

**BEXAR COUNTY  
EMERGENCY SERVICES DISTRICT #2**

**ANNUAL FINANCIAL REPORT**

**FISCAL YEAR ENDED  
SEPTEMBER 30, 2019**





BEXAR COUNTY EMERGENCY SERVICES DISTRICT #2  
ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED SEPTEMBER 30, 2019

DISTRICT OFFICIALS

PRESIDENT	DAVID HARRIS
VICE PRESIDENT	RICHARD CASH
TREASURER	CHRIS RAIT
SECRETARY	JUSTEN NOAKES
ASSISTANT TREASURER	BRIAN FITE

ACCOUNTANT	MARTINEZ, ROSARIO & COMPANY, L.L.P.
ATTORNEY	SANCHEZ & WILSON, PLLC



BEXAR COUNTY EMERGENCY SERVICES DISTRICT #2  
 ANNUAL FINANCIAL REPORT  
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

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INDEPENDENT AUDITOR'S REPORT

District Commissioners  
Bexar County Emergency Services District #2

**Report on the Financial Statements**

We have audited the accompanying basic financial statements of the governmental activities and each major fund of the Bexar County Emergency Services District #2, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise Bexar County Emergency Services District #2's basic financial statements as listed in the table of contents.

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

Bexar County Emergency Services District #2'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 controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express opinions 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 involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on 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 District'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 District'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 estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the governmental activities and each major fund.

## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the primary government of Bexar County Emergency Services District #2, as of September 30, 2019, and the respective changes in financial position and, where applicable, cash flows, thereof for the year 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 and Notes – Net Pension Liability and Related Ratios 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 (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *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 #2'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.

June 18, 2020

## MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of Bexar County Emergency Services District #2’s annual financial report presents our discussion and analysis of the District’s financial performance during the fiscal year ended September 30, 2019. Please read it in conjunction with the District’s financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

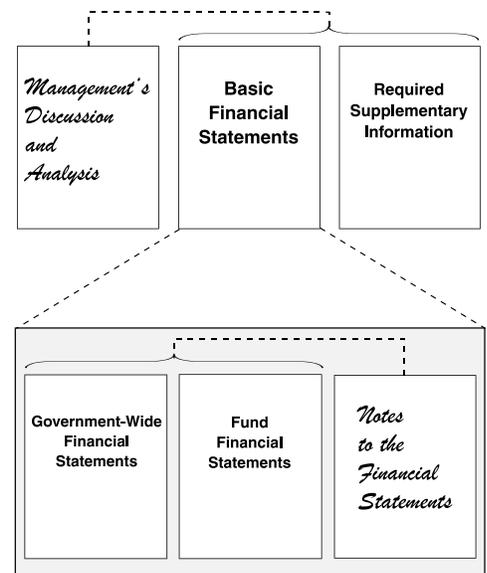
- The District’s total net position was \$18.0 million at September 30, 2019.
- During the year, the District’s expenses were \$4.7 million less than the \$14.7 million generated in taxes and other revenues for governmental activities.
- The general fund reported a fund balance this year of \$9.2 million.
- Executed notes payable in the amount of \$9 million.

### 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:

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

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

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

**Government-Wide Statements**

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

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

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

The government-wide financial statements of the District include the *Governmental activities*. Most of the District’s basic services are included here, such as Emergency Services and general administration. Property taxes and EMS charges will 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 net position was \$18.0 million at September 30, 2019. (See Table A-1).

**Table A-1**  
Bexar County Emergency Services District #2 Net Position  
(In thousands dollars)

	Governmental Activities		Total Percentage Change
	2019	2018	2019-2018
<b>Current Assets:</b>			
Cash and Investments	\$ 10,874	\$ 8,336	30.4%
Cash and Investments - Restricted	8,855	-	100.0%
Accrued Interest Receivable	13	-	100.0%
Property Taxes Receivable	91	96	-5.0%
Sales Taxes Receivable	964	660	46.1%
EMS Receivable	636	-	100.0%
Other Receivable	37	107	-65.7%
Prepaid Items	281	118	138.1%
<b>Noncurrent Assets:</b>			
Equipment and Vehicles	8,725	5,834	49.6%
Buildings	2,084	2,057	1.3%
Accumulated Depreciation	(3,771)	(2,737)	37.8%
Land	1,078	1,078	0.0%
Construction in Progress	747	2,086	-64.2%
<b>Total Assets</b>	<b>30,612</b>	<b>17,635</b>	<b>73.6%</b>
<b>Deferred Outflows</b>	<b>656</b>	<b>384</b>	<b>70.8%</b>
<b>Current Liabilities:</b>			
Accounts Payable	137	677	-79.8%
Payroll Liabilities	216	117	85.0%
Accrued Interest Payable	348	52	568.7%
Compensated Absences - Current	15	13	14.1%
Debt Payable - Current	848	530	59.9%
<b>Long-Term Liabilities:</b>			
Compensated Absences, Net of Current	352	204	72.7%
Debt Payable, Net of Current	10,749	2,597	313.9%
Net Pension Liability	580	477	21.7%
<b>Total Liabilities</b>	<b>13,245</b>	<b>4,667</b>	<b>183.8%</b>
<b>Deferred Inflows</b>	<b>23</b>	<b>31</b>	<b>-26.0%</b>
<b>Net Position:</b>			
Net Investment in Capital Assets	6,266	5,191	20.7%
Unrestricted	11,734	8,130	44.3%
<b>Total Net Position</b>	<b>\$ 18,000</b>	<b>\$ 13,321</b>	<b>35.1%</b>

**Changes in Net Position.** The District’s total revenues were \$14.7 million. The District’s revenue comes from taxes, EMS revenues, donations, grants and investment income. The total cost of all programs and services was \$10.0 million.

**Governmental Activities**

- Property tax rates were assessed at \$0.10 per \$100 valuation.

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

	Governmental Activities		Total Percentage Change
	2019	2018	2019-2018
<b>General Revenues</b>			
Property Taxes	\$ 7,758	\$ 6,955	11.5%
Sales Taxes	4,772	3,329	43.3%
Miscellaneous	31	20	55.0%
Interest	130	5	2795.6%
<b>Program Revenues</b>			
EMS Charges	1,917	834	129.8%
Operating Grants and Contributions	56	95	-41.1%
Capital Grants and Contributions	-	98	-100.0%
<b>Total Revenues</b>	<u>14,663</u>	<u>11,336</u>	29.4%
<b>General Expenses</b>			
General Administration	697	660	5.7%
Emergency Services	8,792	5,826	50.9%
Interest and Fees on Notes Payable	495	91	444.0%
<b>Total Expenses</b>	<u>9,984</u>	<u>6,577</u>	51.8%
<b>Increase (Decrease) in Net Position</b>	<u>\$ 4,679</u>	<u>\$ 4,759</u>	-1.7%

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). The net cost reflects what was funded by local tax dollars.

- The cost of all *governmental* activities this year was \$10.0 million, and was financed primarily through property taxes, sales taxes and EMS revenues.

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

	Net Cost of Services		Total Percentage Change
	2019	2018	2019-2018
General Administration	\$ (685)	\$ (385)	77.9%
Emergency Services	(6,832)	(4,132)	65.3%
Net cost of District Functions	<u>\$ (7,517)</u>	<u>\$ (4,517)</u>	66.4%

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$14.2 million, an increase of 26.6%. The increase in local revenues is a result of EMS services which began in June 2019.

### General Fund Budgetary Highlights

Over the course of the year, the District revised its original budget five times to adjust for changes in expense allocations. Actual expenditures were \$1.9 million less than budget amounts due to less emergency service expenses.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2019, the District had a net investment of \$8.9 million in buildings, equipment, and vehicles. (See Table A-4). More detailed information about the District's capital assets is presented in the notes to the financial statements.

