

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

**ANNUAL FINANCIAL REPORT**

**FISCAL YEAR ENDED  
SEPTEMBER 30, 2013**

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BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 7  
ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED SEPTEMBER 30, 2013

DISTRICT OFFICIALS

PRESIDENT

MARTI ROMANS

DIRECTORS

WILLIAM DAVIDSON  
CINDY COLSTON  
GARY SCHOTT  
LONNIE STOCKTON

TREASURER

CINDY COLSTON

ATTORNEY

BURNS, ANDERSON, JURY & BRENNER

AUDITOR

ARMSTRONG, VAUGHAN & ASSOCIATES, P.C.

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BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 7  
 ANNUAL FINANCIAL REPORT  
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

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.....	4
BASIC FINANCIAL STATEMENTS.....	9
STATEMENT OF NET POSITION.....	10
STATEMENT OF ACTIVITIES.....	11
BALANCE SHEET – GOVERNMENTAL FUND.....	12
RECONCILIATION OF THE GOVERNMENTAL FUND – BALANCE SHEET TO THE STATEMENT OF NET POSITION .....	13
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUND.....	14
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES .....	15
NOTES TO BASIC FINANCIAL STATEMENTS .....	16
REQUIRED SUPPLEMENTARY INFORMATION.....	27
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL .....	28
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL .....	29
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM ANALYSIS OF FUNDING PROGRESS .....	30
SUPPLEMENTARY INFORMATION.....	31
COMPARATIVE BALANCE SHEETS - GENERAL FUND .....	32
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GENERAL FUND.....	33

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## INDEPENDENT AUDITOR'S REPORT

District Commissioners  
Bexar County Emergency Services District No. 7

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and major fund of the Bexar County Emergency Services District No. 7, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the basic financial statements of the District's primary government as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

The Bexar County Emergency Services District No. 7's 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 of material misstatement.

An audit includes performing procedures to obtain 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 adverse opinion on the reporting entity and unmodified audit opinions on the governmental activities and major fund of the primary government.

### ***Basis for Adverse Opinion on the Reporting Entity***

The financial statements referred to previously include only the primary government of Bexar County Emergency Services District No. 7, which consists of all funds and activities that comprise Bexar County Emergency Services District No. 7's legal entity. The financial statements do not include financial data for Bexar County Emergency Services District No. 7's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of Bexar County Emergency Services District No. 7's primary government.

### ***Adverse Opinion on the Reporting Entity***

In our opinion, because of the significance of the matter described in the Basis for Adverse Opinion on the Reporting Entity paragraph, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Bexar County Emergency Services District No. 7, as of September 30, 2013, the changes in its financial position or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Bexar County Emergency Services District No. 7 has not issued separate reporting entity financial statements.

### ***Unmodified Opinions on the Governmental Activities and Major Fund***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the primary government of Bexar County Emergency Services District No. 7, as of September 30, 2013, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the schedule of funding progress – defined benefit as listed in the table of contents 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 inquires 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.

*Other Information*

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Bexar County Emergency Services District No. 7's, financial statements. The comparative financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The comparative financial 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

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

Armstrong, Vaughan & Associates, P.C.

April 24, 2014

## 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, 2013. Please read it in conjunction with the District’s financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The District’s total net position was \$194,690 at September 30, 2013.
- During the year, the District’s expenses were \$125,724 more than the \$1,558,266 generated in taxes and other revenues for governmental activities.
- The total cost of the District’s programs increased by \$301,633 from last year, but no programs were added this year. The increase was a result of increased cost of fire protection.
- The general fund reported a fund balance this year of \$199,354.

### 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**

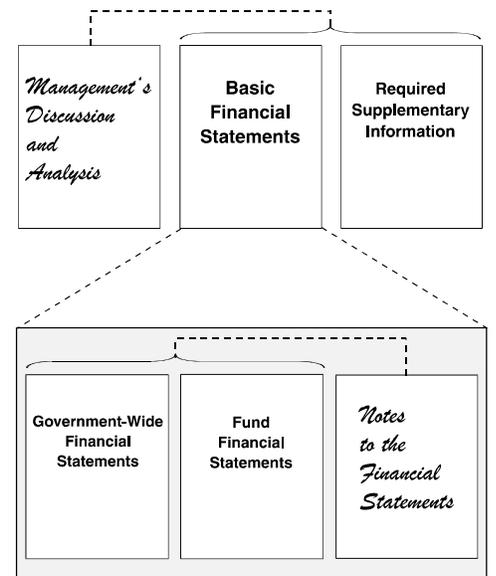


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of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

<b>Figure A-2. Major Features of the District's Government-wide and Fund Financial Statements</b>		
	<b>Fund Statement</b>	
<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"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of revenues, expenditures &amp; changes in fund balances</li> </ul>
<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 position 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 position and how they have changed. Net position—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 position 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 position. The District’s combined net position were \$194,690 at September 30, 2013. (See Table A-1).

