

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

ANNUAL FINANCIAL REPORT

**FISCAL YEAR ENDED
SEPTEMBER 30, 2016**

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BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 7
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2016

DISTRICT OFFICIALS

PRESIDENT

MARTI ROMANS

DIRECTORS

WILLIAM DAVIDSON

GARY SCHOTT

LONNIE STOCKTON

TREASURER

CINDY COLSTON

ATTORNEY

BROWN & ORTIZ, P.C.

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BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 7
 ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

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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, 2016, 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

The financial statements referred to previously include only the primary government of Bexar County Emergency Service District No. 7, which consists of all funds and activities that comprise Bexar County Emergency Service District No. 7's legal entity. The financial statements do not include financial data for District 7 Fire and Rescue, a legally separate component unit, which accounting principles generally accepted in the United States of America require to be reported with the financial data of Bexar County Emergency Service 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 Service District No. 7, as of September 30, 2016, 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. District 7 (a component unit of Bexar County Emergency Services District No. 7) has issued separate reporting entity financials statements which are available upon request.

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, 2016, 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 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.

Armstrong, Vaughan & Associates, P.C.

Armstrong, Vaughan & Associates, P.C.

May 19, 2017

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, 2016. Please read it in conjunction with the District’s financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District’s total net position was \$688 thousand at September 30, 2016.
- During the year, the District’s expenses were \$58 thousand less than the \$2.7 million generated in taxes and EMS revenues for governmental activities.
- The total cost of the District’s programs increased by approximately \$366 thousand from last year. The increase was a result of increased cost of fire protection and the start-up costs related to the District’s new emergency service program.
- The general fund reported a fund balance this year of \$1.5 million. The decrease in fund balance is a result of the increase in debt principal and interest payments.

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

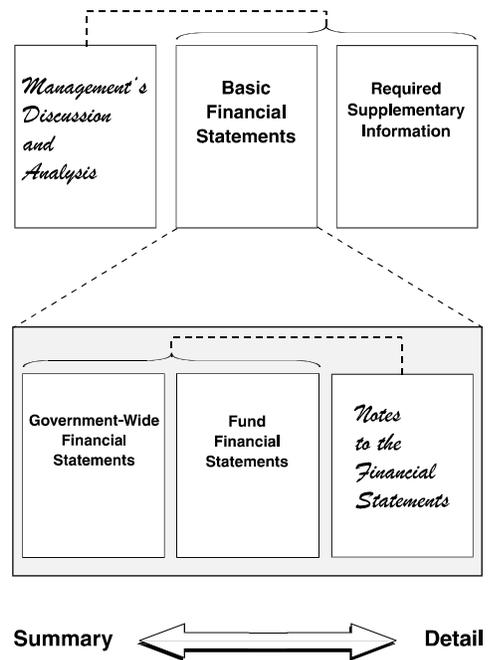


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of 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 \$688 thousand at September 30, 2016. (See Table A-1)

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

	Governmental Activities		Total Percentage Change 2016 - 2015
	2016	2015	
Cash and Cash Equivalents	\$ 1,588.2	\$ 196.9	706.6%
Property Taxes Receivable	30.9	28.6	8.0%
EMS Charges	138.5	115.5	19.9%
Prepaid Items	23.0	23.2	-0.8%
Capital Assets	<u>1,596.2</u>	<u>1,665.0</u>	-4.1%
TOTAL ASSETS	<u>3,376.8</u>	<u>2,029.2</u>	66.4%
Deferred Outflows	120.7	271.0	-55.5%
Accounts Payable and Accrued Liabilities	46.6	4.0	1065.0%
Payroll Liabilities	54.6	56.3	-3.0%
Compensated Absences	72.1	51.2	40.8%
Accrued Interest Payable	82.2	34	139.0%
Short Term Note	-	200	-100.0%
Long-Term Liabilities	<u>2,487.4</u>	<u>1,325</u>	87.8%
TOTAL LIABILITIES	<u>2,742.9</u>	<u>1,670.7</u>	64.2%
Unrestricted	299.0	39.8	651.3%
Investment in Property & Equipment	<u>388.7</u>	<u>590.0</u>	-34.1%
TOTAL NET POSITION	<u>\$ 687.7</u>	<u>\$ 629.8</u>	9.2%

Changes in Net position. The District’s total revenues were \$2.7 million. 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 \$2.7 million.