**Table A-4**  
District's Capital Assets  
(In thousands dollars)

	Governmental Activities		Total Percentage Change
	2019	2018	2019-2018
Vehicles and Equipment	\$ 8,725	\$ 5,834	49.6%
Buildings	2,085	2,057	1.3%
Land	1,078	1,078	0.0%
Construction in Progress	747	2,086	-64.2%
Totals at Historical Cost	<u>12,634</u>	<u>11,055</u>	14.3%
Total Accumulated Depreciation	<u>(3,771)</u>	<u>(2,737)</u>	37.8%
Net Capital Assets	<u>\$ 8,863</u>	<u>\$ 8,317</u>	6.6%

### Long Term Debt

During the current year, the District 2 Fire and Rescue executed two tax exempt loan agreements to finance fire station construction. As of September 30, 2019, the District had \$11.6 million in long-term debt outstanding as shown on Table A-5.

**Table A-5**  
 Long-term Debt  
*(In thousands dollars)*

	Governmental Activities		Total Percentage Change
	2019	2018	2019-2018
Capital Lease Payable	\$ 2,597	\$ 3,127	-17.0%
Notes Payable	9,000	-	100.0%
	<u>\$ 11,597</u>	<u>\$ 3,127</u>	270.9%

**ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES**

- Appraised value used for the 2019 budget provides an anticipated revenue generation of \$8.8 million. The 2019 property tax rate remained at \$0.10 per \$100 property valuation.
- General operating fund expenses, including contributions to District 2 Fire and Rescue, for 2019/2020 was estimated at \$13.8 million or a 32% increase over 2018/2019 actual expenses.

**CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT**

This financial report is designed to provide Bexar County Emergency Services District #2 citizens, taxpayers, customers, 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 *Mr. Josh Brown, General Manager* at:

Mailing Address: Bexar County Emergency Services District #2  
 7045 Old Talley Rd  
 San Antonio, Texas 78257

Telephone: 210-688-2406

Fax: 210-688-2116

E-mail: [jbrown@d2fr.net](mailto:jbrown@d2fr.net)

Or visit our Website: [www.esd2.org](http://www.esd2.org)

BEXAR COUNTY EMERGENCY SERVICES DISTRICT #2  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2019

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 #2  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2019

	Primary Government
	Governmental Activities
<b>ASSETS</b>	
<i>Current Assets:</i>	
Cash and Investments	\$ 10,873,536
Cash and Investments - Restricted for	
Construction	8,854,492
Accrued Interest Receivable	12,640
Accounts Receivables, Net of Allowance	
for Uncollectible:	
Property Taxes	91,180
Sales Taxes	964,316
EMS Charges	636,182
Other	36,660
Prepaid Items	280,878
<i>Total Current Assets</i>	21,749,884
 <i>Property and Equipment:</i>	
Vehicles and Equipment	8,725,106
Buildings	2,084,477
Less: Accumulated Depreciation	(3,771,234)
Land	1,077,635
Construction in Progress	746,843
<i>Total Property and Equipment</i>	8,862,827
<b>TOTAL ASSETS</b>	<b>30,612,711</b>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred Pension Related Outflows	655,731
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 655,731</b>

The accompanying notes are an integral part of these statements.

BEXAR COUNTY EMERGENCY SERVICES DISTRICT #2  
STATEMENT OF NET POSITION (CONT.)  
SEPTEMBER 30, 2019

	Primary Government
	Governmental Activities
<b>LIABILITIES</b>	
<i>Current Liabilities:</i>	
Accounts Payable	\$ 136,843
Payroll Liabilities	216,404
Accrued Interest Payable	347,724
Compensated Absences - Current	14,838
Long-Term Debt - Current	847,654
<i>Total Current Liabilities</i>	1,563,463
 <i>Long-Term Liabilities:</i>	
Compensated Absences, Net of Current	352,440
Long-Term Debt, Net of Current	10,749,180
Net Pension Liability	580,328
<i>Total Long-Term Liabilities</i>	11,681,948
 <b>TOTAL LIABILITIES</b>	 13,245,411
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Pension Related Inflows	22,927
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>22,927</b>
 <b>NET POSITION</b>	
Net Investment in Capital Assets, Net of Related Debt	6,265,993
Unrestricted	11,734,111
<b>TOTAL NET POSITION</b>	<b>\$ 18,000,104</b>

The accompanying notes are an integral part of these statements.

BEXAR COUNTY EMERGENCY SERVICES DISTRICT #2  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2019

<u>Functions and Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses), Revenues and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>
<b>Primary Government:</b>					
Governmental Activities:					
General Administration	\$ 697,426	\$ -	\$ 12,750	\$ -	\$ (684,676)
Emergency Services	8,791,809	1,916,610	43,288	-	(6,831,911)
Interest and Fees on Debt	495,026	-	-	-	(495,026)
Total Governmental Activities	<u>9,984,261</u>	<u>1,916,610</u>	<u>56,038</u>	<u>-</u>	<u>(8,011,613)</u>
<b>Total Primary Government</b>	<u>\$ 9,984,261</u>	<u>\$ 1,916,610</u>	<u>\$ 56,038</u>	<u>\$ -</u>	<u>(8,011,613)</u>
<b>General Revenues:</b>					
General Property Taxes					7,757,638
Sales Taxes					4,771,796
Miscellaneous					30,958
Interest Income					130,280
Total General Revenues					<u>12,690,672</u>
Change in Net Position					4,679,059
<b>Net Position at Beginning of Year</b>					<u>13,321,045</u>
<b>Net Position at End of Year</b>					<u>\$ 18,000,104</u>

The accompanying notes are an integral part of these statements.

BEXAR COUNTY EMERGENCY SERVICES DISTRICT #2  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2019

	General Fund	Special Revenue Fund - District 2 Fire & Rescue	Total Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 8,322,821	\$ 2,550,715	\$ 10,873,536
Cash and Investments - Restricted for Construction	-	8,854,492	8,854,492
Interest Receivable	-	12,640	12,640
Accounts Receivable, Net of Allowance for Uncollectible:			
Property Taxes	91,180	-	91,180
Sales Taxes	964,316	-	964,316
EMS Charges	636,182	-	636,182
Other	36,660	-	36,660
Prepaid Items	126,235	154,643	280,878
<b>TOTAL ASSETS</b>	<u><u>\$ 10,177,394</u></u>	<u><u>\$ 11,572,490</u></u>	<u><u>\$ 21,749,884</u></u>
 <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>			
<i>Liabilities:</i>			
Accounts Payable	\$ 136,843	\$ -	\$ 136,843
Payroll Liabilities	216,404	-	216,404
<i>Total Liabilities</i>	<u>353,247</u>	<u>-</u>	<u>353,247</u>
 <i>Deferred Inflows of Resources:</i>			
Unavailable Property Tax Revenue	91,180	-	91,180
Unavailable EMS Charges	513,179	-	513,179
<i>Total Deferred Inflows of Resources</i>	<u>604,359</u>	<u>-</u>	<u>604,359</u>
 <i>Fund Balance:</i>			
Nonspendable - Prepaid Items	126,235	154,643	280,878
Restricted - Construction	-	8,854,492	8,854,492
Unassigned	9,093,553	2,563,355	11,656,908
<i>Total Fund Balance</i>	<u>9,219,788</u>	<u>11,572,490</u>	<u>20,792,278</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>	<u><u>\$ 10,177,394</u></u>	<u><u>\$ 11,572,490</u></u>	<u><u>\$ 21,749,884</u></u>

The accompanying notes are an integral part of these statements.