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

	Governmental Activities		Total Percentage Change 2013 - 2012
	2013	2012	
Cash and Cash Equivalents	\$ 231.1	\$ 348.5	-33.7%
Property Taxes Receivable	21.3	16.7	27.5%
Prepaid Items	13.7	10.5	30.6%
<b>TOTAL ASSETS</b>	<b>266.2</b>	<b>375.7</b>	<b>-29.1%</b>
Accounts Payable and Accrued Liabilities	18.2	18.2	0.0%
Payroll Liabilities	27.3	24.5	11.6%
Compensated Absences	26.0	12.6	106.0%
<b>TOTAL LIABILITIES</b>	<b>71.5</b>	<b>55.3</b>	<b>29.3%</b>
Unrestricted	194.7	320.4	-39.2%
<b>TOTAL NET POSITION</b>	<b>\$ 194.7</b>	<b>\$ 320.4</b>	<b>-39.2%</b>

**Changes in Net position.** The District’s total revenues were \$1,558,266. All of the District’s revenue comes from taxes, and investment income.

The total cost of all programs and services was \$1,683,990.

### Governmental Activities

- Property tax rates decreased from \$0.099687 to \$0.099040 per \$100 valuation. While rates decreased, increasing assessed values resulted in increased tax revenues of \$79,396.

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

	Governmental Activities		Total Percentage Change
	2013	2012	2013 - 2012
General Revenues			
Property Taxes	\$ 1,556.7	\$ 1,477.3	5.4%
Investment Income	0.6	0.6	-3.8%
Miscellaneous	1.0	-	100.0%
Total Revenues	<u>1,558.3</u>	<u>1,477.9</u>	5.4%
General Government	<u>1,684.0</u>	<u>1,382.4</u>	21.8%
Total Expenses	<u>1,684.0</u>	<u>1,382.4</u>	21.8%
Change in Net Position	<u>\$ (125.7)</u>	<u>\$ 95.5</u>	-231.6%

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 \$1,683,990, and were financed 100% through taxes.

**Table A-3**  
Net Cost of Selected District Functions  
(In thousands dollars)

	Total Cost of Services		Total Percentage Change
	2013	2012	2013 - 2012
General Administration	\$ (252.8)	\$ (190.3)	32.8%
Emergency Services	<u>(1,431.2)</u>	<u>(1,192.1)</u>	20.1%
	<u>\$ (1,684.0)</u>	<u>\$ (1,382.4)</u>	21.8%

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$1,553,684. 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

The District chose not to revise its budget over the course of the year. Actual expenditures were \$15,646 more than budget amounts. The most significant variances resulted from emergency services and administrative expenses.

Revenues were also \$98,684 more than the final budgeted amounts, as property tax collections were greater than expected.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

As of September 30, 2013, 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 2014 budget preparation has increased, and revenue projections have also increased.
- General operating fund spending is expected to increase per the 2014 budget. Expenditures are anticipated to increase from the actual 2013 expenditures of \$1,670,646 to \$1,700,000. This is a 1.76% increase.

These indicators were taken into account when adopting the general fund budget for 2014. Amounts available for appropriation in the general fund budget are \$1,600,000, an increase of 2.98% over the final 2013 actual revenue of \$1,553,684. 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 decrease by \$100,000 by the close of 2014.