Governmental Activities

- Property tax rates decreased from \$0.099510 to \$0.098506 per \$100 valuation. While, tax rates decreased, assessed values of property increased resulting in increased tax revenues of \$333.7 thousand.

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

	Governmental Activities		Total Percentage Change
	2016	2015	2016 - 2015
General Revenues			
Property Taxes	\$ 2,269.1	\$ 1,935.4	17.2%
Charges for Service	480.1	251.2	91.1%
Investment Income	0.3	0.4	-25.0%
Miscellaneous	-	150.0	-100.0%
Gain on Debt Settlement	-	303.4	-100.0%
Total Revenues	<u>2,749.5</u>	<u>2,640.4</u>	4.1%
General Government	<u>2,691.6</u>	<u>2,325.3</u>	15.8%
Total Expenses	<u>2,691.6</u>	<u>2,325.3</u>	15.8%
Change in Net Position	<u>\$ 57.9</u>	<u>\$ 315.1</u>	-81.6%

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 \$2.7 million and was financed 83% through taxes, and 17% through EMS charges.

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

	Net Cost of Services		Total Percentage Change
	2016	2015	2016 - 2015
General Administration	\$ (533.5)	\$ (432.3)	23.4%
Emergency Services	<u>(1,677.9)</u>	<u>(1,641.9)</u>	2.2%
	<u>\$ (2,211.4)</u>	<u>\$ (2,074.2)</u>	6.6%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$2.7 million. 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 \$1.3 million less than budgeted amounts. The most significant variances resulted from emergency services and administrative expenses. Revenues were also \$265 thousand more than the final budgeted amounts, as charges for emergency services were higher 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 \$1.6 million, 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
	2016	2015	2016 - 2015
Land	\$ 639.4	\$ 639.4	0.0%
Fire Station No. 115	299.9	299.9	0.0%
Trucks and Equipment	1,182.4	1,147.1	3.1%
Less: Accumulated Depreciation	(525.5)	(421.4)	24.7%
Totals	<u>\$ 1,596.2</u>	<u>\$ 1,665.0</u>	-4.1%

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 2015, the District agreed to acquire all of the outstanding debt belonging to District 7 Fire & Rescue. As of September 30, 2016, the District had \$2.4 million outstanding as shown on Table A-5. More detailed information about the District's debt is presented in the notes to the financial statements.

	Total Cost of Services		Total Percentage Change
	2016	2015	2016 - 2015
Capital Lease Obligation	\$ 611.3	\$ 700.6	-12.7%
Bandera Fire Station Loan	1,500.0	-	100.0%
Fire Station No. 115 Loan	326.7	374.5	-12.8%
	<u>\$ 2,438.0</u>	<u>\$ 1,075</u>	126.8%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised value used for the 2017 budget preparation has increased, and revenue projections have also increased.
- General operating fund spending is expected to increase per the 2017 budget. Expenditures are anticipated to increase from the actual 2016 expenditures of \$2,663,371 to \$5,213,793. This is a 195% increase.

These indicators were taken into account when adopting the general fund budget for 2017. Amounts available for appropriation in the general fund budget are \$5,213,793 (which includes \$1.5 million carryover from the prior year), an increase of 12% over the final 2016 actual revenue of \$2,543,925. Property taxes will increase due to the increasing values and the District will receive additional revenues from their first year of Sales Tax. The District will adjust expenditures to finance programs the District currently offers. Additionally the District will begin collecting sales tax in 2017. The District is in the process of approving a contractor for the Bandera Station No. 116.

The Appraisal District has estimated an increase of 1,000 homes in the next several years.

If these estimates are realized, the District's budgetary general fund balance is expected to reduce by \$500 thousand by the close of 2017.

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 District can realize savings on insurance premiums. The relocation of Bandera Station No. 116 will enable homes greater than 5 road miles from the current location to achieve an ISO Protection of Rating Class 3 allowing them to obtain better 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.