BEXAR COUNTY EMERGENCY SERVICES DISTRICT #2  
RECONCILIATION OF THE BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2019

<b>TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS</b>	<b>\$ 20,792,278</b>
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital Assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.	8,862,827
Property taxes receivable are not available to pay current period expenditures and, therefore, are unavailable in the funds statements.	91,180
EMS revenues in the Statement of Activities do not provide current financial resources and are deferred in the fund statements.	513,179
Liability for compensated absences are not due and payable in the current period and, therefore, not reported in the funds.	(367,278)
Long-term liabilities are not due and payable in the current period and therefore, not reported in the funds:	
Capital Lease Payable	(2,596,834)
Notes Payable	(9,000,000)
Accrued Interest Payable	(347,724)
	(11,944,558)
Net Pension Asset/Liability (and related deferred inflows and outflows of resources) do not consume current financial resources and are not reported in the governmental funds.	
Net Pension Liability	(580,328)
Pension Related Deferred Outflows	655,731
Pension Related Deferred Inflows	(22,927)
	52,476
<b>TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES</b>	<b><u><u>\$ 18,000,104</u></u></b>

The accompanying notes are an integral part of these statements.

BEXAR COUNTY EMERGENCY SERVICES DISTRICT #2  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	General Fund	Special Revenue Fund - District 2 Fire & Rescue	Total Governmental Funds
<b>REVENUES</b>			
Property Taxes	\$ 7,762,834	\$ -	\$ 7,762,834
Sales Taxes	4,771,796	-	4,771,796
Service Contract Income - BCESD No. 6	1,269,838	-	1,269,838
Charges for Service	133,594	-	133,594
Interest	3,353	126,927	130,280
Grants & Other Contributions	43,012	13,026	56,038
Miscellaneous	28,014	20	28,034
<b>TOTAL REVENUES</b>	<u>14,012,441</u>	<u>139,973</u>	<u>14,152,414</u>
<b>EXPENDITURES</b>			
Current:			
Emergency Services	7,649,569	36,704	7,686,273
General Administrative	678,535	18,891	697,426
Capital Outlay	420,853	1,297,546	1,718,399
Debt Service:			
Principal	-	530,187	530,187
Interest	-	86,413	86,413
Debt Issuance Costs	-	112,500	112,500
<b>TOTAL EXPENDITURES</b>	<u>8,748,957</u>	<u>2,082,241</u>	<u>10,831,198</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>5,263,484</u>	<u>(1,942,268)</u>	<u>3,321,216</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In (Out)	(650,974)	650,974	-
Proceeds from Debt Issuance	-	9,000,000	9,000,000
Proceeds from Sale of Capital Assets	34,740	5,855	40,595
Insurance Recoveries	2,920	-	2,920
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(613,314)</u>	<u>9,656,829</u>	<u>9,043,515</u>
<b>Net Change in Fund Balance</b>	4,650,170	7,714,561	12,364,731
<b>Fund Balance at Beginning of Year</b>	<u>4,569,618</u>	<u>3,857,929</u>	<u>8,427,547</u>
<b>Fund Balance at End of Year</b>	<u>\$ 9,219,788</u>	<u>\$ 11,572,490</u>	<u>20,792,278</u>

The accompanying notes are an integral part of these statements.

BEXAR COUNTY EMERGENCY SERVICES DISTRICT #2  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE OF THE  
GOVERNMENT FUND TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2019

**NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS** \$ 12,364,731

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. This is the amount by which capital outlay exceeds depreciation.

Capital Outlay	1,718,399	
Depreciation	<u>(1,156,339)</u>	562,060

Governmental funds report proceeds from the sale of capital assets as other financing sources. However, in the statement of activities, the proceeds are reduced by the net book value of the capital assets disposed. This amount represents the net book value of capital assets disposed. (16,950)

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

Property Taxes Not Available for Current Period		(5,197)
EMS Revenues Not Available for Current Period		513,179

The proceeds from notes payable provide current financial resources to government funds, while the repayment of principal of the debt consumes the current financial resources of governmental funds.

Proceeds from Issuance of Notes Payable		(9,000,000)
Principal Payments of Long-Term Debt		530,187

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	(296,113)	
Compensated Absences	<u>(149,449)</u>	(445,562)

Governmental funds report 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 pension expense exceeded the actuarially determined contributions. 176,611

**CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES** \$ 4,679,059

The accompanying notes are an integral part of these statements.

NOTES TO BASIC FINANCIAL STATEMENTS

BEXAR COUNTY EMERGENCY SERVICES DISTRICT #2  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019

**NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Bexar County Emergency Services District #2 (the “District”) 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

*Component Units*

As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the government’s operations; thus, data from these units are to be combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the government.

The Bexar County Emergency Services District #2 has only one component unit, District 2 Fire and Rescue (the “Department”). The relationship between the Department and the District is such that it meets the criteria, as set forth in GASB Statement Nos. 14, 39, 61 and 80 for inclusion as a blended component unit in the reporting entity.

Bexar County Emergency Services District #2 appoints its Board of Commissioners as the directors of the Department. 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 District. The District has approval over the budget of the Department and general oversight of the entire operation. District 2 Fire and Rescue receive 97% of their income from Bexar County Emergency Services District #2 to primarily pay debt and provide minimal services. The fiscal year of the Department is October 1 through September 30. A copy of the audited financial statements for the Department can be obtained from the Bexar County Emergency Services District #2.

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 primarily by property taxes, sales taxes and EMS revenues.

BEXAR COUNTY EMERGENCY SERVICES DISTRICT #2  
NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)  
SEPTEMBER 30, 2019

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

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

The statement of activities reflects the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular

Separate **fund financial statements** are provided for governmental funds. The General Fund meets the criteria of a **major governmental fund**. The District also has a special revenue fund.

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

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

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

**Governmental fund level financial statements** are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Receivables which are measurable but not collectible within 60 days after the end of the fiscal period are reported as deferred revenue. Property taxes which were levied prior to September 30, 2018, and became due October 1, 2018 have been assessed to finance the budget of the fiscal year beginning October 1, 2018.

Expenditures generally are recorded when they become due and payable.

The government reports the following major governmental funds:

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 taxes, EMS charges and investment of idle funds. Primary expenditures are for general administration and emergency services.

BEXAR COUNTY EMERGENCY SERVICES DISTRICT #2  
NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)  
SEPTEMBER 30, 2019

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

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

The Special Revenue Fund is a nonprofit corporation, District 2 Fire and Rescue. This corporation is considered a blended component unit.

D. CASH AND CASH EQUIVALENTS

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

E. INVESTMENTS

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

Reimbursements for EMS services performed are recorded as receivable and revenues when they are earned in the government-wide statements. Accounts receivable are reported net of allowances for uncollectible accounts. The allowance represents management's estimate of uncollectible accounts based on historical trends.

BEXAR COUNTY EMERGENCY SERVICES DISTRICT #2  
 NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)  
 SEPTEMBER 30, 2019

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

G. PREPAID ITEMS

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. At September 30, 2019, the District had prepaid insurance of \$116,951 and prepaid service contracts and agreements of \$9,284.

Prepaid charges include two long-term servicing contracts for certain emergency equipment. The amounts paid for these servicing contracts will be amortized and expensed over the terms of the contracts.

H. PROPERTY AND EQUIPMENT

Property and equipment, which include land; buildings and improvements; and equipment and vehicles, are reported in the government-wide financial statements. All acquisitions of property and equipment are recorded at cost. Donated capital assets are recorded at estimated fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. A salvage value of 10% of the original cost is utilized for the fire trucks and other vehicles. When assets are disposed of, their cost and accumulated depreciation are removed from the accounts and the resulting gains or losses are credited or charged to operations. Land is recorded at cost and is not depreciated.

