

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

ANNUAL FINANCIAL REPORT

**FISCAL YEAR ENDED
SEPTEMBER 30, 2015**

This page is left blank intentionally.

BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 7
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2015

DISTRICT OFFICIALS

PRESIDENT	MARTI ROMANS
DIRECTORS	WILLIAM DAVIDSON GARY SCHOTT LONNIE STOCKTON
TREASURER	CINDY COLSTON
ATTORNEY	BROWN & ORTIZ, P.C.
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, 2015

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.....	10
STATEMENT OF NET POSITION.....	11
STATEMENT OF ACTIVITIES.....	13
BALANCE SHEET - GOVERNMENTAL FUND.....	14
RECONCILIATION OF THE GOVERNMENTAL FUND - BALANCE SHEET TO THE STATEMENT OF NET POSITION.....	15
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUND	16
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES.....	17
NOTES TO BASIC FINANCIAL STATEMENTS	18
REQUIRED SUPPLEMENTARY INFORMATION.....	35
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL.....	36
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL.....	37
SCHEDULE OF CHANGES - NET PENSION LIABILITY AND RELATED RATIOS	38
NOTES TO SCHEDULE OF CHANGES - NET PENSION LIABILITY AND RELATED RATIOS	39
SUPPLEMENTARY INFORMATION.....	40
COMPARATIVE BALANCE SHEETS - GENERAL FUND.....	41
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES, CHANGES IN FUND BALANCES - GENERAL FUND	42

This page left blank intentionally.

SHAREHOLDERS:
Nancy L. Vaughan, CPA
Deborah F. Fraser, CPA
Phil S. Vaughan, CPA



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

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 the major fund of the Bexar County Emergency Services District No. 7, as of and for the year ended September 30, 2015, 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, 2015, 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, 2015, 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.

Emphasis of Matter

As discussed in Note 1Q to the financial statements, in October 2014, the District adopted new guidance from Governmental Accounting Standards Board Statement No. 68 related to accounting for pensions. This resulted in a restatement of prior period balances. Our opinion is not modified with respect to this matter.

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 changes – net pension liability 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.

A handwritten signature in cursive script that reads "Armstrong, Vaughan & Associates, P.C.".

Armstrong, Vaughan & Associates, P.C.

May 20, 2016

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, 2015. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total net position was \$629,791 at September 30, 2015.
- During the year, the District's expenses were \$315,168 less than the \$2,640,454 generated in taxes and EMS revenues for governmental activities.
- The total cost of the District's programs increased by approximately \$691 thousand from last year. The increase was a result of increased cost of fire protection and the of the start-up costs related to the District's new emergency service program.
- The general fund reported a fund balance this year of \$(40,190). The decrease is primarily due to the costs association with the expansion of their emergency services department and the purchase of land for a new station.

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

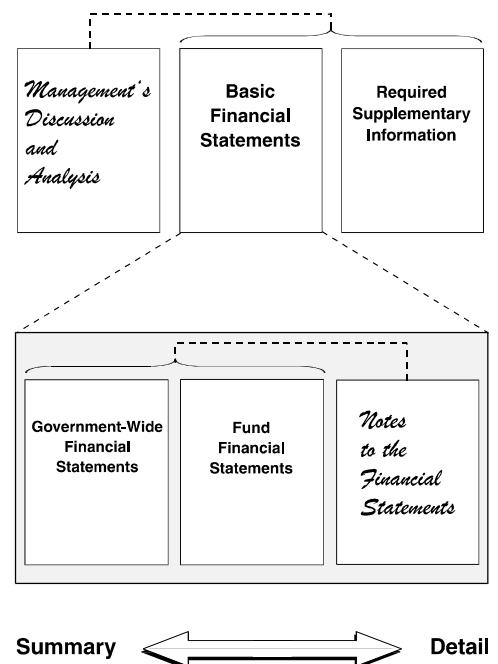


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of 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 position • 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 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 was \$629,791 at September 30, 2015. (See Table A-1)

