

**BEXAR COUNTY
EMERGENCY SERVICES DISTRICT NO. 11
ANNUAL FINANCIAL REPORT**

**FISCAL YEAR ENDED
SEPTEMBER 30, 2017**

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**BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 11
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2017**

DISTRICT OFFICIALS

PRESIDENT	JOHN TRUE
VICE PRESIDENT	LEROY SCHLEICHER
SECRETARY / TREASURER	EARLINE WILLIAMS
ASSISTANT TREASURER	ROBERT E. BROWN
ATTORNEY	THE CARLTON LAW FIRM, P.L.L.C.
AUDITOR	MARGARET NIXON, CPA

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**BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 11
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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INDEPENDENT AUDITOR'S REPORT

District Commissioners
Bexar County Emergency Services District No. 11

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Bexar County Emergency Services District No. 11, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements of the District's primary government as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Bexar County Emergency Services District No. 11's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Bexar County Emergency Services District No. 11, as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note A, the financial statements referred to above include only the primary government of Bexar County Emergency Services District No. 11, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the District's legal entity. These primary government financial statements do not include financial data for Bexar County Emergency Services District No. 11's legally separate component unit; District 11 Fire and Rescue, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the primary government. As a result, the primary government financial statements do not purport to, and do not present fairly the financial position of the reporting entity Bexar County Emergency Services District No. 11, as of September 30, 2017, the changes in its financial position or, where applicable, its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the reporting entity of Bexar County Emergency Services District No. 11, as of and for the year ended September 30, 2017, and our report thereon, dated May 17, 2018, expressed an unmodified opinion on those financial statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, and budgetary comparison information, on pages 4-8 and 25-27, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information, in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response 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 conducted for the purpose of forming opinions on the financial statements that collectively comprise Bexar County Emergency District No. 11 basic financial statements. The comparative statements section is presented for purposes of additional analysis and is not required to be part of the basic financial statements.

The comparative statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic 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 financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Margaret Nixon", with a stylized flourish at the end.

Margaret Nixon, CPA

May 17, 2018

MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of Bexar County Emergency Services District No. 11’s annual financial report presents our discussion and analysis of the District’s financial performance during the fiscal year ended September 30, 2017. Please read it in conjunction with the District’s financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District’s total net position was \$1,593,685 at September 30, 2017.
- During the year, the District’s expenses were \$343,477 less than the \$979,303 generated in taxes and other revenues for governmental activities.
- The total cost of the District’s programs increased by \$56,567 from last year, but no programs were eliminated this year.
- The general fund reported a fund balance this year of \$4,339,876
- The District acquired bank note in the amount of \$3,200,000 during fiscal year ending September 30, 2017

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

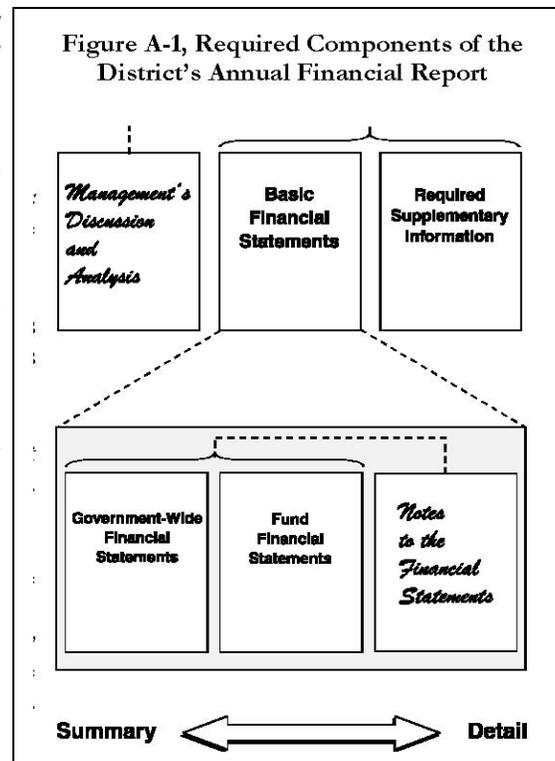


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of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

Figure A-2. Major Features of the District's Government-wide and Fund Financial Statements

<i>Type of Statements</i>	Government-wide	Fund Statement
		Governmental Funds
<i>Scope</i>	Entire District's government (except fiduciary funds).	The activities of the District that are not proprietary or fiduciary.
<i>Required financial statements</i>	<ul style="list-style-type: none"> • Statement of net position. • Statement of activities. 	<ul style="list-style-type: none"> • Balance Sheet. • Statement of revenues, expenditures, and changes in fund balances.
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term.	Only assets expected to be used-up and liabilities that become 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, deferred outflows of resources, deferred inflows of resources, and liabilities as applicable. 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, deferred outflows of resources, deferred inflows of resources and liabilities—is one way to measure the District's financial health or position.