Furniture and equipment is capitalized if cost is over \$5,000. Major improvements and renewals of real property are capitalized if the cost is over \$25,000. 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. Property and equipment are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Vehicles	5 years
Equipment	5 - 10 years
Buildings	10 - 25 years

Land and Construction in Progress are not depreciated.

Property and equipment that is titled to District 2 Fire and Rescue is currently insured by Bexar County Emergency Services District #2.

BEXAR COUNTY EMERGENCY SERVICES DISTRICT #2  
NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)  
SEPTEMBER 30, 2019

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

I. 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. The deferred outflow of resources is presented in a separate section following assets (deferred outflows) or liabilities (deferred inflows) on the statement of net position. The District currently has pension related deferred inflows and outflows.

Unavailable revenue is reported only in the governmental funds balance sheet under a modified accrual basis of accounting. Unavailable revenues from property tax are deferred and recognized as inflow of resource in the period the amount becomes available.

J. COMPENSATED ABSENCES

Employees earn vacation leave at varying rates depending on length of services: 9 days leave for year 1 and 15 days per year after the first year of employment. Annual leave has been carried over with Fire Chief approval. Vacation is accrued when incurred in the government-wide statements. A liability for these amounts is also reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirement.

K. 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 a note payable and capital leases payable.

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' 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.

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.

BEXAR COUNTY EMERGENCY SERVICES DISTRICT #2  
NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)  
SEPTEMBER 30, 2019

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

**M. FUND EQUITY (CONT.)**

Committed – Represents amounts that can only be used for a specific purpose determined by a formal action of the government’s highest level of decision making authority. The District Board of Commissioners is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

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 may make assignments through formal documentation in the minutes. 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.

When expenditure is incurred for a purpose in which multiple classifications are available, the District considers restricted balances spent first, committed second, assigned third, and unassigned fourth.

**N. NET POSITION**

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. 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 #2  
NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)  
SEPTEMBER 30, 2019

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

**Q. NEW ACCOUNTING PRONOUNCEMENTS**

*Statement No. 87, Leases* – The requirements of this Statement will take effect for reporting periods beginning after December 15, 2019. A lessee will be required to recognize the assets and liabilities for leases with lease terms of more than 12 months. The District has not early adopted this pronouncement.

**NOTE 2 – DEPOSITS AND 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, 2019, the carrying amounts of the District's deposits in the banks were fully covered by a combination of federal deposit insurance and pledged securities from the District's depository. The District's cash was fully collateralized. Restricted Cash and Investments is money held for the construction and improvement of fire stations.

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 the District did adhere to all of the requirements of the Act.

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.

BEXAR COUNTY EMERGENCY SERVICES DISTRICT #2  
NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)  
SEPTEMBER 30, 2019

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

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

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

a. Credit Risk

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

b. Concentration of Credit Risk

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

c. Custodial Credit Risk

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

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

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

BEXAR COUNTY EMERGENCY SERVICES DISTRICT #2  
 NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)  
 SEPTEMBER 30, 2019

**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 2019, the assessed tax rate for the District was \$0.10 per \$100 on an assessed valuation of \$7,707,669,481. Total tax levy for fiscal year 2019 was \$7,707,669. As of September 30, 2019, the delinquent current taxes for 2019 were \$39,721.

**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>			
Property Taxes	\$ 91,180	\$ -	\$ 91,180
Sales Taxes	964,316	-	964,316
<i>Other Receivables:</i>			
Charges for Service - EMS	1,451,353	(815,171)	636,182
EMS Reimbursement	36,660	-	36,660
Total	<u>\$2,543,509</u>	<u>\$ (815,171)</u>	<u>\$1,728,338</u>

**NOTE 5 -- PREPAID CHARGES**

The Department has two long-term service contracts for certain emergency equipment. The amounts paid for these servicing contracts will be amortized and expensed over the terms of the contracts in future years based on the following schedule:

<u>Fiscal Year Ending September 30,</u>	<u>Lifepaks</u>	<u>Ambulance Equipment</u>	<u>Total</u>
2020	\$ 26,622	\$ 8,026	\$ 34,648
2021	26,622	8,026	34,648
2022	26,622	8,026	34,648
2023	26,622	8,026	34,648
2024	-	8,026	8,026
2025	-	8,025	8,025
	<u>\$ 106,488</u>	<u>\$ 48,155</u>	<u>\$ 154,643</u>

BEXAR COUNTY EMERGENCY SERVICES DISTRICT #2  
 NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)  
 SEPTEMBER 30, 2019

**NOTE 6 -- CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2019, was as follows:

	Beginning Balance	Additions	Reclassifications and Disposals	Ending Balance
Governmental Activities				
Vehicles & Equipment	\$ 5,833,891	\$ 1,241,732	\$ 1,649,483	\$ 8,725,106
Buildings	2,057,207	27,270	-	2,084,477
Less: Accumulated Depreciation	(2,737,445)	(1,156,339)	122,550	(3,771,234)
Depreciable Property & Equipment, Net	<u>5,153,653</u>	<u>112,663</u>	<u>1,772,033</u>	<u>7,038,349</u>
Land	1,077,635	-	-	1,077,635
Construction in Progress	2,086,429	449,397	(1,788,983)	746,843
Total Property & Equipment	<u>\$ 8,317,717</u>	<u>\$ 562,060</u>	<u>\$ (16,950)</u>	<u>\$ 8,862,827</u>

The entire depreciation expense is recorded in the Emergency Services function.

Additionally, all of the debt related to the property and equipment is in the name of the District 2 Fire and Rescue.

**NOTE 7 -- LONG TERM DEBT**

Long-term debt and obligations payable at September 30, 2019 comprise of the following:

	Beginning Balance	Additions	Retirements/ Transfers	Ending Balance	Due Within One Year
Capital Lease Payable	\$ 3,127,021	\$ -	\$ (530,187)	\$ 2,596,834	\$ 543,558
Notes Payable	-	9,000,000	-	9,000,000	304,096
Compensated Absences	217,829	162,819	(13,370)	367,278	14,838
	<u>\$ 3,344,850</u>	<u>\$ 9,162,819</u>	<u>\$ (543,557)</u>	<u>\$ 11,964,112</u>	<u>\$ 862,492</u>

In December 2015, the District 2 Fire and Rescue acquired a long-term capital lease with U.S. Bank for the acquisition of equipment. The lease has a zero percent interest rate and a bargain purchase option of \$1 upon maturity. The capital lease is secured by the underlying equipment. Future minimum lease payments are shown in the table on page 28.

In February 2017, the District 2 Fire and Rescue acquired a long-term lease purchase agreement with Frost Bank for the acquisition of four new fire trucks (fire trucks). The lease has a 2.97% percent interest rate. The purchase agreement is secured by the underlying equipment. Future minimum lease payments are shown in the table on page 28.

BEXAR COUNTY EMERGENCY SERVICES DISTRICT #2  
 NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)  
 SEPTEMBER 30, 2019

**NOTE 7 -- LONG TERM DEBT (CONT.)**

In May 2017, the District 2 Fire and Rescue acquired a long-term capital lease with Stryker Flex Financial for the acquisition of equipment (chest compression systems). The lease has a zero percent interest rate and a bargain purchase option of \$1 upon maturity. The capital lease is secured by the underlying equipment. Future minimum lease payments are shown in the table below.