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BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 7
ANNUAL FINANCIAL REPORT
FOR YEAR ENDED SEPTEMBER 30, 2016

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, 2016

	<u>Governmental Activities</u>
ASSETS	
<i>Current Assets:</i>	
Cash and Cash Equivalents	\$ 1,588,190
Receivables (net of allowances for uncollectibles)	
Taxes	30,869
EMS Charges	138,517
Prepaid Expenses	<u>23,010</u>
<i>Total Current Assets</i>	<u>1,780,586</u>
 <i>Property and Equipment:</i>	
Land	639,412
Fire Station No. 115	299,856
Trucks and Equipment	1,182,394
Less: Accumulated Depreciation	<u>(525,510)</u>
<i>Total Property and Equipment</i>	<u>1,596,152</u>
 TOTAL ASSETS	 <u>3,376,738</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred Pension Related Outflows	<u>120,729</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	 <u>\$ 120,729</u>

The accompanying notes are an integral part of these statements.

BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 7
STATEMENT OF NET POSITION (CONT.)
SEPTEMBER 30, 2016

	Governmental Activities
LIABILITIES	
<i>Current Liabilities:</i>	
Accounts Payable	\$ 46,550
Payroll Liabilities	54,589
Compensated Absences	72,094
Accrued Interest Payable	82,248
<i>Total Current Liabilities</i>	255,481
 <i>Noncurrent Liabilities:</i>	
Due within One Year	180,768
Due in more than One Year	2,257,301
Net Pension Liability	49,360
<i>Total Noncurrent Liabilities</i>	2,487,429
 TOTAL LIABILITIES	 2,742,910
 DEFERRED INFLOWS OF RESOURCES	
Deferred Pension Related Inflows	66,891
TOTAL DEFERRED INFLOWS OF RESOURCES	66,891
 NET POSITION	
Unrestricted	298,998
Net Investment in Property & Equipment	388,668
TOTAL NET POSITION	\$ 687,666

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, 2016

Functions and Programs	Expenses	Program Revenues		Net (Expenses), Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Primary Government:				
Governmental Activities:				
General Administration	\$ 533,532	\$ -	\$ -	\$ (533,532)
Emergency Services	2,158,022	480,073	-	(1,677,949)
Total Governmental Activities	2,691,554	480,073	-	(2,211,481)
Total Primary Government	\$ 2,691,554	\$ 480,073	-	(2,211,481)
General Revenues:				
General Property Taxes				2,269,096
Interest Income				260
Total General Revenues				2,269,356
Change in Net Position				57,875
Net Position at Beginning of Year				629,791
Net Position at End of Year				\$ 687,666

The accompanying notes are an integral part of these statements.

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BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 7
BALANCE SHEET
GOVERNMENTAL FUND
SEPTEMBER 30, 2016

	<u>General Fund</u>
ASSETS	
Cash and Cash Equivalents	\$ 1,588,190
Property Taxes Receivable	30,869
EMS Charges Receivable, Net	138,517
Prepaid Items	<u>23,010</u>
TOTAL ASSETS	<u><u>\$ 1,780,586</u></u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	
<i>Liabilities:</i>	
Accounts Payable	\$ 46,550
Payroll Liabilities	<u>54,589</u>
<i>Total Liabilities</i>	<u>101,139</u>
 <i>Deferred Inflows of Resources:</i>	
Unavailable Property Tax Revenue	30,869
Unavailable EMS Revenues	<u>138,517</u>
<i>Total Deferred Inflows of Resources</i>	<u>169,386</u>
 <i>Fund Balance:</i>	
Nonspendable Prepaid Items	23,010
Restricted for Construction of Firehouse	1,230,585
Unassigned	<u>256,466</u>
<i>Total Fund Balance</i>	<u>1,510,061</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	 <u><u>\$ 1,780,586</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, 2016

