funds. Primary expenditures are for general administration, emergency services and management.

The District has no other major governmental funds.

D. CASH AND CASH EQUIVALENTS

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

BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 7
NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)
SEPTEMBER 30, 2011

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

E. INVESTMENTS

State statutes authorize the District to invest in (a) obligations of the United States or its agencies and instrumentalities; (b) direct obligations of the State of Texas or its agencies; (c) other obligations, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States; (d) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; (e) certificates of deposit by state and national banks domiciled in this state that are (i) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or, (ii) secured by obligations that are described by (a) - (d); or, (e). Statutes also allow investing in local government investment pools organized and rated in accordance with the Interlocal Cooperation Act, whose assets consist exclusively of the obligations of the United States or its agencies and instrumentalities and repurchase assessments involving those same obligations. The District has all its monies in interest bearing checking accounts, savings accounts, money market accounts or certificates of deposit. Earnings from these investments are added to each account monthly or quarterly.

F. ACCOUNTS RECEIVABLE

Property taxes are levied based on taxable value at January 1 and become due October 1 and past due after the following January 31. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting. Property taxes receivable for prior year's levy is shown net of the allowance for doubtful accounts.

G. DEFERRED/UNEARNED REVENUE

Property tax revenues are recognized when they become both measurable and available in the fund statements. Available means when due, or past due, and receivable within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Property tax revenues not expected to be available for the current period are reflected as deferred revenue.

H. FUND EQUITY

Fund balances in governmental funds are classified as follows:

Nonspendable – Represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid items) or legally required to remain intact.

BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 7
NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)
SEPTEMBER 30, 2011

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

H. FUND EQUITY (Cont.)

Restricted – Represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed – Represents amounts that can only be used for a specific purpose because of a formal action by the District Commissioners. Committed amounts cannot be used for any other purpose unless the District Commissioners removes those constraints through the same formal action.

Assigned – Represents amounts which the District intends to use for a specific purpose but do not meet the criteria of restricted or committed. The District Commissioners are the only entities that may make assignments at this time.

Unassigned – Represents the residual balance that may be spent on any other purpose of the District.

The District has not adopted a policy determining the order of availability.

I. NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

J. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

K. RECLASSIFICATIONS

Certain reclassifications have been made to the 2010 comparative financial statements to conform to the 2011 financial statement presentation. The reclassifications had no effect on the changes in financial position.

BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 7
NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)
SEPTEMBER 30, 2011

NOTE 2 -- CASH AND CASH INVESTMENTS

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledge securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

1. Cash

At September 30, 2011, the carrying amount of the District's deposits in the bank was \$227,866 and the bank balance was \$228,886. Of the bank balance, \$228,886 was covered by federal deposit insurance and the District's depository had pledged securities having a face value of \$1,610,000 and a market value of \$1,707,019 as collateral for the District deposits. All of the District's cash was fully collateralized.

2. Investments

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

The District had no investments at September 30, 2011.

3. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 7
NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)
SEPTEMBER 30, 2011

NOTE 2 -- CASH AND CASH INVESTMENTS (CONT.)

3. Analysis of Specific Deposit and Investment Risks (Cont.)

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

At year end, the District was not exposed to custodial credit risk.

c. Concentration of Credit Risk

The risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to a concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year-end, the District was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

NOTE 3 -- AD VALOREM (PROPERTY) TAXES

The District has contracted with the Bexar County Tax Assessor-Collector to collect taxes on its behalf. Current year taxes become delinquent February 1. Current year delinquent taxes not paid by July 1 are turned over to attorneys for collection action.

For fiscal year 2011, the assessed tax rate for the District was \$0.099687 per \$100 on an assessed valuation of \$1,416,021,388. Total tax levy for fiscal year 2011 was \$1,411,773. As of September 30, 2011, the delinquent current taxes for 2011 were \$11,777.

BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 7
NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)
SEPTEMBER 30, 2011

NOTE 4 -- CONTINGENT LIABILITIES

Litigation

The District is not aware of any pending or threatened litigation.

NOTE 5 -- CONCENTRATION OF EXPENDITURES

For fiscal year 2011, the District paid the City of Helotes \$75,000 and District 7 Fire and Rescue \$866,700 for providing emergency services to the District, which combined was approximately 67% of the total expenditures of the District.

NOTE 6 -- SERVICE PROVIDER AGREEMENT

The District is currently engaged with District 7 Fire and Rescue (a nonprofit fire department) designating the Department as the District's agent for providing fire suppression and extinguishment and certain emergency services within the boundaries of the District. The District provides quarterly reimbursement of qualified expenditures to the Department based on approved expenditures and budgets by the District's Board of Directors. Title and ownership of all assets of the Department are to remain with the Department until dissolution of the entity. Upon dissolution of the Department, title and ownership of all assets will be transferred to the District.

The District is currently engaged with the City of Helotes to provide fire fighters and training. The District shall provide reimbursement of qualified expenditures to the City quarterly upon approval of the District's Board of Directors. Title and ownership of all assets purchased with funds provided by the District are to remain with the City until the City and District dissolve its existing relationship. Upon dissolution of the relationship between the City and the District, title and ownership of all assets purchased with District funds will be transferred to the District or an entity determined by the District.

NOTE 7-- PENSION PLAN

Plan Description

The District provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional, defined benefit plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide multiple-employer public employee retirement system consisting of 618 agent multiple-employer defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at PO Box 2034, Austin, Texas 78763-2034.

The plan provisions are adopted by the governing body of the District, within the options available in the state statutes governing TCDRS. Members can retire at age 60 and above with 10 or more years of service or with 20 years regardless of age or when the sum of their age and years of service equals 75 or more. A member is vested after 10 years but must leave his accumulated contributions in the plan. Members who withdraw their personal contributions in a partial lump sum are entitled to any amounts contributed by the employer.

BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 7
 NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)
 SEPTEMBER 30, 2011

NOTE 7-- PENSION PLAN (CONT.)

Plan Description (Cont.)

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the District within the actuarial constraints imposed by the TCDRS Act so the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute.

At retirement, death or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Funding Policy

The District has elected the annually determined rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the District based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The contribution rate was 5.82% for the calendar year 2011. The contribution rate payable by the employee members is 5% as adopted by the governing body of the District. The employee contribution rate and the District contribution rate may be changed by the governing body of the District within the options available in the TCDRS Act. The District made the below contributions to the plan:

<u>Fiscal Year</u>	<u>Annual Pension Cost</u>	<u>Actual Contribution Made</u>	<u>Percentage of APC Contribution</u>	<u>Net Pension Obligation</u>
2011	\$ 15,218	\$ 15,218	100%	\$ -

Annual Pension Cost

The required contribution is typically determined by the most recent actuarial valuation by using the entry age actuarial cost method. As the District began the pension plan with TCDRS during the year, there has not been an actuarial valuation performed.

Funded Status and Funding Progress

As of September 30, 2011, the plan was in its first year therefore an actuarial valuation has not been performed. As such, the actuarial accrued liability for benefits, the actuarial value of assets, and the overfunded/unfunded actuarial accrued liability are not available (OAAL/UAAL). The covered payroll (annual payroll of active employees covered by the plan) was \$304,428. The ratio of the OAAL or UAAL was not available.

BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 7
NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)
SEPTEMBER 30, 2011

NOTE 8 -- RISK MANAGEMENT

The Bexar County Emergency Services District No. 7, is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To cover this risk the District contracts with the Volunteer Firemen's Insurance Services (VFIS) of Texas to provide insurance coverage for Property/Casualty and Workers Compensation. VFIS is a multi-employer group that provides for a combination of modified self-insurance and stop-loss coverage. Contributions are set annually by VFIS. Liability by the District is generally limited to the contributed amounts. Annual contributions for the year ended September 30, 2011, were \$31,856.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule – General Fund

BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 7
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL
 GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budget Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
REVENUES				
Taxes	\$ 1,418,495	\$ 1,418,495	\$ 1,414,568	\$ (3,927)
Interest and Other Income	1,000	1,000	630	(370)
TOTAL REVENUES	<u>1,419,495</u>	<u>1,419,495</u>	<u>1,415,198</u>	<u>(4,297)</u>
EXPENDITURES				
Current:				
Emergency Services	1,490,245	1,964,545	1,305,902	658,643
Administrative	12,500	87,500	108,246	(20,746)
Professional Fees	9,000	9,000	5,597	3,403
Membership Fees	3,250	3,250	1,635	1,615
Capital Outlay	1,500	1,500	-	1,500
TOTAL EXPENDITURES	<u>1,516,495</u>	<u>2,065,795</u>	<u>1,421,380</u>	<u>644,415</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(97,000)	(646,300)	(6,182)	640,118
Fund Balance - October 1	<u>212,815</u>	<u>212,815</u>	<u>212,815</u>	<u>-</u>
Fund Balance - September 30	<u><u>\$ 115,815</u></u>	<u><u>\$ (433,485)</u></u>	<u><u>\$ 206,633</u></u>	<u><u>\$ 640,118</u></u>

BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 7
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
SEPTEMBER 30, 2011

Budgetary Information – The budget is prepared in accordance with accounting principles generally accepted in the United States of America. The District maintains strict budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the District’s Board and as such is a good management control device.

Budgetary preparation and control is exercised at the department level. Actual expenditures may not legally exceed appropriations at the fund level. Actual expenditures did not exceed appropriations for the year ended September 30, 2011.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances lapse at year-end and do not constitute expenditures or liabilities because the commitments must be reappropriated and honored during the subsequent year.

This page is left blank intentionally.

OTHER SUPPLEMENTARY INFORMATION

Other supplementary information includes financial statements and schedules not required by the GASB, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

Such statements and schedule include:

- Comparative Balance Sheet – General Fund
- Comparative Statements of Revenues, Expenditures and Changes in Fund Balances

BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 7
 COMPARATIVE BALANCE SHEETS - GENERAL FUND
 SEPTEMBER 30, 2011 AND 2010

	2011	2010
ASSETS		
Cash and Cash Equivalents	\$ 227,866	\$ 210,884
Property Taxes Receivable	20,704	17,092
Other Accounts Receivable	4,527	-
Prepaid Items	10,468	-
TOTAL ASSETS	\$ 263,565	\$ 227,976
 LIABILITIES AND FUND BALANCE		
<i>Liabilities:</i>		
Accounts Payable	\$ 18,750	\$ 503
Payroll Liabilities	19,911	-
Deferred Revenue	18,271	14,658
<i>Total Liabilities</i>	56,932	15,161
 <i>Fund Balance</i>		
Nonspendable	10,468	-
Unassigned	196,165	212,815
<i>Total Fund Balance</i>	206,633	212,815
 TOTAL LIABILITIES AND FUND BALANCE	\$ 263,565	\$ 227,976

BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 7
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES - GENERAL FUND
 FOR YEARS ENDED SEPTEMBER 30, 2011 AND 2010

	2010	2009
REVENUES		
Taxes	\$ 1,414,568	\$ 1,366,340
Interest and Other Income	630	825
TOTAL REVENUES	1,415,198	1,367,165
 EXPENDITURES		
<i>Current:</i>		
Emergency Services	1,305,902	1,366,350
Administrative	108,246	25,618
Professional Fees	5,597	6,092
Membership Fees	1,635	-
TOTAL EXPENDITURES	1,421,380	1,398,060
 Net Change in Fund Balance	(6,182)	(30,895)
 Fund Balance - October 1	212,815	243,710
 Fund Balance - September 30	\$ 206,633	\$ 212,815

This page left blank intentionally.