For the Year Ended September 30,	Life Packs Lease Payments	Fire Truck Lease Payments	Compression Lease Payments	Total Lease Payments
2020	\$ 51,264	\$ 536,561	\$ 28,777	\$ 616,602
2021	-	536,561	28,777	565,338
2022	-	536,561	28,776	565,337
2023	-	536,561	-	536,561
2024	-	536,402	-	536,402
	<u>51,264</u>	<u>2,682,646</u>	<u>86,330</u>	<u>2,820,240</u>
Less Amount Representing Interest	-	(223,406)	-	(223,406)
	<u>\$ 51,264</u>	<u>\$ 2,459,240</u>	<u>\$ 86,330</u>	<u>\$ 2,596,834</u>
Current Principal Only	\$ 51,264	\$ 463,517	\$ 28,777	\$ 543,558

The following is an analysis of the equipment under capital lease as of September 30, 2019:

	Life Packs	Fire Truck	Compression	Total
Cost Basis of Equipment Leased	\$ 205,052	\$ 3,346,710	\$ 123,329	\$ 3,675,091
Less: Accumulated Depreciation	(143,536)	(678,286)	(53,443)	(875,265)
Net Basis of Equipment	<u>\$ 61,516</u>	<u>\$ 2,668,424</u>	<u>\$ 69,886</u>	<u>\$ 2,799,826</u>

Notes Payable

In October 2018 and November 2018, respectively, the Department executed a \$6,000,000 and a \$3,000,000 tax exempt loan agreements between the Department and Government Capital Corporation to finance fire station construction costs including land, construction of facilities and fire and emergency vehicles and equipment. The loan agreements have a 20-year term carrying an interest rate of 3.98% per annum and are secured by the fire station project assets including the land, construction facilities and fire and emergency vehicles and equipment. Payments will be made annually beginning in November 2019.

BEXAR COUNTY EMERGENCY SERVICES DISTRICT #2  
 NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)  
 SEPTEMBER 30, 2019

**NOTE 7 -- LONG TERM DEBT (CONT.)**

Notes Payable (Cont.)

Requirements to amortize the notes over the remaining term are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total
2020	\$ 304,096	\$ 356,873	\$ 660,969
2021	314,873	346,097	660,970
2022	327,405	333,565	660,970
2023	340,435	320,534	660,969
2024	353,985	306,985	660,970
2025-2029	1,992,807	1,312,041	3,304,848
2030-2034	2,422,225	882,624	3,304,849
2035-2038	2,944,174	360,675	3,304,849
	<u>\$ 9,000,000</u>	<u>\$ 4,219,394</u>	<u>\$ 13,219,394</u>

**NOTE 8 -- PENSION PLAN**

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 8 or more years of service or with 30 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.

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.

BEXAR COUNTY EMERGENCY SERVICES DISTRICT #2  
 NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)  
 SEPTEMBER 30, 2019

**NOTE 8 -- PENSION PLAN (CONT.)**

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 7.80% for the months of the accounting year 2018, and 7.67% for the months of the accounting year in 2019.

The contribution rate payable by the employee members for 2018 and 2019 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.

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

Employees Covered by Benefit Terms:

	2018	2017
Inactive Employees or Beneficiaries Currently Receiving Benefits	-	-
Inactive Employees Entitled to but Not Yet Receiving Benefits	32	25
Active employees	66	64
	98	89

Net Pension Liability

The District's Net Pension Liability (NPL) was measured as of December 31, 2018, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

BEXAR COUNTY EMERGENCY SERVICES DISTRICT #2  
 NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)  
 SEPTEMBER 30, 2019

**NOTE 8 -- PENSION PLAN (CONT.)**

Actuarial Assumptions

The Total Pension Liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Real Rate of Return	5.25%
Inflation	2.75%
Investment Rate of Return*	8.00%

\*Presented net of pension plan investment expense, including inflation

Depositing Members

90% of the RP-2014 Active Employee Mortality Table for males and  
 90% of the RP-2014 Active Employee Mortality Table for females,  
 projected with 110% of the MP-2014 Ultimate scale after 2014.

Service Retirees, Beneficiaries,  
 and Non-Depositing Members

130% of the RP-2014 Healthy Annuitant Mortality Table for males  
 and 110% of the RP-2014 Healthy Annuitant Table for females, both  
 projected with 110% of the MP-2014 Ultimate scale after 2014.

Disabled Retirees

130% of the RP-2014 Disabled Annuitant Mortality Table for males  
 and 115% of the RP-2014 Disabled Annuitant Mortality Table for  
 females, both projected with 110% of the MP-2014 Ultimate Scale  
 after 2014.

Actuarial assumptions are reviewed annually. Updated mortality assumptions were adopted in 2017. New annuity purchase rates were reflected for benefits earned after 2017. All other actuarial assumptions that determine the total pension liability as of December 31, 2018 were based on the results of an actuarial experience study for the period January 1, 2013 – 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 consultant, Cliffwater LLC. The numbers shown are based on January 2019 information for a 10 year time horizon.

BEXAR COUNTY EMERGENCY SERVICES DISTRICT #2  
 NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)  
 SEPTEMBER 30, 2019

**NOTE 8 -- PENSION PLAN (CONT.)**

Actuarial Assumptions (Cont.)

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2017. See

Milliman's TCDRS Investigation of Experience report for the period January 1, 2013 – December 31, 2016 for more details.

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	Geometric Real Rate of Return (Expected Minus Inflation)
US Equities	10.50%	5.40%
Private Equity	18.00%	8.40%
Global Equities	2.50%	5.70%
Int'l Equities - Developed Markets	10.00%	5.40%
Int'l Equities - Emerging Markets	7.00%	5.90%
Investment-Grade Bonds	3.00%	1.60%
Strategic Credit	12.00%	4.39%
Direct Lending	11.00%	7.95%
Distressed Debt	2.00%	7.20%
REIT Equities	2.00%	4.15%
Master Limited Partnerships (MLPs)	3.00%	5.35%
Private Real Estate Partnerships	6.00%	6.30%
Hedge Funds	13.00%	3.90%
	<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 #2  
 NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)  
 SEPTEMBER 30, 2019

**NOTE 8 -- PENSION PLAN (CONT.)**

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 City'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 7.10%	Discount Rate 8.10%	Discount Rate 9.10%
Total Pension Liability	\$ 2,269,321	\$ 1,822,362	\$ 1,474,490
Fiduciary Net Position	1,242,033	1,242,034	1,242,033
Net Pension Liability	<u>\$ 1,027,288</u>	<u>\$ 580,328</u>	<u>\$ 232,457</u>

Changes in Net Pension Liability

The below schedule presents the changes in the Net Pension Liability as of December 31, 2018:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2017	\$ 1,203,617	\$ 726,309	\$ 477,308
Changes for the year:			
Service Cost	345,822	-	345,822
Interest	124,849	-	124,849
Effect of Plan Changes	-	-	-
Effect of Economic/Demographic Gains or Losses	164,572		164,572
Difference Between Expected and Actual Experience	-	-	-
Changes of Assumptions	-	-	-
Refund of Contributions	(16,498)	(16,498)	-
Benefit Payments	-	-	-
Administrative Expenses	-	(998)	998
Member Contributions	-	248,697	(248,697)
Net Investment Income	-	(7,843)	7,843
Employer Contributions	-	277,119	(277,119)
Other Changes	-	15,248	(15,248)
Net Changes	<u>618,745</u>	<u>515,725</u>	<u>103,020</u>
Balance at December 31, 2018	<u>\$ 1,822,362</u>	<u>\$ 1,242,034</u>	<u>\$ 580,328</u>

BEXAR COUNTY EMERGENCY SERVICES DISTRICT #2  
 NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)  
 SEPTEMBER 30, 2019

**NOTE 8 -- PENSION PLAN (CONT.)**

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](http://www.tcdrs.com).