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

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

Fund Financial Statements

The District has the following kinds of funds:

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position. The District’s combined net position was \$1,593,685 at September 30, 2017. (See Table A-1). The \$1,127,648 of unrestricted net position represents resources available to fund the programs of the District next year.

Table A-1
Net Position
(In thousands dollars)

	Governmental Activities		Total Percentage Change
	2017	2016	2017 - 2016
Current Assets			
Cash and Cash Equivalents	\$ 4,466.8	\$ 685.2	551.9%
Taxes Receivable	24.3	19.7	23.4%
Prepaid Accounts	-	2.4	-100.0%
Construction Work in Progress	333.9	-	
Land	132.2	132.2	0.0%
TOTAL ASSETS	4,957.2	839.5	490.5%
Liabilities			
Current Liabilities			
Accounts Payable	127.2	125.0	1.8%
Payroll Liabilities	0.9	2.6	-65.4%
Interest Payable	35.4	-	100.0%
Current Maturity of Note Payable on Fire Station	115.3	-	100.0%
<i>Total Current Liabilities</i>	<i>278.8</i>	<i>127.6</i>	<i>118.5%</i>
Long-Term Liabilities:			
Note Payable on Fire Station	3,084.7	-	100.0%
<i>Total Long-Term Liabilities, Net of Current Maturities</i>	<i>3,084.7</i>	<i>-</i>	<i>100.0%</i>
<i>Total Liabilities</i>	<i>3,363.5</i>	<i>-</i>	<i>100.0%</i>
Net Position			
Net Investment in Capital Asset	466.0		100.0%
Unrestricted	1,127.7	711.9	58.4%
TOTAL NET POSITION	1,593.7	711.9	123.9%
TOTAL LIABILITIES AND NET POSITION	\$ 4,957.2	\$ 839.5	490.5%

Changes in Net Position. The District’s total revenues were \$979,303. All of the District’s revenue comes from taxes and investment income. There was no state aid or grants during the fiscal year.

The total cost of all programs and services was \$635,826.

Governmental Activities

- Property tax appraisals increased resulting in increased tax revenues of \$74,364.

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

	Governmental Activities		Total Percentage Change
	<u>2017</u>	<u>2016</u>	<u>2017 - 2016</u>
General Revenues			
Total General Revenues	\$ 979.3	\$ 892.1	9.8%
Total Revenues	<u>979.3</u>	<u>892.1</u>	9.8%
General Expenses			
General Administration	135.8	73.4	85.0%
Emergency Services	<u>500.0</u>	<u>505.8</u>	-1.1%
Total Expenses	<u>635.8</u>	<u>579.2</u>	9.8%
Increase (Decrease) in Net Position	<u>\$ 343.5</u>	<u>\$ 312.9</u>	9.8%

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 \$635,826 and were financed 100% through taxes.

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

	Governmental Activities		Total Percentage Change
	<u>2017</u>	<u>2016</u>	<u>2017 - 2016</u>
General Expenses			
General Administration	\$ 135.8	\$ 73.4	85.0%
Emergency Services	<u>500.0</u>	<u>505.8</u>	-1.1%
Total Expenses	<u>\$ 635.8</u>	<u>\$ 579.2</u>	9.8%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$975,237. The increase in local revenues is a result of higher property appraisals. Additionally, significant population growth will result in increased expenses for emergency services.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget. Actual expenditures were \$17,866 more than budget amounts. The most significant variances resulted from emergency services.

Revenues were \$76,655 more than final budgeted amount. The increase in revenues is due to management's conservative approach of estimating revenues.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of September 2017, the District owned a piece of land in the amount of 132,162 and construction work in progress in the amount of \$333,875 for the construction of a fire station.

Long Term Debt

As of September 2017, the District had outstanding debt of \$3,200,000. In 2017, the District acquired a bank note in the total amount of \$3,200,000 with the purpose of building a fire station with minimum monthly payments of \$221,504 payable in twenty years at 3.32% interest rate.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Property valuations have increased and the appraised value used for the 2018 budget preparation have also increased thus revenue projections have increased.
- General operating fund spending increased in the 2018 budget from the 2017 actual expenditures of \$698,166 to \$1,010,300. This is a 44.7% increase.

These indicators were taken into account when adopting the general fund budget for 2018. Amounts available for appropriation in the general fund budget are \$977,300, an increase of 0.2% over the 2017 actual revenue of \$975,237. Property taxes are not expected to change drastically. The District will adjust expenditures to finance programs the District currently offers.