## **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.

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BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 7  
ANNUAL FINANCIAL REPORT  
FOR YEAR ENDED SEPTEMBER 30, 2013

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 POSITION  
SEPTEMBER 30, 2013

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 231,147
Property Taxes Receivable	21,295
Prepaid Items	13,709
<b>TOTAL ASSETS</b>	<u>266,151</u>
 <b>LIABILITIES</b>	
Accounts Payable	18,203
Payroll Liabilities	27,299
Compensated Absences	25,959
<b>TOTAL LIABILITIES</b>	<u>71,461</u>
 <b>NET POSITION</b>	
Unrestricted	194,690
<b>TOTAL NET POSITION</b>	<u><u>\$ 194,690</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, 2013

<u>Functions and Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		Net (Expenses), Revenues and Changes in Net Position
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
<b>Primary Government:</b>				
Governmental Activities:				
General Administration	\$ 252,804	\$ -	\$ -	\$ (252,804)
Emergency Services	1,431,186	-	-	(1,431,186)
Total Governmental Activities	<u>1,683,990</u>	<u>-</u>	<u>-</u>	<u>(1,683,990)</u>
<b>Total Primary Government</b>	<u><u>\$ 1,683,990</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>(1,683,990)</u></u>
<b>General Revenues:</b>				
General Property Taxes				1,556,684
Interest Income				577
Miscellaneous				<u>1,005</u>
<b>Total General Revenues</b>				<u>1,558,266</u>
Change in Net Position				(125,724)
<b>Net Position at Beginning of Year</b>				<u>320,414</u>
<b>Net Position at End of Year</b>				<u><u>\$ 194,690</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, 2013

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 231,147
Property Taxes Receivable	21,295
Prepaid Items	<u>13,709</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 266,151</u></u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	
<i>Liabilities:</i>	
Accounts Payable	\$ 18,203
Payroll Liabilities	<u>27,299</u>
<i>Total Liabilities</i>	<u>45,502</u>
<i>Deferred Inflows of Resources:</i>	
Unavailable Property Tax Revenue	<u>21,295</u>
<i>Fund Balance:</i>	
Nonspendable Prepaid Items	13,709
Unassigned	<u>185,645</u>
<i>Total Fund Balance</i>	<u>199,354</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u><u>\$ 266,151</u></u>

The accompanying notes are an integral part of these statements.

BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 7  
RECONCILIATION OF THE GOVERNMENTAL FUND  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2013

<b>TOTAL FUND BALANCE - GOVERNMENTAL FUNDS</b>	\$ 199,354
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Property taxes receivable assets are not available to pay current period expenditures and, therefore, are deferred in the funds statements.	21,295
Liability for compensated absences are not due and payable in the current period and, therefore, not reported in the funds.	<u>(25,959)</u>
<b>TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES</b>	<u><u>\$ 194,690</u></u>

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, 2013

	<u>General Fund</u>
<b>REVENUES</b>	
Property Taxes	\$ 1,552,103
Interest and Other Income	1,581
<b>TOTAL REVENUES</b>	<u>1,553,684</u>
 <b>EXPENDITURES</b>	
Current:	
Emergency Services	1,419,393
Administrative	251,253
<b>TOTAL EXPENDITURES</b>	<u>1,670,646</u>
 <b>Net Change in Fund Balance</b>	 (116,962)
 <b>Fund Balance at Beginning of Year</b>	 <u>316,316</u>
 <b>Fund Balance at End of Year</b>	 <u><u>\$ 199,354</u></u>

The accompanying notes are an integral part of these statements.



NOTES TO BASIC FINANCIAL STATEMENTS

BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 7  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013

**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 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. The District has one component unit, District 7 Fire and Rescue (a Nonprofit Fire Department).

District 7 Fire and Rescue (the "Department") is a local nonprofit fire department without powers of taxation, organized exclusively for the purpose of providing fire protection and emergency services to the area covered by the Bexar County Emergency Services District No. 7. Bexar County Emergency Services District No. 7 appoints its Board of Commissioners as the directors of the Department. The District has elected not to present a blended presentation of those financial statements in the District's annual financial report. Copies of the audit of District 7 Fire and Rescue for the year ended September 30, 2013 can be obtained from District management.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The **government-wide financial statements** include the statement of net position 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.

BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 7  
NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)  
SEPTEMBER 30, 2013

**NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONT.)**

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*.

**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, 2012, and became due October 01, 2012 have been assessed to finance the budget of the fiscal year beginning October 01, 2012.

Expenditures generally are recorded when an expense is incurred; however, expenditures related to compensated absences and claims and judgments are recorded only when the liability has matured and payment is due.

BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 7  
NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)  
SEPTEMBER 30, 2013

**NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

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

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 and emergency services.

The District has no other 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.

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. PROPERTY TAXES 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.

BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 7  
NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)  
SEPTEMBER 30, 2013

**NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

**G. PREPAID ITEMS**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**H. COMPENSATED ABSENCES**

It is the District's policy to permit employees to accumulate earned but unused paid time off, or "PTO" benefits. All PTO is accrued when incurred in the government-wide statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**I. DEFERRED INFLOWS OF REVENUES**

Deferred inflows of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resource (revenue) until that time. Unavailable revenue is reported only in the governmental funds balance sheet under a modified accrual basis of accounting. Unavailable revenues from property tax are deferred and recognized as inflow of resource in the period the amount becomes available.

**J. 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.

**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.

BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 7  
NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)  
SEPTEMBER 30, 2013

**NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

K. NET POSITION

Net position represent the difference between assets and liabilities. Net position is 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.

L. 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.

M. RECLASSIFICATIONS

Certain reclassifications have been made to the prior periods presented to conform to the current presentation. These reclassifications had no effect on fund equity.

N. IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES

For the year ended September 30, 2013, the District implemented the following statements of financial accounting standards issued by the Governmental Accounting Standards Board:

GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position

GASB Statement No. 65, Items Previously Reported as Assets and Liabilities

GASB Statement No. 63 and 65 established standards for reporting deferred outflows of resources, deferred inflows of resources, and net position in a financial statement position and related disclosures as well as reclassify certain items that were previously reported as assets and liabilities to deferred outflows of resources or deferred inflows of resources or recognize certain items that were previously reported as assets and liabilities as outflows or inflows of resources. The adoption of these standards did not have a significant impact on these statements.

**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.

BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 7  
NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)  
SEPTEMBER 30, 2013

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

1. Cash

At September 30, 2013, the carrying amount of the District's deposits in the bank were fully covered by a combination of federal deposit insurance and pledged securities from the District's depository.

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, 2013.

**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 2013, the assessed tax rate for the District was \$0.099040 per \$100 on an assessed valuation of \$1,547,228,279. Total tax levy for fiscal year 2013 was \$1,532,375. As of September 30, 2013, the delinquent current taxes for 2013 were \$8,690.

BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 7  
NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)  
SEPTEMBER 30, 2013

**NOTE 4 -- CONCENTRATION OF EXPENDITURES**

For fiscal year 2013, the District paid the City of Helotes \$75,000 and District 7 Fire and Rescue \$527,000 for providing emergency services to the District, which combined were approximately 36% of the total expenditures of the District.

**NOTE 5 -- 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 6 -- 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 641 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.

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.

BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 7  
 NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)  
 SEPTEMBER 30, 2013

**NOTE 6 -- PENSION PLAN (CONT.)**

Plan Description (Cont.)

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 5.58% and 5.82 for the calendar years 2013 and 2012, respectively. 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>
2012	\$ 31,990	\$ 31,990	100%	\$ -
2013	40,557	40,557	100%	-

Annual Pension Cost

The required contribution was determined as part of the March 1, 2011 and December 31, 2011 actuarial valuations using the entry age actuarial cost method. The actuarial assumptions at December 31, 2012 are as follows:

BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 7  
 NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)  
 SEPTEMBER 30, 2013

**NOTE 6 -- PENSION PLAN (CONT.)**

Funded Status and Funding Progress

**Actuarial Valuation Information**

Actuarial Valuation Date	<b>March 1, 2011</b>	<b>December 31, 2011</b>	<b>December 31, 2012</b>
Actuarial Cost Method	entry age	entry age	entry age
Amortization Method	level percentage of payroll, closed	level percentage of payroll, closed	level percentage of payroll, closed
Asset Valuation Method			
Subdivision Accumulation Fund	10-yr smoothed value	10-yr smoothed value	10-yr smoothed value
Employees Saving Fund	Fund value	Fund value	Fund value
Amortization Period	20	20	20
Actuarial Assumptions			
Investment Rate of Return	8.0%	8.0%	8.0%
Projected Salary Increases	5.4%	5.4%	5.4%
Inflation Rate	3.5%	3.5%	3.5%
Cost of Living Adjustments	0.0%	0.0%	0.0%

The schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (Actuarial) (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
	( a )	( b )	( b-a )	( a/b )	( c )	(( b-a )/c )
12/31/2012	\$ 121,819	\$ 163,604	\$ 41,785	74.46%	\$ 689,140	6.06%