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

For the year ended September 30, 2019, the District recognized pension expense of \$186,028. Also as of September 30, 2019, 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	\$ 315,688	\$ 13,130
Changes in Assumptions	636	9,797
Net Difference Between Projected and Actual Investment Earnings	64,234	-
Contributions Subsequent to the Measurement Date	275,173	-
	\$ 655,731	\$ 22,927

BEXAR COUNTY EMERGENCY SERVICES DISTRICT #2  
 NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)  
 SEPTEMBER 30, 2019

**NOTE 8 -- PENSION PLAN (CONT.)**

Deferred outflows of resources in the amount of \$275,173 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, 2019. 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,	Net Deferred Outflows (Inflows) of Resources
2019	\$ 57,257
2020	54,054
2021	52,745
2022	56,598
2023	39,106
Thereafter	97,871
	\$ 357,631

**NOTE 9 -- SERVICE PROVIDER AGREEMENTS**

The District holds an Interlocal Agreement with the Bexar County Emergency Services District No. 6 (BCESD No. 6) requiring 12 monthly payments totaling \$1,269,838 to the District in exchange for fire suppression services, starting October 1, 2018. As of September 30, 2019, BCESD No. 6 owed \$105,820 to the District. The amount owed to the District is include on the Balance Sheet in Accounts Receivable – EMS Charges.

The District is also currently engaged with District 2 Fire and Rescue (a nonprofit fire department and a component unit of the District) designating the District 2 Fire and Rescue as the District’s agent for providing fire protection and first responder services within the boundaries of the District. The District provides funding in support of operations to the District 2 Fire and Rescue based on approved expenditures and budgets. These approved expenditures are shown as interfund transfers under other financing sources and uses.

BEXAR COUNTY EMERGENCY SERVICES DISTRICT #2  
NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)  
SEPTEMBER 30, 2019

**NOTE 10 -- CONTINGENT LIABILITIES**

Litigation -

The District is the subject of various claims and litigation that have arisen in the course of its operations. Management is of the opinion that the District's liability in these cases, if decided adversely to the District, will not have a material effect on the District's financial position.

Commitments –

Station 124 and 125 Land Purchase and Construction

In December 2012, the Department purchased a piece of land for \$119,009 with the purpose of building Station No. 124. In July 2012, the board approved the floor plan and the construction project is currently in the architectural design phase of building the station.

In July 2018, the Department purchased land for \$750,000 with the purpose of building Station No. 125. The Station No. 125 construction project is in the architectural design phase. As part of the \$750,000 land purchase in July 2018, the Department executed a lease agreement with sellers (lessors) of the property to lease land adjacent to the land purchased for Station 125. This adjacent property is to be used to construct a temporary fire station until the permanent Station 125 is constructed and occupied. The lease initial term is for 15 years beginning on July 27, 2018 and ending July 27, 2033. The lease provides for a renewal term of an additional 15 years. Upon completion of the permanent Station 125, the lessor has the right to terminate the lease by providing a 90-day written notice to the Department.

The lease carries a rental rate of \$1 per year for the first five (5) years. Prior to the commencement of the sixth (6<sup>th</sup>) year of the initial lease term, the lessor and the Department shall negotiate a fair reasonable rental rate and terms of payment for the remainder of the initial lease term. Prior to the expiration of the initial lease term of 15 years, the lessor and the Department shall negotiate a fair reasonable rental rate and terms of payment for the renewal of an additional 15 years. The Department is responsible for all property taxes assessed against the land and improvements made by the Department.

BEXAR COUNTY EMERGENCY SERVICES DISTRICT #2  
 NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)  
 SEPTEMBER 30, 2019

**NOTE 10 -- CONTINGENT LIABILITIES (CONT.)**

Station 125 Land Purchase and Construction (Cont.)

Additionally, as part of the land purchase, the Department shall construct a two bay fire station on the land, including all equipment necessary for the use of the fire station. The Department may tap into the Lessor's water line on property adjacent to the leased land in order to provide water to the temporary station. The Department will be charged \$150 per month by the lessor for the monthly water usage. All improvements constructed on the leased land will transfer and become property of the lessor upon expiration or earlier termination of the lease.

In September 2019, the Department executed a contract for construction of the temporary station 125 at a cost of \$884,000 plus a \$15,000 contingency.

Station 124 & 125 Engineering Fees

During the fiscal year ended September 30, 2018, the Department executed contracts with architects for the design of Stations 124 and 125 and other related architectural services. Below summarizes the remaining commitment for these services as of September 30, 2019:

Total Contract	Incurred to Date	Remaining Commitment
\$ 648,280	\$ 530,816	\$ 117,464

Equipment and Vehicles

In September 2018, the Department entered into a sales agreement to purchase five ambulances for a total of \$2,058,753. As September 30, 2019, the Department paid for and received two of the five ambulances totaling \$823,981. The remaining \$1,234,772 was paid after year end when the three other ambulances were received.

In March 2020, the Department executed a \$2,579,117 Municipal Equipment Lease/Purchase Agreement with Frost Bank for the financing of 2 fire trucks. The agreement requires 7 annual payments of \$406,818 which included both interest and principal. The interest rate is 2.54% per annum, secured by the 2 fire trucks and will mature in March 2027.

**NOTE 11 -- RELATED PARTIES**

The Board of Commissioners of the Bexar County Emergency Services District #2 is also the Board Members of District 2 Fire and Rescue.

BEXAR COUNTY EMERGENCY SERVICES DISTRICT #2  
NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)  
SEPTEMBER 30, 2019

**NOTE 12 -- RISK MANAGEMENT**

The Bexar County Emergency Services District #2 is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. To cover the risk the District contracts with Volunteer Firemen's Insurance Services (VFIS) of Texas to provide insurance coverage for Property/Casualty. 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, 2019 were \$55,663. The titles of the equipment are held by District 2 Fire and Rescue while the insurance coverage is held by Bexar County Emergency Services District #2. The insurance coverage does note that the Bank holds the title and would be paid for the damages first.

**NOTE 13 -- SUBSEQUENT EVENTS**

In October 2019, the Department executed a contract for the purchase of a modular building in the amount of \$267,437.

In March 2020, the Department executed a lease/purchase agreement for two fire trucks totaling \$2,579,117 with interest rate of 2.54% per annum. Per the agreement, the Department will make seven (7) annual payments of \$406,818 starting in March 2021. The agreement is secured by the two fire trucks. The Department signed a funding agreement with Bexar County ESD No. 2 which states that the District will advance and pay the funds to the Department for the amounts necessary under the lease/purchase agreement not to exceed \$2,750,000.

The District may experience instability and estimates included in the financial statements may change due to current political and economic conditions as a result of public health concerns related to the novel coronavirus, or COVID-19. The duration and intensity of these impacts and resulting disruption to which these events effect the District's business will depend on future developments, which are highly uncertain and cannot be predicted at this time.