TOTAL FUND BALANCE - GOVERNMENTAL FUNDS	\$ 1,510,061
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.	30,869
EMS revenues in the Statement of Activities do not provide current financial resources are deferred in the fund statements.	138,517
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,596,152
Liability for compensated absences are not due and payable in the current period and, therefore, not reported in the funds.	(72,094)
Long-term liabilities, including notes payable, are not due and payable in the current period and, therefore, not reported in the funds.	(2,438,069)
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	(49,360)
Pension Related Deferred Inflows	(66,891)
Pension Related Deferred Outflows	<u>120,729</u>
	4,478
Accrued Interest payable on long-term bonds is not due and payable in the current period and, therefore, not reported in the funds.	<u>(82,248)</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	<u><u>\$ 687,666</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, 2016

	<u>General Fund</u>
REVENUES	
Property Taxes	\$ 2,266,856
Charges for Service	457,051
Interest Income	260
TOTAL REVENUES	<u>2,724,167</u>
 EXPENDITURES	
Current:	
Emergency Services	1,790,709
Administrative	193,390
Capital Outlay	35,264
Debt Service:	
Principal	536,999
Interest Expense	117,554
TOTAL EXPENDITURES	<u>2,673,916</u>
 OTHER FINANCING SOURCES (USES)	
Proceeds from Issuance of Note Payable	<u>1,500,000</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,500,000</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	 1,550,251
 Fund Balance at Beginning of Year, (Deficit)	 <u>(40,190)</u>
 Fund Balance at End of Year	 <u><u>\$ 1,510,061</u></u>

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, 2016

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 1,550,251

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 expense.

Capital Outlay	35,264	
Depreciation	<u>(104,139)</u>	(68,875)

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

Property Taxes Not Available for Current Period	2,240	
EMS Revenues Not Available for Current Period	<u>23,022</u>	25,262

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.

Principal Repayments	136,990	
Proceeds from Issuance of Debt	<u>(1,500,000)</u>	(1,363,010)

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.

(17,083)

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	(47,809)	
Compensated Absences	<u>(20,861)</u>	<u>(68,670)</u>

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES \$ 57,875

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, 2016

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, 2016 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, 2016

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, 2015, and became due October 01, 2015 have been assessed to finance the budget of the fiscal year beginning October 01, 2015.

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, 2016

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, 2016, the District had prepaid insurance of \$23,010.

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, 2016

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, 2016, the District had compensated balances of \$72,094.

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, 2016

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, 2016

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, 2016, 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, 2016.

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 2016, the assessed tax rate for the District was \$0.098506 per \$100 on an assessed valuation of \$2,246,464,735. Total tax levy for fiscal year 2016 was \$2,217,005. As of September 30, 2016, the delinquent current taxes were \$8,137.

BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 7
 NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)
 SEPTEMBER 30, 2016

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:

Assets	Amount Receivable	Allowance for Uncollectible Accounts	Net Receivable
<i>Taxes:</i>			
General Fund	\$ 30,869	\$ -	\$ 30,869
<i>Charges for services:</i>			
EMS Services	395,762	257,245	138,517

NOTE 5 -- CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2016, was as follows:

Governmental Activities	Beginning Balance	Additions	Adjustments and Disposals	Ending Balance
Land	\$ 639,412	\$ -	\$ -	\$ 639,412
Fire Station No. 115	299,856	-	-	299,856
Trucks and Equipment	1,147,130	35,264	-	1,182,394
Less: Accumulated Depreciation	(421,371)	(104,139)	-	(525,510)
	<u>\$ 1,665,027</u>	<u>\$ (68,875)</u>	<u>\$ -</u>	<u>\$ 1,596,152</u>

NOTE 6 -- NOTE PAYABLE

A summary of the long-term debt outstanding as of September 30, 2016, follows:

Governmental Activities	Balance 10/1/2015	Additions	Reductions	Balance 9/30/2016	Due Within One Year
<i>Notes Payable:</i>					
Bandera Station No. 116 Loan	\$ -	\$ 1,500,000	\$ -	\$ 1,500,000	\$ 38,589
Fire Station No. 115 Loan	374,480	-	(47,744)	326,736	49,544
<i>Total Notes Payable:</i>	<u>374,480</u>	<u>1,500,000</u>	<u>(47,744)</u>	<u>1,826,736</u>	<u>88,133</u>
Capital Lease Obligation	700,579	-	(89,246)	611,333	92,635
	<u>\$ 1,075,059</u>	<u>\$ 1,500,000</u>	<u>\$ (136,990)</u>	<u>\$ 2,438,069</u>	<u>\$ 180,768</u>

BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 7
 NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)
 SEPTEMBER 30, 2016

NOTE 6 -- NOTE PAYABLE (CONT.)