If these estimates are realized, the District's budgetary general fund balance is expected to decrease by the close of 2018 due to expected increase in expenses.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide District No. 11 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 the District Administrator by phone at 210-884-8192.

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**BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 11
ANNUAL FINANCIAL REPORT
FOR YEAR ENDED SEPTEMBER 30, 2017**

BASIC FINANCIAL STATEMENTS

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

- Government – wide financial statements

- Fund financial statements:
 - Governmental funds

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

**BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 11
STATEMENT OF NET POSITION
SEPTEMBER 30, 2017**

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 4,466,813
Taxes Receivable	24,327
Construction Work in Progress	333,875
Land	132,162
TOTAL ASSETS	4,957,177
 LIABILITIES AND NET POSITION	
<i>Liabilities</i>	
<i>Current Liabilities:</i>	
Accounts Payable	127,188
Payroll Liabilities	891
Interest Payable	35,413
Current Maturity of Note payable on Fire Station	115,264
<i>Total Current Liabilities</i>	<i>278,756</i>
 <i>Long-Term Liabilities:</i>	
Note Payable on Fire Station	3,084,736
<i>Total Long-Term Liabilities, Net of Current Maturities</i>	<i>3,084,736</i>
<i>Total Liabilities</i>	<i>3,363,492</i>
 <i>Net Position</i>	
<i>Unrestricted</i>	
Investment in Capital Asset	466,037
Operations	1,127,648
TOTAL NET POSITION	1,593,685
 TOTAL LIABILITIES AND NET POSITION	 \$ 4,957,177

The accompanying notes are an integral part of these financial statements.

**BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 11
STATEMENT OF ACTIVITIES
FOR YEAR ENDED SEPTEMBER 30, 2017**

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Total Government Activities
Governmental Activities				
General Administration	\$ (135,826)	\$ -	\$ -	\$ (135,826)
Emergency Services	(500,000)	-	-	(500,000)
Total Governmental Activities	\$ (635,826)	\$ -	\$ -	(635,826)
General Revenues				
Property Taxes				966,411
Interest Income				12,892
Total General Revenues				979,303
Change in Net Position				343,477
Net Position at Beginning of Year				711,924
Special Item:				
Transfer of cash from District 11 Fire and Rescue				538,284
Net Position at End of Year				\$ 1,593,685

The accompanying notes are an integral part of these financial statements.

**BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 11
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017**

	General Fund
ASSETS	
Cash and Cash Equivalents	\$ 4,466,813
Taxes Receivable	24,327
Total Assets	4,491,140
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	
<i>Liabilities</i>	
Accounts Payable	127,188
Payroll Liabilities	891
Total Liabilities	128,079
 <i>Deferred Inflows of Resources</i>	
Unavailable Property Tax Revenue	23,185
 <i>Fund Balance</i>	
Unassigned	4,339,876
Total Fund Balance	4,339,876
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	 \$ 4,491,140

The accompanying notes are an integral part of these financial statements.

**BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 11
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017**

TOTAL FUND BALANCE - GOVERNMENTAL FUND	\$ 4,339,876
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.	466,037
Taxes receivable on the Statement of Net Position that do not provide current financial resources are reported as deferred revenue in the funds.	23,185
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(3,200,000)
Accrued Interest is not due and payable in the current period and therefore is not reported in the funds.	(35,413)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	<u>\$ 1,593,685</u>

The accompanying notes are an integral part of these financial statements.

**BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 11
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	General Fund
REVENUES	
Taxes	\$ 962,345
Interest and Other Income	12,892
Total Revenues	975,237
EXPENDITURES	
Emergency Services	597,753
Administrative	64,283
Professional Fees	16,809
Office Facilities	5,700
Equipment	5,635
Directors Fees	4,100
Membership Fees	2,125
Lodging & Transportation	1,761
Total Expenditures	698,166
OTHER FINANCING SOURCES (USES):	
Fire Station Loan Proceeds	3,200,000
Total Other Financing Sources (Uses)	3,200,000
Net Change in Fund Balance	3,477,071
Fund Balance at Beginning of Year	560,643
Special Item:	
Transfer of cash from District 11 Fire and Rescue	302,162
Fund Balance at End of Year	\$ 7,539,876

The accompanying notes are an integral part of these financial statements.

**BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 11
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$	277,071
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures; however, in the statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation.</p>		97,753
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. The change of property tax receivable reported in the statement of activities does not provide current financial resources and, therefore, is not reported as revenue in the governmental fund.</p>		4,066
<p>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.</p>		(35,413)
CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES	\$	<u>343,477</u>

The accompanying notes are an integral part of these financial statements.