## 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
- Budgetary Comparison Schedule – Special Revenue Fund
- Schedule of Changes – Net Pension Liability and Related Ratios

BEXAR COUNTY EMERGENCY SERVICES DISTRICT #2  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
 BUDGET AND ACTUAL  
 GENERAL FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budget Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
<b>REVENUES</b>				
Property Taxes	\$ 7,750,000	\$ 7,779,000	\$ 7,762,834	\$ (16,166)
Sales Taxes	3,920,000	3,900,000	4,771,796	871,796
Service Contract Income - BCESD No. 6	1,351,687	1,351,687	1,269,838	(81,849)
Charges for Service	550,000	300,000	133,594	(166,406)
Interest	3,500	3,000	3,353	353
Grants & Contributions	45,000	22,000	43,012	21,012
Miscellaneous	2,800	33,250	28,014	(5,236)
<b>TOTAL REVENUES</b>	<u>13,622,987</u>	<u>13,388,937</u>	<u>14,012,441</u>	<u>623,504</u>
<b>EXPENDITURES</b>				
<i>Current:</i>				
Emergency Services	9,279,500	9,324,200	7,649,569	1,674,631
General Administrative	831,000	638,300	678,535	(40,235)
Capital Outlay	200,000	645,000	420,853	224,147
<b>TOTAL EXPENDITURES</b>	<u>10,310,500</u>	<u>10,607,500</u>	<u>8,748,957</u>	<u>1,858,543</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>3,312,487</u>	<u>2,781,437</u>	<u>5,263,484</u>	<u>2,482,047</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In (Out)	(2,650,000)	(650,000)	(650,974)	(974)
Proceeds from Sale of Capital Assets	-	9,985	34,740	24,755
Insurance Recoveries	-	3,000	2,920	(80)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(2,650,000)</u>	<u>(637,015)</u>	<u>(613,314)</u>	<u>23,701</u>
<b>Net Change in Fund Balance</b>	662,487	2,144,422	4,650,170	2,505,748
<b>Fund Balance at Beginning of Year</b>	<u>4,569,618</u>	<u>4,569,618</u>	<u>4,569,618</u>	<u>-</u>
<b>Fund Balance at End of Year</b>	<u>\$ 5,232,105</u>	<u>\$ 6,714,040</u>	<u>\$ 9,219,788</u>	<u>\$ 2,505,748</u>

BEXAR COUNTY EMERGENCY SERVICES DISTRICT #2  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
SPECIAL REVENUE FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budget Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
<b>REVENUES</b>				
Interest	\$ 120,000	\$ 120,000	\$ 126,927	\$ 6,927
Grants & Other Contributions	14,500	14,500	13,026	(1,474)
Miscellaneous	20	20	20	-
<b>TOTAL REVENUES</b>	<u>134,520</u>	<u>134,520</u>	<u>139,973</u>	<u>5,453</u>
<b>EXPENDITURES</b>				
<i>Current:</i>				
Emergency Services	336,568	336,568	36,704	299,864
General Administrative	38,900	38,900	18,891	20,009
Capital Outlay	11,600,000	11,600,000	1,297,546	10,302,454
<i>Debt Service:</i>				
Principal	551,800	551,800	530,187	21,613
Interest Expense	40,100	40,100	86,413	(46,313)
Debt Issuance Costs	112,500	112,500	112,500	-
<b>TOTAL EXPENDITURES</b>	<u>12,679,868</u>	<u>12,679,868</u>	<u>2,082,241</u>	<u>10,597,627</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(12,545,348)</u>	<u>(12,545,348)</u>	<u>(1,942,268)</u>	<u>10,603,080</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In (Out)	650,000	650,000	650,974	974
Proceeds from Debt Issuance	-	9,000,000	9,000,000	-
Proceeds from Sale Capital Assets	-	-	5,855	5,855
Insurance Recoveries	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>650,000</u>	<u>9,650,000</u>	<u>9,656,829</u>	<u>6,829</u>
<b>Net Change in Fund Balance</b>	(11,895,348)	(2,895,348)	7,714,561	10,609,909
<b>Fund Balance at Beginning of Year</b>	<u>3,857,929</u>	<u>3,857,929</u>	<u>3,857,929</u>	<u>-</u>
<b>Fund Balance at End of Year</b>	<u>\$ (8,037,419)</u>	<u>\$ 962,581</u>	<u>\$ 11,572,490</u>	<u>\$ 10,609,909</u>

BEXAR COUNTY EMERGENCY SERVICES DISTRICT #2  
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
SEPTEMBER 30, 2019

**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 exceeded appropriations for the year ended September 30, 2019.

The District follows these procedures in establishing the budgetary data reflected in the financial statements.

1. At least 30 days prior to the beginning of the fiscal year, the District Manager and Fire Chief are required to submit to the Board a proposed budget for the fiscal year beginning on the following October. The budget includes proposed expenditures and the means of financing them.
2. Public meetings are conducted at which all interested persons’ comments concerning the budget are heard. After such meetings, the Board of Commissioners formally adopts the budget through passage of an ordinance.
3. The District amends the budget throughout the year approving such additional expenses. The amended budget is used in presenting the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual.
4. All annual appropriations lapse at fiscal year-end.

The District does not use encumbrances.

BEXAR COUNTY EMERGENCY SERVICES DISTRICT #2  
SCHEDULE OF CHANGES - NET PENSION LIABILITY AND RELATED RATIOS  
ANALYSIS OF FUNDING PROGRESS  
LAST FIVE PLAN YEARS

	Total Pension Liability				
	2014	2015	2016	2017	2018
Service Cost	\$ 51,741	\$ 75,931	\$ 106,417	\$ 222,434	\$ 345,822
Interest on the Total Pension Liability	8,555	14,803	22,208	60,765	124,849
Difference between Expected and Actual Experience	12,132	-	-	-	-
Effect of Plan Changes	-	(12,610)	49,604	342,225	-
Effect of Economic/Demographic Gains or Losses	-	(21,882)	163,966	65,244	164,572
Effect of Assumptions Changes or Inputs	-	1,061	-	(12,247)	-
Benefit Payments/ Refunds of Contributions	-	(3,003)	(18,967)	(5,009)	(16,498)
Net Change in Total Pension Liability	72,428	54,300	323,228	673,412	618,745
Total Pension Liability - Beginning	80,249	152,677	206,977	530,205	1,203,617
Total Pension Liability - Ending	<u>\$ 152,677</u>	<u>\$ 206,977</u>	<u>\$ 530,205</u>	<u>\$ 1,203,617</u>	<u>\$ 1,822,362</u>
	Plan Fiduciary Net Position				
	2014	2015	2016	2017	2018
Contributions - Employer	\$ 25,228	\$ 36,091	\$ 51,603	\$ 79,999	\$ 277,119
Contributions - Employee	46,078	63,665	93,398	191,124	248,697
Net Investment Income	5,164	(258)	18,403	61,959	(7,843)
Benefit Payments/Refund of Contributions	-	(3,003)	(18,967)	(5,009)	(16,498)
Administrative Expense	(85)	(144)	(200)	(483)	(998)
Other	(6)	(17)	9,199	3,562	15,247
Net Change in Plan Fiduciary Net Position	76,379	96,334	153,436	331,152	515,724
Plan Fiduciary Net Position - Beginning	69,009	145,388	241,722	395,158	726,310
Plan Fiduciary Net Position - Ending	<u>\$ 145,388</u>	<u>\$ 241,722</u>	<u>\$ 395,158</u>	<u>\$ 726,310</u>	<u>\$ 1,242,034</u>
Net Pension Liability - Ending	\$ 7,289	\$ (34,745)	\$ 135,047	\$ 477,307	\$ 580,328
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	95.23%	116.79%	74.53%	60.34%	68.16%
Covered Payroll	\$ 1,151,919	\$ 1,538,944	\$ 2,334,956	\$ 2,730,337	\$ 3,552,808
Net Pension Liability as a Percentage of Covered Payroll	0.63%	-2.26%	5.78%	17.48%	16.33%

Note: The schedule above reflects the change in net pension liability for the current year and the previous three years. GASB Statement No. 68 requires 10 fiscal years of data to be provided in this schedule. The District will build this schedule over the 10-year period beginning December 31, 2014 as data becomes available.