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

	Governmental Activities		Total Percentage Change
	2015	2014	2015 - 2014
Cash and Cash Equivalents	\$ 196.9	\$ 330.3	-40.4%
Property Taxes Receivable	28.6	18.8	52.1%
EMS Charges	115.5	-	100.0%
Prepaid Items	23.2	13.7	69.3%
Capital Assets	1,665.0	-	100.0%
TOTAL ASSETS	2,029.2	362.8	459.3%
Deferred Outflows	271	-	100%
Accounts Payable and Accrued Liabilities	4.0	18.2	-78.0%
Payroll Liabilities	56.3	36.5	54.2%
Compensated Absences	51.2	31.8	61.0%
Accrued Interest Payable	34.4	-	100.0%
Short Term Note	200.0	-	100.0%
Long-Term Liabilities	1,324.8	-	100.0%
TOTAL LIABILITIES	1,670.7	86.5	1831.4%
Unrestricted	39.8	276.3	-85.6%
Investment in Property & Equipment	590.0	-	100.0%
TOTAL NET POSITION	\$ 629.8	\$ 276.3	127.9%

Note: Comparative totals for 2014 fiscal year have not been restated for the effects of GASB Statements No. 68 as the information is unavailable.

Changes in Net position. The District’s total revenues were \$2,640,454. All of the District’s revenue comes from taxes, EMS charges, investments, and contributions from District 7 Fire & Rescue.

The total cost of all programs and services was \$2,325,286.

Governmental Activities

- Property tax rates decreased from \$0.010000 to \$0.099510 per \$100 valuation. While, tax rates decreased, assessed values of property increased resulting in increased tax revenues of \$220,838.

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

	Governmental Activities		Total Percentage Change
	2015	2014	2015 - 2014
General Revenues			
Property Taxes	\$ 1,935.4	\$ 1,714.6	12.9%
Charges for Service	251.2	-	100.0%
Investment Income	0.4	0.5	-20.0%
Miscellaneous	150.0	-	100.0%
Gain on Debt Settlement	303.4	-	100.0%
Total Revenues	<u>2,640.4</u>	<u>1,715.1</u>	54.0%
General Government	<u>2,325.3</u>	<u>1,633.4</u>	42.4%
Total Expenses	<u>2,325.3</u>	<u>1,633.4</u>	42.4%
Change in Net Position	<u>\$ 315.1</u>	<u>\$ 81.7</u>	285.7%

Note: Comparative totals for 2014 fiscal year have not been restated for the effects of GASB Statements No. 68 as the information is unavailable.

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 \$2,325,286 and was financed 84% through taxes, 11% through EMS charges, and 5% through contributions from District 7 Fire & Rescue.

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

	Net Cost of Services		Total Percentage Change
	2015	2014	2015 - 2014
General Administration	\$ (432.3)	\$ (252.8)	71.0%
Emergency Services	<u>(1,641.9)</u>	<u>(1,431.2)</u>	14.7%
	<u>\$ (2,074.2)</u>	<u>\$ (1,684.0)</u>	23.2%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$2,211,676. The increase in local revenues is a result of higher property appraisals and charges for emergency services. Additionally, significant population growth will result in increased expenses for emergency services.

General Fund Budgetary Highlights

The District revised its original budget several times, to adjust for changes resulting in the assumption of District 7 Fire & Rescues long-term debt and the purchase of land. Actual expenditures were \$131,571 less than budgeted amounts. The most significant variances resulted from emergency services and administrative expenses. Revenues were also \$288,324 less than the final budgeted amounts, as charges for emergency services were lower than expected.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2015, the District had acquired all outstanding debt and the related capital assets from District 7 Fire & Rescue (See Table A-4). The District has invested a total of \$1,665,027, net of depreciation, in a broad range of capital assets, including land, buildings, and vehicles.

Table A-4
Capital Assets
(In thousands dollars)

	Total Cost of Services		Total Percentage Change
	2015	2014	2015 - 2014
Land	\$ 639.4	\$ -	100.0%
Fire Station No. 1	299.9	-	100.0%
Trucks and Equipment	1,147.1	-	100.0%
Less: Accumulated Depreciation	(421.4)	-	100.0%
Totals	<u>\$ 1,665.0</u>	<u>\$ -</u>	100.0%

Detailed information about the District's capital assets is presented in the notes to the financial statements.

Long Term Debt

At the end of the fiscal year, the District agreed to acquire all of the outstanding debt belonging to District 7 Fire & Rescue. As of September 30, 2015, the District had \$1,075,059 outstanding as shown on Table A-5. More detailed information about the City's debt is presented in the notes to the financial statements.