The capital lease agreement consists of an original financed balance of \$1,168,121 over 10 years with an interest rate of 3.723%. The District is to pay an annual payment of \$136,989. The requirement to amortize the lease over the remaining term as of September 30, 2016 is as follows:

Fiscal Year Ending <u>September 30</u>	Future Lease <u>Payments</u>
2017	\$ 115,853
2018	115,853
2019	115,853
2020	115,853
2021	115,853
2022	115,853
	<u>695,118</u>
Less Interest	<u>(83,785)</u>
	<u><u>611,333</u></u>

The equipment above is capitalized as property and equipment for \$1,168,121 with accumulated depreciation of \$525,275 as of September 30, 2016.

The Fire Station No. 115 Loan requires annual payments of \$61,865 for 10 years with an interest rate of 3.771%. The loan is secured by a pledge of future revenues and the underlying real property.

The Bandera Fire Station No. 116 Loan consists of an original financed balance of \$1,500,000 over 20 years with an interest rate of 4.063%. The loan requires annual payments of \$111,866. The loan is secured by a pledge of ad valorem revenues and the underlying real property.

The requirement to amortize the loans over the remaining term as of September 30, 2016 is as follows:

Fiscal Year Ending <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 88,133	\$ 85,597	\$ 173,730
2018	103,900	69,829	173,729
2019	107,973	65,758	173,731
2020	112,204	61,527	173,731
2021	116,602	57,129	173,731
2022-2026	393,430	227,764	621,194
2027-2031	407,366	151,964	559,330
2032-2036	497,128	62,204	559,332
	<u>\$ 1,826,736</u>	<u>\$ 781,772</u>	<u>\$ 2,608,508</u>

The District had borrowed \$403,000 from a board member, Ms. Romans, at a rate of 4%. The entire amount was repaid before year end.

BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 7
NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)
SEPTEMBER 30, 2016

NOTE 7 -- EMPLOYEES RETIREMENT SYSTEMS

Texas County and District Retirement System

Plan Description

The District participates as one of 700 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 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.

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 10.76% for the months of the accounting year 2015, and 9.95% for the months of the accounting year in 2016.

The contribution rate payable by the employee members for 2015 and 2016 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.

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.

BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 7
 NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)
 SEPTEMBER 30, 2016

NOTE 7 -- EMPLOYEES RETIREMENT SYSTEMS (CONT.)

Texas County and District Retirement System (Continued)

Benefits Provided (Continued)

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, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

	2014	2015
Active employees	26	27
Inactive Employees Entitled to but Not Yet Receiving Benefits	9	16
Inactive Employees or Beneficiaries Currently Receiving Benefits	0	0
	35	43

Net Pension Liability

The District's Net Pension Liability (NPL) was measured as of December 31, 2015, 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, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.00% per year
Overall Payroll Growth	3.5% to 8.93% per year
Investment Rate of Return*	8.10%

* Presented net of pension plan investment expense, including inflation

BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 7
NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)
SEPTEMBER 30, 2016

NOTE 7 -- EMPLOYEES RETIREMENT SYSTEMS (CONT.)

Texas County and District Retirement System (Continued)

Actuarial Assumptions (Continued)

Depositing Members	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 projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that.
Service Retirees, Beneficiaries and Non-Depositing Members	The RP-2000 Combined Mortality Table projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that, with a one-year set-forward for males and no age adjustment for females.
Disabled Retirees	RP-2000 Combined Mortality Table projected to 2014 with scale AA and then projected with 110% of the MO-2014 Ultimate Scale after that, with age adjustment for males and a two-year set-forward for females.