BEXAR COUNTY EMERGENCY SERVICES DISTRICT #2  
NOTES TO SCHEDULE OF CHANGES -NET PENSION LIABILITY AND RELATED RATIOS  
LAST FIVE FISCAL YEARS

Fiscal Year Ending September 30,	Determined Contribution (ADC)	Contributions in Relation to the ADC	Contribution Deficiency (Excess)	Covered Payroll
2019	\$ 313,709	\$ 352,245	\$ (38,536)	\$ 4,575,758
2018	114,428	209,255	(94,827)	3,100,440
2017	77,731	77,731	-	2,802,266
2016	50,372	50,372	-	2,196,936
2015	30,069	30,069	-	1,309,485

Note: The schedule above reflects the change in net pension liability for the current year and the previous three years. GASB Statement No. 68 requires 10 fiscal years of data to be provided in this schedule. The District will build this schedule over the 10-year period beginning December 31, 2014 as data becomes available.

**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
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	15.2 years (based on contribution rate calculated in 12/31/2018 valuation)
Asset Valuation Method	5 Year Smoothed Market
Inflation	2.75%
Salary Increases	Varies by age and service. 4.9% average over career including inflation.
Investment Rate of Return	8.00%, net of administrative and 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	130% of the RP-2014 Healthy Anuitant Mortality Table for males and 110% of the RP-2014 Healthy Anuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions*	2015: No changes in plan provisions were reflected in the Schedule. 2016: No changes in plan provisions were reflected in the Schedule. 2017: Employer contributions reflect that the member contribution rate was increased to 7%. Also, new Annuity Purchase Rates were reflected for benefits earned after 2017. 2018: No changes in plan provisions were reflected in the Schedule.

\*Only changes effective 2015 and later are shown in the Notes to Schedule

## 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 Sheets – General Fund
- Comparative Statements of Revenues, Expenditures, and Changes in Fund Balances – General Fund
- Comparative Balance Sheets – Special Revenue Fund
- Comparative Statements of Revenues, Expenditures, and Changes in Fund Balances – Special Revenue Fund

BEXAR COUNTY EMERGENCY SERVICES DISTRICT #2  
 COMPARATIVE BALANCE SHEETS – GENERAL FUND  
 SEPTEMBER 30, 2019 AND 2018

	2019	2018
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 8,322,821	\$ 3,945,660
Accounts Receivable, Net of Allowance for Uncollectible		
Property Taxes	91,180	96,377
Sales Taxes	964,316	659,617
EMS Charges	636,182	-
Other	36,660	107,403
Prepaid Items	126,235	118,424
<b>TOTAL ASSETS</b>	<b>\$ 10,177,394</b>	<b>\$ 4,927,481</b>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>		
<i>LIABILITIES</i>		
Accounts Payable	\$ 136,843	\$ 123,476
Payroll Liabilities	216,404	117,569
Due to Other Funds	-	20,441
<i>TOTAL LIABILITIES</i>	<i>353,247</i>	<i>261,486</i>
 <i>DEFERRED INFLOWS OF RESOURCES</i>		
Unavailable Property Tax Revenue	91,180	96,377
Unavailable EMS Charges	513,179	-
<i>TOTAL DEFERRED INFLOWS OF RESOURCES</i>	<i>604,359</i>	<i>96,377</i>
 <i>FUND BALANCE</i>		
Nonspendable	126,235	118,424
Unassigned	9,093,553	4,451,194
<i>TOTAL FUND BALANCE</i>	<i>9,219,788</i>	<i>4,569,618</i>
 <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>	<b>\$ 10,177,394</b>	<b>\$ 4,927,481</b>

BEXAR COUNTY EMERGENCY SERVICES DISTRICT #2  
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
 BALANCES – GENERAL FUND  
 FOR YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	<b>2019</b>	<b>2018</b>
<b>REVENUES</b>		
Property Taxes	\$ 7,762,834	\$ 6,917,980
Sales Taxes	4,771,796	3,329,433
Service Contract Income - BCESD No. 6	1,269,838	788,761
Charges for Service	133,594	45,188
Interest	3,353	4,707
Grants & Other Contributions	43,012	83,804
Miscellaneous	28,014	5,270
<b>TOTAL REVENUES</b>	<b>14,012,441</b>	<b>11,175,143</b>
<b>EXPENDITURES</b>		
<i>Current:</i>		
Emergency Services	7,649,569	5,097,728
General Administration	678,535	639,022
Capital Outlay	420,853	1,197,471
<b>TOTAL EXPENDITURES</b>	<b>8,748,957</b>	<b>6,934,221</b>
<b>Excess (Deficiency) Over (Under) Expenditures</b>	<b>5,263,484</b>	<b>4,240,922</b>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers In (Out)	(650,974)	(3,550,000)
Proceeds from Sale of Capital Assets	34,740	-
Insurance Recoveries	2,920	58,455
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(613,314)</b>	<b>(3,491,545)</b>
<b>Net Change in Fund Balance</b>	<b>4,650,170</b>	<b>749,377</b>
<b>Fund Balance at Beginning of Year</b>	<b>4,569,618</b>	<b>3,820,241</b>
<b>Fund Balance at End of Year</b>	<b>\$ 9,219,788</b>	<b>\$ 4,569,618</b>

BEXAR COUNTY EMERGENCY SERVICES DISTRICT #2  
 COMPARATIVE BALANCE SHEETS – SPECIAL REVENUE FUND  
 SEPTEMBER 30, 2019 AND 2018

	2019	2018
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 2,550,715	\$ 4,390,632
Cash and Investments - Restricted for Constructions	8,854,492	-
Interest Receivable	12,640	-
Prepaid Items	154,643	-
Due from Other Funds	-	20,441
<b>TOTAL ASSETS</b>	<b>\$ 11,572,490</b>	<b>\$ 4,411,073</b>
 <b>LIABILITIES AND FUND BALANCE</b>		
<i>LIABILITIES</i>		
Accounts Payable	\$ -	\$ 553,144
<i>TOTAL LIABILITIES</i>	-	553,144
 <i>FUND BALANCE</i>		
Nonspendable	154,643	-
Restricted for Construction	8,854,492	-
Unassigned	2,563,355	3,857,929
<i>TOTAL FUND BALANCE</i>	<b>11,572,490</b>	<b>3,857,929</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>	<b>\$ 11,572,490</b>	<b>\$ 4,411,073</b>

BEXAR COUNTY EMERGENCY SERVICES DISTRICT #2  
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
 BALANCES – SPECIAL REVENUE FUND  
 FOR YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	2019	2018
<b>REVENUES</b>		
Interest	\$ 126,927	\$ 526
Grants & Other Contributions	13,026	246
Miscellaneous	20	11,100
<b>TOTAL REVENUES</b>	<b>139,973</b>	<b>11,872</b>
 <b>EXPENDITURES</b>		
<i>Current:</i>		
Emergency Services	36,704	10,213
General Administration	18,891	20,621
Capital Outlay	1,297,546	1,583,719
<i>Debt Service:</i>		
Principal	530,187	517,203
Interest	86,413	99,397
Debt Issuance Costs	112,500	-
<b>TOTAL EXPENDITURES</b>	<b>2,082,241</b>	<b>2,231,153</b>
 <b>Excess (Deficiency) Over (Under) Expenditures</b>	<b>(1,942,268)</b>	<b>(2,219,281)</b>
 <b>OTHER FINANCING SOURCES (USES)</b>		
Transfers In (Out)	650,974	-
Proceeds from Debt Issuance	9,000,000	3,550,000
Proceeds from Sale of Capital Assets	5,855	13,900
Insurance Recoveries	-	20,441
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>9,656,829</b>	<b>3,584,341</b>
 <b>Net Change in Fund Balance</b>	<b>7,714,561</b>	<b>1,365,060</b>
 <b>Fund Balance at Beginning of Year</b>	<b>3,857,929</b>	<b>2,492,869</b>
 <b>Fund Balance at End of Year</b>	<b>\$ 11,572,490</b>	<b>\$ 3,857,929</b>