Table A-4
Long-Term Debt
(In thousands dollars)

	Total Cost of Services		Total Percentage Change
	2015	2014	2015 - 2014
Capital Lease Obligation	\$ 700.6	\$ -	100.0%
Fire Station Loan	374.5	-	100.0%
	<u>\$ 1,075.1</u>	<u>\$ -</u>	100.0%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised value used for the 2016 budget preparation has increased, and revenue projections have also increased.
- General operating fund spending is expected to increase per the 2016 budget. Expenditures are anticipated to increase from the actual 2015 expenditures of \$2,500,000 to \$4,332,600. This is a 107% increase.

These indicators were taken into account when adopting the general fund budget for 2016. Amounts available for appropriation in the general fund budget are \$4,332,600, an increase of 96% over the final 2015 actual revenue of \$2,211,676. Property taxes will increase due to the increasing values and the District will receive additional revenues from their first full year of Emergency Medical Services. 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 2016.

FACTORS AFFECTING FINANCIAL CONDITION

The Insurance Service Office, Inc. (ISO) collects information on municipal fire-protection efforts in communities throughout the United States to help establish an appropriate fire insurance premium for residential and commercial properties based on fire-protection services. Using this information, municipal entities are assigned a Public Protection Classification from 1 to 10. Class 1 generally represents superior property fire protection, and Class 10 indicates that the area's fire-suppression program doesn't meet ISO's minimum criteria. Bexar County Emergency Services District No. 7 was given an ISO Protection Class 3 rating. This high rating means that business and commercial concerns within the City can realize savings on insurance premiums.

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, 2015

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, 2015

	Governmental Activities
ASSETS	
<i>Current Assets:</i>	
Cash and Cash Equivalents	\$ 196,882
Receivables (net of allowances for uncollectibles)	
Taxes	28,628
EMS Charges	115,495
Prepaid Expenses	23,194
<i>Total Current Assets</i>	364,199
 <i>Property and Equipment:</i>	
Land	639,412
Fire Station No. 1	299,856
Trucks and Equipment	1,147,130
Less: Accumulated Depreciation	(421,371)
<i>Total Property and Equipment</i>	1,665,027
 TOTAL ASSETS	 2,029,226
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred Pension Related Outflows	271,275
TOTAL DEFERRED OUTFLOWS OF RESOURCES	 \$ 271,275

The accompanying notes are an integral part of these statements.

BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 7
STATEMENT OF NET POSITION (CONT.)
SEPTEMBER 30, 2015

	<u>Governmental Activities</u>
LIABILITIES	
<i>Current Liabilities:</i>	
Accounts Payable	\$ 3,991
Payroll Liabilities	56,274
Compensated Absences	51,233
Accrued Interest Payable	34,439
Short Term Note	200,000
<i>Total Current Liabilities</i>	<u>345,937</u>
 <i>Noncurrent Liabilities:</i>	
Due within One Year	136,989
Due in more than One Year	938,070
Net Pension Liability	249,714
<i>Total Noncurrent Liabilities</i>	<u>1,324,773</u>
 TOTAL LIABILITIES	 <u>1,670,710</u>
 NET POSITION	
Unrestricted	39,823
Investment in Property & Equipment	589,968
TOTAL NET POSITION	<u>\$ 629,791</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, 2015

<u>Functions and Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses), Revenues and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Primary Government:				
Governmental Activities:				
General Administration	\$ 432,254	\$ -	\$ -	\$ (432,254)
Emergency Services	1,893,032	251,173	-	(1,641,859)
Total Governmental Activities	<u>2,325,286</u>	<u>251,173</u>	<u>-</u>	<u>(2,074,113)</u>
Total Primary Government	<u><u>2,325,286</u></u>	<u><u>251,173</u></u>	<u><u>-</u></u>	<u><u>(2,074,113)</u></u>
General Revenues:				
General Property Taxes				1,935,410
Interest Income				420
Miscellaneous				150,020
Gain(Loss) on Transfer of Assets and Debt				303,431
Total General Revenues				<u>2,389,281</u>
Change in Net Position				315,168
Net Position at Beginning of Year				276,329
Prior Period Adjustment				<u>38,294</u>
Net Position at End of Year				<u><u>\$ 629,791</u></u>

The accompanying notes are an integral part of these statements.

This page left blank intentionally.

BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 7
BALANCE SHEET
GOVERNMENTAL FUND
SEPTEMBER 30, 2015

	<u>General Fund</u>
ASSETS	
Cash and Cash Equivalents	\$ 196,882
Property Taxes Receivable	28,628
EMS Charges Receivable, Net	115,495
Prepaid Expenses	<u>23,194</u>
TOTAL ASSETS	<u><u>\$ 364,199</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	
<i>Liabilities:</i>	
Accounts Payable	\$ 3,991
Payroll Liabilities	56,274
Short Term Note	<u>200,000</u>
<i>Total Liabilities</i>	<u><u>260,265</u></u>
<i>Deferred Inflows of Resources:</i>	
Unavailable Property Tax Revenue	28,629
Unavailable EMS Revenues	<u>115,495</u>
<i>Total Deferred Inflows of Resources</i>	<u><u>144,124</u></u>
<i>Fund Balance:</i>	
Nonspendable Prepaid Items	23,194
Unassigned, (Deficit)	<u>(63,384)</u>
<i>Total Fund Balance, (Deficit)</i>	<u><u>(40,190)</u></u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u><u>\$ 364,199</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, 2015

TOTAL FUND BALANCE - GOVERNMENTAL FUNDS	\$ (40,190)
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.	28,629
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,665,027
Liability for compensated absences are not due and payable in the current period and, therefore, not reported in the funds.	(51,233)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, not reported in the funds.	(1,075,059)
EMS revenues in the Statement of Activities do not provide current financial resources are deferred in the fund statements.	115,495
Net pension liabilities (and related deferred outflows and inflows of resources) do not provide current financial resources and are not reported in the funds.	
Net Pension Liability	(249,714)
Pension Related Deferred Outflows	<u>271,275</u>
	21,561
Accrued Interest payable on long-term bonds is not due and payable in the current period and, therefore, not reported in the funds.	<u>(34,439)</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	<u><u>\$ 629,791</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, 2015

	General Fund
REVENUES	
Property Taxes	\$ 1,925,560
Charges for Service	135,678
Other Income	150,020
Interest Income	418
TOTAL REVENUES	2,211,676
 EXPENDITURES	
Current:	
Emergency Services	2,158,379
Administrative	382,871
TOTAL EXPENDITURES	2,541,250
Net Change in Fund Balance	(329,574)
Fund Balance at Beginning of Year	289,384
Fund Balance at End of Year	\$ (40,190)

The accompanying notes are an integral part of these statements.

BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 7
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE OF THE
GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (329,574)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expenses.

Capital Outlays	2,086,398	
Depreciation	<u>(421,371)</u>	1,665,027

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. The change of property

Property Taxes Not Available for Current Period	9,852	
EMS Revenues Not Available for Current Period	<u>115,495</u>	125,347

The issuance of long-term debt (e.g. notes payable and capital leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transactions, however, has any effect on net position. This is the net effect of these differences in the treatment of long-term debt and related items.

Reassignment of Long-term debt		(1,075,059)
--------------------------------	--	-------------

Governmental funds report required contributions to employee pensions as expenditures. However, in the Statement of Activities the cost of the pension is recorded based on the actuarially determined cost of the plan. This is the amount that contributions exceeded the actuarially determined pension expense.

(16,733)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Accrued Interest	(34,439)	
Compensated Absences	<u>(19,401)</u>	<u>(53,840)</u>

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES \$ 315,168

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, 2015

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, 2015 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 and EMS revenues.

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*.

BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 7
NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)
SEPTEMBER 30, 2015

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, 2014, and became due October 01, 2014 have been assessed to finance the budget of the fiscal year beginning October 01, 2014.

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.

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.

BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 7
NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)
SEPTEMBER 30, 2015

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

Accounts receivable are reported net of allowances for uncollectible accounts. The allowance account represents management's estimate of uncollectible accounts based on historical trends.

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.

Reimbursements for EMS services performed are recorded as receivables and revenues when they are earned in the government-wide statements.

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. At September 30, 2015, the District had prepaid expenses of \$6,555 and prepaid insurance of \$16,639.

H. CAPITAL ASSETS

Capital assets, which include land; buildings and improvements; and equipment and vehicles, are reported in the government-wide financial statements. Capital assets such as equipment are defined as assets with a cost of \$500 or more for equipment, while computer equipment is defined as an asset with a cost of \$1,000 or more. Donated capital assets are recorded at estimated fair market value at the date of donation.

BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 7
 NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)
 SEPTEMBER 30, 2015

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

H. CAPITAL ASSETS (CONT.)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Fire Stations (Buildings) & Improvements	15 to 25 years
Fire Trucks & Equipment	7 to 15 years

I. 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. At September 30, 2015, the District had compensated balances of \$51,233.

J. LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities under governmental activities. Long term debt consists of capital lease obligations.

K. DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period, while a deferred inflow of resources is an acquisition of net position. These items are presented in separate sections following assets (deferred outflows) or liabilities (deferred inflows) on the statement of net position.

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.

L. PENSIONS

The net pension liability, deferred inflows, and outflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Texas County and District Retirement System (TCDRS), and additions to and deductions from TCERS’s fiduciary net position have been determined on the same basis as they are reported by TCERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 7
NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)
SEPTEMBER 30, 2015

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

M. 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.

N. NET POSITION

Net position represents 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.

O. 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.

P. 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.

BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 7
NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)
SEPTEMBER 30, 2015

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

Q. ADOPTION OF GOVERNMENTAL ACCOUNTING STANDARDS BOARDS STATEMENT

For the year ending September 30, 2015, the District implemented GASB Statement No. 68 related to accounting for pensions. The new standard requires the District's net pension liability and related deferred inflows and outflows of resources to be recognized on the City's government-wide statements. This change required a prior period adjustment to restate prior years in accordance with the change in accounting principle. The prior period adjustment recorded represents the net pension liability at September 31, 2014.

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, 2015, 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, 2015.

BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 7
 NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)
 SEPTEMBER 30, 2015

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 2015, the assessed tax rate for the District was \$0.099510 per \$100 on an assessed valuation of \$1,924,552,617. Total tax levy for fiscal year 2015 was \$1,915,122. As of September 30, 2015, the delinquent current taxes were \$9,408.

NOTE 4 -- RECEIVABLES

The following is a summary of the gross property taxes and charges for services receivable and the related allowances for uncollectible amounts:

<u>Assets</u>	<u>Amount Receivable</u>	<u>Allowance for Uncollectible Accounts</u>	<u>Net Receivable</u>
<i>Taxes:</i>			
General Fund	\$ 28,628	\$ -	\$ 28,628
<i>Charges for services:</i>			
EMS Services	329,985	214,490	115,495

NOTE 5 -- CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2015, was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Adjustments and Disposals</u>	<u>Ending Balance</u>
Land	\$ -	\$ 639,412	\$ -	\$ 639,412
Fire Station No. 1	-	299,856	-	299,856
Trucks and Equipment	-	1,147,130	-	1,147,130
Less: Accumulated Depreciation	-	(421,371)	-	(421,371)
	<u>\$ -</u>	<u>\$ 1,665,027</u>	<u>\$ -</u>	<u>\$ 1,665,027</u>

BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 7
 NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)
 SEPTEMBER 30, 2015

NOTE 6 -- NOTE PAYABLE

In August 2015, the District agreed to assume all of the outstanding debt belonging to District 7 Fire & Rescue and the related capital assets. A summary of the long-term debt outstanding as of September 30, 2015, follows:

<u>Governmental Activities</u>	<u>Balance 10/1/2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 9/30/2015</u>	<u>Due Within One Year</u>
Capital Lease Obligation	\$ -	\$ 700,579	\$ -	\$ 700,579	\$ 89,245
Fire Station Loan	-	374,480	-	374,480	47,744
	<u>\$ -</u>	<u>\$ 1,075,059</u>	<u>\$ -</u>	<u>\$ 1,075,059</u>	<u>\$ 136,989</u>

The capital lease agreement consists of an original financed balance of \$954,940 over 10 years with an interest rate of 3.723%. The District is to pay an annual payment of \$115,853. The requirement to amortize the lease over the remaining term as of September 30, 2015 is as follows:

<u>Fiscal Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 89,246	\$ 26,607	\$ 115,853
2017	92,635	23,218	115,853
2018	96,153	19,700	115,853
2019	99,805	16,048	115,853
2020	103,596	12,257	115,853
2021-2022	219,144	12,562	231,706
	<u>\$ 700,579</u>	<u>\$ 110,392</u>	<u>\$ 810,971</u>

The equipment above is capitalized as property and equipment for \$954,940 with accumulated depreciation of \$222,819 as of September 30, 2015.