Actuarial Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. Updated mortality assumptions were adopted in 2015. All other actuarial assumptions that determined the total pension liability as of December 31, 2015 were based on the results of an actuarial experience study for the period January 1, 2009 – December 31, 2016, except where required to be different by GASB 68.

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 TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultation, Cliffwater LLC. The number shown are based on the January 2016 information for a 7-10 year time horizon.

Note that the valuation assumption for long-term expected return is reassessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2013. See Milliman's TCDRS Investigation of Experience report for the period of January 1, 2009 – December 31, 2016 for more details.

BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 7
 NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)
 SEPTEMBER 30, 2016

NOTE 7 -- EMPLOYEES RETIREMENT SYSTEMS (CONT.)

Texas County and District Retirement System (Continued)

Actuarial Assumptions (Cont.)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Geometric)</u>
US Equities	14.50%	5.50%
Private Equity	14.00%	8.50%
Global Equities	1.50%	5.80%
International Equities - Developed	10.00%	5.50%
International Equities - Emerging	8.00%	6.50%
Investment-Grade Bonds	3.00%	1.00%
High-Yield Bonds	3.00%	5.10%
Opportunistic Credit	2.00%	5.10%
Direct Lending	5.00%	6.40%
Distressed Credit	3.00%	8.10%
REIT Equities	3.00%	4.00%
Master Limited Partnerships (MLPs)	3.00%	6.80%
Private Real Estate Partnerships	5.00%	6.90%
Hedge Funds	25.00%	5.30%
	<u>100.00%</u>	

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.

BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 7
 NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)
 SEPTEMBER 30, 2016

NOTE 7 -- EMPLOYEES RETIREMENT SYSTEMS (CONT.)

Texas County and District Retirement System (Continued)

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	\$ 179,826	\$ 49,360	\$ (50,475)

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

For the year ended September 30, 2016, the District recognized pension expense of \$71,365. Also as of September 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Economic Experience	\$ -	\$ 66,891
Changes in Actuarial Assumptions	652	-
Differences Between Projected and Actual Investment Earnings	39,626	-
Contributions Subsequent to the Measurement Date	80,451	-
	\$ 120,729	\$ 66,891

BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 7
 NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)
 SEPTEMBER 30, 2016

NOTE 7 -- EMPLOYEES RETIREMENT SYSTEMS (CONT.)

Texas County and District Retirement System (Continued)

Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions (Cont.)

Deferred outflows of resources in the amount of \$80,451 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 plan year ending December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Plan Year ended December 31,

2016	\$	(1,065)
2017		(1,065)
2018		(1,065)
2019		(2,453)
2020		(11,319)
Thereafter		(9,646)
		\$ (26,613)

Changes in Net Pension Liability

The below schedule presents the changes in the Net Pension Liability as of December 31, 2015:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2014	\$ 601,216	\$ 351,502	\$ 249,714
Changes for the year:			
Service Cost	163,660	-	163,660
Interest	52,913	-	52,913
Change of Benefit Terms	(29,136)	-	(29,136)
Difference Between Expected and Actual Experience	(195,222)	-	(195,222)
Changes of Assumptions	745	-	745
Contributions - Employer	-	122,636	(122,636)
Contributions - Employee	-	79,709	(79,709)
Net Investment Income	-	(8,674)	8,674
Benefit Payments, Including Refunds of Employee Contributions	(29,131)	(29,131)	-
Administrative Expense	-	(319)	319
Other Changes	-	(38)	38
Net Changes	(36,171)	164,183	(200,354)
Balance at December 31, 2015	\$ 565,045	\$ 515,685	\$ 49,360

BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 7
NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)
SEPTEMBER 30, 2016

NOTE 7 -- EMPLOYEES RETIREMENT SYSTEMS (CONT.)

Texas County and District Retirement System (Continued)

Pension Plan Fiduciary Net Position

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

NOTE 8 -- RELATED PARTIES

The Board of Bexar County Emergency Services District #7 is also the Board Members of District 7 Fire and Rescue.

NOTE 9 -- CONTINGENT LIABILITIES

Litigation -

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

NOTE 10 -- 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, 2016, were \$32,502.