**NOTE 7 -- CONTINGENT LIABILITIES**

Litigation

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

BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 7  
NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)  
SEPTEMBER 30, 2013

**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, 2013, were \$38,390.

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## 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
- Schedule of Funding Progress – Defined Benefit Pension Plan

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, 2013

	Budget Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ 1,455,000	\$ 1,455,000	<b>\$ 1,552,103</b>	\$ 97,103
Interest and Other Income	-	-	<b>1,581</b>	1,581
<b>TOTAL REVENUES</b>	<u>1,455,000</u>	<u>1,455,000</u>	<u><b>1,553,684</b></u>	<u>98,684</u>
<b>EXPENDITURES</b>				
Current:				
Emergency Services	1,461,500	1,461,500	<b>1,419,393</b>	42,107
Administrative	193,500	193,500	<b>251,253</b>	(57,753)
<b>TOTAL EXPENDITURES</b>	<u>1,655,000</u>	<u>1,655,000</u>	<u><b>1,670,646</b></u>	<u>(15,646)</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	(200,000)	(200,000)	<b>(116,962)</b>	83,038
<b>Fund Balance - Beginning</b>	<u>316,316</u>	<u>316,316</u>	<u><b>316,316</b></u>	<u>-</u>
<b>Fund Balance - Ending</b>	<u><u>\$ 116,316</u></u>	<u><u>\$ 116,316</u></u>	<u><u><b>\$ 199,354</b></u></u>	<u><u>\$ 83,038</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, 2013

**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 exceed appropriations for the year ended September 30, 2013.

BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 7  
 REQUIRED SUPPLEMENTARY INFORMATION  
 TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM  
 ANALYSIS OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll (Actuarial)	UAAL as a Percentage of Covered Payroll
	( a )	( b )	( b-a )	( a/b )	( c )	(( b-a )/c )
3/1/2011	\$ -	\$ 33,877	\$ 33,877	0.00%	\$ 341,448	9.92%
12/31/2011	47,266	77,690	30,424	60.84%	524,240	5.80%
12/31/2012	121,819	163,604	41,785	74.46%	689,140	6.06%

## SUPPLEMENTARY INFORMATION

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, 2013 AND 2012

	2013	2012
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 231,147	\$ 348,492
Property Taxes Receivable	21,295	16,714
Prepaid Items	13,709	10,468
<b>TOTAL ASSETS</b>	<b>\$ 266,151</b>	<b>\$ 375,674</b>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>		
<i>Liabilities:</i>		
Accounts Payable	\$ 18,203	\$ 18,203
Payroll Liabilities	27,299	24,441
<i>Total Liabilities</i>	<b>45,502</b>	<b>42,644</b>
 <i>Deferred Inflows of Resources:</i>		
Unavailable Property Tax Revenue	21,295	16,714
 <i>Fund Balance:</i>		
Nonspendable Prepaid Items	13,709	10,468
Unassigned	185,645	305,848
<i>Total Fund Balance</i>	<b>199,354</b>	<b>316,316</b>
 <b>TOTAL LIABILITIES, DEFERRED INFLOWS AND RESOURCES AND FUND BALANCES</b>	<b>\$ 266,151</b>	<b>\$ 375,674</b>

BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 7  
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES - GENERAL FUND  
 FOR YEARS ENDED SEPTEMBER 30, 2013 AND 2012

	<b>2013</b>	2012
<b>REVENUES</b>		
Taxes	\$ 1,552,103	\$ 1,478,845
Interest and Other Income	<u>1,581</u>	<u>579</u>
<b>TOTAL REVENUES</b>	<u><b>1,553,684</b></u>	<u>1,479,424</u>
 <b>EXPENDITURES</b>		
<i>Current:</i>		
Emergency Services	1,419,393	1,180,936
Administrative	<u>251,253</u>	<u>188,805</u>
<b>TOTAL EXPENDITURES</b>	<u><b>1,670,646</b></u>	<u>1,369,741</u>
 <b>Net Change in Fund Balance</b>	 <b>(116,962)</b>	 109,683
 <b>Fund Balance - October 1</b>	 <u><b>316,316</b></u>	 <u>206,633</u>
 <b>Fund Balance - September 30</b>	 <u><u><b>\$ 199,354</b></u></u>	 <u><u>\$ 316,316</u></u>

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