The Fire Station Loan requires annual payments of \$61,865. The loan is secured by a pledge of future revenues and the underlying real property. The requirement to amortize the loan over the remaining term as of September 30, 2015 is as follows:

<u>Fiscal Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 47,744	\$ 14,121	\$ 61,865
2017	49,544	12,321	61,865
2018	51,411	10,455	61,866
2019	53,351	8,514	61,865
2020	55,363	6,502	61,865
2021-2022	117,067	6,662	123,729
	<u>\$ 374,480</u>	<u>\$ 58,575</u>	<u>\$ 433,055</u>

BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 7
NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)
SEPTEMBER 30, 2015

NOTE 7 -- EMPLOYEES RETIREMENT SYSTEMS

Texas County and District Retirement System

Plan Description

The District participates as one of 677 plans in the nontraditional, defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). TCDRS is an agency created by the state of Texas and administered in accordance with the TCDRS Act as an agent multiple-employer retirement system for County and District employees in the State of Texas. The Board of Trustees of TCDRS is responsible for the administration and management of the system. 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 78768-2034.

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 8 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 8 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.

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.

Contributions

The District has elected the annually determined contribution rate plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the District is actuarially determined annually. The District contributed using the actuarially determined rate of 5.73% for the months of the accounting year 2014, and 10.76% for the months of the accounting year in 2015.

The contribution rate payable by the employee members for 2014 and 2015 is the rate of 7% as adopted by the governing body of the District. The employee deposit rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 7
 NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)
 SEPTEMBER 30, 2015

NOTE 7 -- EMPLOYEES RETIREMENT SYSTEMS (CONT.)

Texas County and District Retirement System (Continued)

Benefits Provided

TCDRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the District, within the options available in the state statutes governing TCDRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the District-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

	2014
Active employees	26
Inactive Employees Entitled to but Not Yet Receiving Benefits	9
Inactive Employees or Beneficiaries Currently Receiving Benefits	0
	35

Net Pension Liability

The District's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.00% per year
Overall Payroll Growth	3.4% to 8.75% per year
Investment Rate of Return*	8.10%

* Presented net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Health Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used with slight adjustments.

BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 7
 NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)
 SEPTEMBER 30, 2015

NOTE 7 -- EMPLOYEES RETIREMENT SYSTEMS (CONT.)

Texas County and District Retirement System (Continued)

Actuarial Assumptions (Cont.)

The long-term expected rate of return on pension plan investments is 8.10%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TCDRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TCDRS.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage and by adding the expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Geometric)
US Equities	16.50%	5.35%
Private Equity	12.00%	8.35%
Global Equities	1.50%	5.65%
International Equities - Developed	11.00%	5.35%
International Equities - Emerging	9.00%	6.35%
Investment-Grade Bonds	3.00%	55.00%
High-Yield Bonds	3.00%	3.75%
Opportunistic Credit	5.00%	5.54%
Direct Lending	2.00%	5.80%
Distressed Credit	3.00%	6.75%
REIT Equities	2.00%	4.00%
Commodities	2.00%	-0.20%
Master Limited Partnerships (MLPs)	2.00%	5.30%
Private Real Estate Partnerships	3.00%	7.20%
Hedge Funds	25.00%	5.15%
	<u>100.00%</u>	

BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 7
 NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)
 SEPTEMBER 30, 2015

NOTE 7 -- EMPLOYEES RETIREMENT SYSTEMS (CONT.)

Texas County and District Retirement System (Continued)

Actuarial Assumptions (Cont.)

Actuarial assumptions used in the December 31, 2014 valuation were based on the results of actuarial experience studies. The experience study in TCDRS was for the period January 1, 2009 through December 31, 2012, first used in the December 31, 2013 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

Discount Rate

The discount rate used to measure the Total Pension Liability was 8.10%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Discount Rate Sensitivity Analysis

The following presents the net pension liability of the District, calculated using the discount rate of 8.10%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7.10%) or 1-percentage point higher (9.10%) than the current rate:

	Discount Rate 7.1%	Discount Rate 8.1%	Discount Rate 9.1%
Net Pension Liability	\$ 372,842	\$ 249,714	\$ 153,915

BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 7
 NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)
 SEPTEMBER 30, 2015

NOTE 7 -- EMPLOYEES RETIREMENT SYSTEMS (CONT.)

Texas County and District Retirement System (Continued)

Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended September 30, 2015, the District recognized pension expense of \$192,255. Also as of September 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Economic Experience	\$ 116,919	\$ -
Changes in Actuarial Assumptions	-	-
Differences Between Projected and Actual Investment Earnings	5,550	-
Contributions Subsequent to the Measurement Date	<u>148,806</u>	<u>-</u>
	<u><u>\$ 271,275</u></u>	<u><u>\$ -</u></u>

Deferred outflows of resources in the amount of \$148,806 is related to pensions resulting from contributions subsequent to the measurement date, and will be recognized as a reduction of the net pension liability for the year ending September 30, 2015. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Year ended December 31,	
2015	\$ 14,379
2016	14,379
2017	14,379
2018	14,379
2019	12,991
Thereafter	<u>51,962</u>
	<u><u>\$ 122,469</u></u>

BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 7
 NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)
 SEPTEMBER 30, 2015

NOTE 7 -- EMPLOYEES RETIREMENT SYSTEMS (CONT.)