NOTE 11--SERVICE PROVIDER

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

NOTE 12--SUBSEQUENT EVENT

In November 2016, Bexar County Emergency Services District No. 7 accepted a proposal from Siddons-Martin Emergency Group to build a Pierce Velocity Pumper Truck for \$716,067 and a Pierce Ascendant, Aerial Ladder Truck for \$893,086. Delivery is expected to be in the fall of 2017. The vehicles will be financed through PNC Equipment Finance, LLC. The equipment will be held as collateral. The department will finance \$1.6 million over 10 years with the interest rate of 3.1%. Moreover, during the build time and until Bexar County Emergency Services District No. 7 takes possession of the new Pierce Pumper, Siddons-Martin will cover all repairs for any previous repetitive issues on the E-115 truck. In the agreement with Pierce Manufacturing the E-115 truck will be paid off at the time of the new purchase of the Pumper Truck. The E-115 truck will remain with the Bexar County Emergency Services District No. 7 until the new pumper is delivered. Additionally, the ESD is currently in negotiations with a contractor to build the Bandera Fire House No. 116.

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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 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, 2016

	Budget Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
REVENUES				
Taxes	\$ 2,238,600	\$ 2,238,600	\$ 2,266,856	\$ 28,256
Charges for Service	220,000	220,000	457,051	237,051
Interest	-	-	260	260
TOTAL REVENUES	<u>2,458,600</u>	<u>2,458,600</u>	<u>2,724,167</u>	<u>265,567</u>
EXPENDITURES				
Current:				
Emergency Services	1,282,686	1,297,686	1,790,709	(493,023)
Administrative	2,122,250	2,084,050	193,390	1,890,660
Capital Outlay	35,264	35,264	35,264	-
Debt Service:				
Principal	544,600	544,600	536,999	7,601
Interest Expense	-	-	117,554	(117,554)
TOTAL EXPENDITURES	<u>3,984,800</u>	<u>3,961,600</u>	<u>2,673,916</u>	<u>1,287,684</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from Issuance of Note Payable	1,703,000	1,703,000	1,500,000	(203,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,703,000</u>	<u>1,703,000</u>	<u>1,500,000</u>	<u>(203,000)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	176,800	200,000	1,550,251	1,350,251
Fund Balance - Beginning	<u>(40,190)</u>	<u>(40,190)</u>	<u>(40,190)</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 136,610</u>	<u>\$ 159,810</u>	<u>\$ 1,510,061</u>	<u>\$ 1,350,251</u>

BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 7
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
SEPTEMBER 30, 2016

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, 2016.

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

Total Pension Liability		
	2014	2015
Service Cost	\$ 86,020	\$ 163,660
Interest (on the Total Pension Liability)	28,847	52,913
Changes of Benefit Terms	86,099	(29,136)
Difference between Expected and Actual Experience	129,911	(195,222)
Change of Assumptions	-	745
Benefit Payments, Including Refunds of Employee Contributions	(2,779)	(29,131)
Net Change in Total Pension Liability	328,098	(36,171)
Total Pension Liability - Beginning	273,118	601,216
Total Pension Liability - Ending	<u>\$ 601,216</u>	<u>\$ 565,045</u>
Plan Fiduciary Net Position		
	2014	2015
Contributions - Employer	\$ 53,813	\$ 122,636
Contributions - Employee	46,950	79,709
Net Investment Income	16,400	(8,674)
Benefit Payments, Including Refunds of Employee Contributions	(2,779)	(29,131)
Administrative Expense	(230)	(319)
Other	(17)	(38)
Net Change in Plan Fiduciary Net Position	114,137	164,183
Plan Fiduciary Net Position - Beginning	237,365	351,502
Plan Fiduciary Net Position - Ending	<u>\$ 351,502</u>	<u>\$ 515,685</u>
Net Pension Liability - Ending	\$ 249,714	\$ 49,360
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	58.47%	91.26%
Covered Employee Payroll	\$ 938,995	\$ 1,138,703
Net Pension Liability as a Percentage of Covered Employee Payroll	26.59%	4.33%

This schedule is presented to illustrate the requirements for 10 years. However, the recalculations of prior years are not required, and if prior years are not reported in accordance with GASB 68 they should not be shown here. Therefore only the years shown have been implemented for the GASB statements.

BEXAR COUNTY EMERGENCY SERVICES DISTRICT #7
NOTES TO SCHEDULE OF CHANGES - NET PENSION LIABILITY AND RELATED RATIOS
LAST TWO FISCAL YEARS

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
Remaining Amortization Period	7.8 years (based on contribution rate calculated in 12/31/2015 valuation)
Asset Valuation Method	5 Year Smoothed Market
Inflation	3.00%
Salary Increases	Varies by age and service. 4.9% average over career including inflation.
Investment Rate of Return	8.00%, net of investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	In the 2015 actuarial valuation, assumed life expectancies were adjusted as a result of adopting a new projection scale (110% of the MP-2014 Ultimate Scale) for 2014 and later. Previously Scale AA had been used. The base table is the RP-2000 table projected with Scale AA to 2014.
Changes In Plan Provisions Reflected in the Schedule	Effective with the 2015 calendar year, employer contributions reflect that member contribution rate was increased to 7% and the current service matching rate was increased to 250% for future benefits.

Schedule of Contributions:

	<u>2015</u>	<u>2016</u>
Actuarially Determined Contribution	\$ 90,167	\$ 80,451
Contributions in Relation to the Actuarially Determined Contribution	<u>90,167</u>	<u>80,451</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Covered Employee Payroll	\$ 1,138,700	\$ 1,110,304
Contributions as a Percentage of Covered Employee Payroll	7.92%	7.25%

This schedule is presented to illustrate the requirements for 10 years. However, the recalculations of prior years are not required, and if prior years are not reported in accordance with GASB 68 they should not be shown here. Therefore only the years shown have been implemented for the GASB statements.

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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, 2016 AND 2015

	2016	2015
ASSETS		
Cash and Cash Equivalents	\$ 1,588,190	\$ 196,882
Property Taxes Receivable	30,869	28,628
EMS Charges Receivable, Net	138,517	115,495
Prepaid Items	23,010	23,194
TOTAL ASSETS	\$ 1,780,586	\$ 364,199
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
<i>Liabilities:</i>		
Accounts Payable	\$ 46,550	\$ 3,991
Payroll Liabilities	54,589	56,274
Short Term Note Payable	-	200,000
<i>Total Liabilities</i>	101,139	260,265
 <i>Deferred Inflows of Resources:</i>		
Unavailable Property Tax Revenue	30,869	28,629
Unavailable EMS Revenues	138,517	115,495
<i>Total Deferred Inflows of Resources</i>	169,386	144,124
 <i>Fund Balance:</i>		
Nonspendable Prepaid Items	23,010	23,194
Restricted for Fire Station Construction	1,230,585	-
Unassigned	256,466	(63,384)
<i>Total Fund Balance</i>	1,510,061	(40,190)
TOTAL LIABILITIES, DEFERRED INFLOWS AND RESOURCES AND FUND BALANCES	\$ 1,780,586	\$ 364,199

BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 7
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES - GENERAL FUND
 FOR YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	2016	2015
REVENUES		
Taxes	\$ 2,266,856	\$ 1,925,560
Charges for Service	457,051	135,678
Other Income	-	150,020
Interest Income	260	418
TOTAL REVENUES	2,724,167	2,211,676
 EXPENDITURES		
<i>Current:</i>		
Emergency Services	1,790,709	2,158,379
Administrative	193,390	136,328
Capital Outlay	35,264	-
Debt Service:		
Principal	536,999	131,989
Interest Expense	117,554	114,554
TOTAL EXPENDITURES	2,673,916	2,541,250
 OTHER FINANCING SOURCES (USES)		
Proceeds from Issuance of Note Payable	1,500,000	-
TOTAL OTHER FINANCING SOURCES (USES)	1,500,000	-
 EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,550,251	(329,574)
 Fund Balance - October 1 (Deficit)	(40,190)	289,384
 Fund Balance - September 30	\$ 1,510,061	\$ (40,190)

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