Texas County and District Retirement System (Continued)

Changes in Net Pension Liability

The below schedule presents the changes in the Net Pension Liability as of December 31, 2014:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2013	\$ 273,118	\$ 237,365	\$ 35,753
Changes for the year:			
Service Cost	86,020	-	86,020
Interest	28,847	-	28,847
Change of Benefit Terms	86,099	-	86,099
Difference Between Expected and Actual Experience	129,911	-	129,911
Changes of Assumptions	-	-	-
Contributions - Employer	-	53,813	(53,813)
Contributions - Employee	-	46,950	(46,950)
Net Investment Income	-	16,400	(16,400)
Benefit Payments, Including Refunds of Employee Contributions	(2,779)	(2,779)	-
Administrative Expense	-	(230)	230
Other Changes	-	(17)	17
Net Changes	328,098	114,137	213,961
Balance at December 31, 2014	\$ 601,216	\$ 351,502	\$ 249,714

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issues TCDRS financial report. That report may be obtained at www.tcdrs.com.

NOTE 8 - SHORT TERM NOTE

The District was involved in a related party transaction with Martha Romans, the board president. The District received a short-term loan in the amount of \$200,000 on September 18, 2015. The loan is subject to 4.25% interest per annum and is due on March 18, 2016. The loan was used to purchase the new plot of land for station 116. This note was repaid on December 17, 2015.

BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 7
NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)
SEPTEMBER 30, 2015

NOTE 9 -- CONCENTRATION OF EXPENDITURES

For fiscal year 2015, the District paid the City of Helotes \$75,000 and District 7 Fire and Rescue \$678,200 for providing emergency services to the District, which combined were approximately 29.70% of the total expenditures of the District.

NOTE 10 -- 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.

During the fiscal year ended September 30, 2015, the District engaged with the City of Helotes to provide fire fighters and training. The District provided 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. The District dissolved the relationship with the City in January of 2015.

NOTE 11 -- DEFICIT FUND BALANCE

The District incurred significant costs to set up their EMS services and purchase additional land for a new station. This resulted in a deficit fund balance of \$(40,190). The deficit will be recovered once the EMS department has been fully established and with the collection of property taxes.

NOTE 12 -- CONTINGENT LIABILITIES

Litigation -

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

NOTE 13 -- SUBSEQUENT EVENTS

The District was involved in a related party transaction with Martha Romans, the board president. The District received a short-term loan in the amount of \$203,000 on October 13, 2015. The loan is subject to 4.0% interest per annum and is due on April 13, 2016. The loan was used to purchase an adjacent plot of land for station 116.

The District purchased the title to a plot of land adjacent to station 116 in September 2015. The plot of land was valued at \$150,000 and was purchased in December 2015.

BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 7
NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)
SEPTEMBER 30, 2015

NOTE 14 -- 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, 2015, were \$35,194.

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 Changes – Net Pension Liability and Related Ratios

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, 2015

	Budget Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
REVENUES				
Taxes	\$ 1,850,000	\$ 1,850,000	\$ 1,925,560	\$ 75,560
Charges for Service	300,000	300,000	135,678	(164,322)
Other Income	350,000	350,000	150,020	(199,980)
Interest	-	-	418	418
TOTAL REVENUES	<u>2,500,000</u>	<u>2,500,000</u>	<u>2,211,676</u>	<u>(288,324)</u>
EXPENDITURES				
Current:				
Emergency Services	2,076,700	2,268,200	2,158,379	109,821
Administrative	361,300	404,621	382,871	21,750
TOTAL EXPENDITURES	<u>2,438,000</u>	<u>2,672,821</u>	<u>2,541,250</u>	<u>131,571</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	62,000	(172,821)	(329,574)	(156,753)
Fund Balance - Beginning	<u>289,384</u>	<u>289,384</u>	<u>289,384</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 351,384</u>	<u>\$ 116,563</u>	<u>\$ (40,190)</u>	<u>\$ (156,753)</u>

BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 7
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
SEPTEMBER 30, 2015

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, 2015.

BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 7
SCHEDULE OF CHANGES - NET PENSION LIABILITY AND RELATED RATIOS
ANALYSIS OF FUNDING PROGRESS

Total Pension Liability	
	2014
Service Cost	\$ 86,020
Interest (on the Total Pension Liability)	28,847
Changes of Benefit Terms	86,099
Difference between Expected and Actual Experience	129,911
Change of Assumptions	-
Benefit Payments, Including Refunds of Employee Contributions	(2,779)
Net Change in Total Pension Liability	328,098
Total Pension Liability - Beginning	273,118
Total Pension Liability - Ending	\$ 601,216
Plan Fiduciary Net Position	
	2014
Contributions - Employer	\$ 53,813
Contributions - Employee	46,950
Net Investment Income	16,400
Benefit Payments, Including Refunds of Employee Contributions	(2,779)
Administrative Expense	(230)
Other	(17)
Net Change in Plan Fiduciary Net Position	114,137
Plan Fiduciary Net Position - Beginning	237,365
Plan Fiduciary Net Position - Ending	\$ 351,502
Net Pension Liability - Ending	\$ 249,714
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	58.47%
Covered Employee Payroll	\$ 938,995
Net Pension Liability as a Percentage of Covered Employee Payroll	26.59%

BEXAR COUNTY EMERGENCY SERVICES DISTRICT #7
 NOTES TO SCHEDULE OF CHANGES - NET PENSION LIABILITY AND RELATED RATIOS
 SEPTEMBER 30, 2015

Valuation Date:

Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Asset Valuation Method	5 Year Smoothing Period; Non-asymptotic Recognition Method; No Corridor
Inflation	3.00%
Salary Increases	3.9% to 8.75% Including Inflation
Investment Rate of Return	8.10%
Cost-of-Living Adjustments	Cost-of-Living Adjustments for the District are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Retirement Age	Experience-based table of rates that are specific to the District's plan of benefits.
Turnover	Length of service based rates that are specific to the District's plan of benefits.
Mortality	The RP-2000 Active Employee Mortality Table for males with a two-year set-forward and the RP-2000 Active Employee Mortality Table for females with a four-year setback, both with the projection scale AA.

Schedule of Contributions:

	2014
Actuarially Determined Contribution	\$ 175,523
Contributions in Relation to the Actuarially Determined Contribution	175,523
Contribution Deficiency (Excess)	\$ -
Covered Employee Payroll	\$ 1,138,700
Contributions as a Percentage of Covered Employee Payroll	15.41%

This page left blank intentionally.

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, 2015 AND 2014

	2015	2014
ASSETS		
Cash and Cash Equivalents	\$ 196,882	\$ 330,345
Property Taxes Receivable	28,628	18,778
EMS Charges Receivable, Net	115,495	-
Prepaid Items	23,194	13,709
TOTAL ASSETS	\$ 364,199	\$ 362,832
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
<i>Liabilities:</i>		
Accounts Payable	\$ 3,991	\$ 18,203
Payroll Liabilities	56,274	36,468
Short Term Note	200,000	-
<i>Total Liabilities</i>	260,265	54,671
 <i>Deferred Inflows of Resources:</i>		
Unavailable Property Tax Revenue	28,629	18,777
Unavailable EMS Revenues	115,495	-
<i>Total Deferred Inflows of Resources</i>	144,124	18,777
 <i>Fund Balance:</i>		
Nonspendable Prepaid Items	23,194	13,709
Unassigned, (Deficit)	(63,384)	275,675
<i>Total Fund Balance, (Deficit)</i>	(40,190)	289,384
 TOTAL LIABILITIES, DEFERRED INFLOWS AND RESOURCES AND FUND BALANCES		
	\$ 364,199	\$ 362,832

BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 7
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES - GENERAL FUND
 FOR YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	2015	2014
REVENUES		
Taxes	\$ 1,925,560	\$ 1,717,089
Charges for Service	135,678	-
Other Income	150,020	-
Interest Income	418	510
TOTAL REVENUES	2,211,676	1,717,599
 EXPENDITURES		
<i>Current:</i>		
Emergency Services	2,158,379	1,368,607
Administrative	382,871	258,962
TOTAL EXPENDITURES	2,541,250	1,627,569
 Net Change in Fund Balance	(329,574)	90,030
 Fund Balance - October 1	289,384	199,354
 Fund Balance - September 30	\$ (40,190)	\$ 289,384

This page left blank intentionally.