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NOTES TO BASIC FINANCIAL STATEMENTS

BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 11
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Bexar County Emergency Services District No. 11 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, 2008. 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

The District has used the criteria detailed in GASB Statement No. 14, "*The Financial Reporting Entity* and GASB Statement No. 61, *The Financial Reporting Entity; Omnibus an amendment of GASB Statements No. 14 and No. 34*" to determine whether or not certain entities should be included in the accompanying financial statements. The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

District 11 Fire and Rescue (the "Department") is a local nonprofit fire department without powers of taxation, organized exclusively for the purpose of providing fire protection and emergency services to the area covered by the Bexar County Emergency Services District No. 11. Bexar County Emergency Services District No. 11 appoints its Board of Commissioners as the directors of the Department. The District has elected not to present a blended presentation of those financial statements in the District's annual financial report. Copies of the audit of District 11 Fire and Rescue for the year ended September 30, 2017 can be obtained from the District's management.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 11
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

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

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

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 are typically 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 can include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues include all taxes, grants not restricted to specific programs and investment earnings.

Governmental fund level financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Receivables which are measurable but not collectible within 60 days after the end of the fiscal period are reported as deferred revenue. Property taxes which were levied prior to September 30, 2014, and became due October 1, 2016 have been assessed to finance the budget of the fiscal year beginning October 1, 2016.

Expenditures generally are recorded when a fund liability is incurred.

The government reports the following major governmental fund:

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

The District has no other major governmental funds.

D. CASH AND CASH EQUIVALENTS

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

BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 11
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

E. INVESTMENTS

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

F. PROPERTY TAXES RECEIVABLE

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

G. PROPERTY AND EQUIPMENT

All acquisitions of property and equipment are recorded at cost, if purchased or at fair value at date of gift, if donated. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. A salvage value of 10% of original cost is utilized for 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 it is not depreciated.

Furniture and equipment is capitalized if cost is over \$5,000. Major improvements and renewals of real property are capitalized if cost is over \$25,000. Repairs and maintenance are charged against operations as incurred. Estimated useful lives are as follows:

Fire Stations (Buildings)	25 years
Fire Fighting Equipment	7-10 years
Fire Trucks	12.5 years
Vehicles light/medium	5 years

H. DEFERRED INFLOWS OF REVENUES

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

BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 11
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

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

I. FUND BALANCE

Fund balances in governmental funds are classified as follows:

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

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

Committed – Represents amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority. The governing council 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 may make assignments and has chosen not to delegate that authority to any other individuals.

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

When an expenditure is incurred for a purpose in which multiple classifications are available, the District wishes restricted balances to be spent first, committed second, and assigned third.

J. NET POSITION

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

Government-wide financial statements net position is classified as follows:

Net Investment in Capital Assets - This category represents the net carrying value of all capital assets, reduced by the outstanding balances of long-term debt that are attributable to the acquisition, construction or improvement of these assets.

Restricted - The restricted component of net position represents restricted assets reduced by liabilities related to those assets. This category represents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted - This category is the “residual” component of net position. It consists of net position that does not meet the definition of “restricted” or “net invested in capital assets.”

BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 11
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

K. 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.

L. LONG-TERM DEBT

In the government-wide financial statements, long-term debt is reported as liabilities in the governmental activities statement of net position. In the fund financial statements of the governmental funds, long-term debt is reported as other financing sources.

NOTE 2 – CASH AND CASH INVESTMENTS

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

1. Cash

At September 30, 2017, the carrying amount of the District's deposits in the bank was \$4,466,813 and the bank balance was \$4,468,088. The District's depository had pledged securities with a face value of \$1,166,582 and market value of \$1,161,928 as collateral for the District's deposits in two different institutions. In addition, the District's depository had an irrevocable standby line of credit in the amount of \$4,100,000. The District's deposits were fully collateralized as of September 30, 2017.

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, 6) maximum allowable stated maturity of portfolio investments, 7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, 8) investment staff quality and capabilities, and 9) bid solicitation preferences for certificates of deposit.

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

3. Analysis of Specific Deposit and Investment Risks

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

BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 11
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

a. Credit Risk

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

b. Custodial Credit Risk

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

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

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

NOTE 3 – CAPITAL ASSETS

This year the department added costs to the efforts of obtaining required permits and financing to construct the building for the future fire station. The District also transferred construction in progress assets from its component unit as the District was able to obtain a waiver from the City to obtain financing, the District will manage the construction of the building.

Property and equipment at September 30, 2017, consisted of the following:

	Beginning Balance	Additions	Deletions	Ending Balance
Construction in Progress	-	333,875	-	333,875
Land	132,162	-	-	132,162
Total Property and Equipment	132,162	333,875	-	466,037

BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 11
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 4 – LONG-TERM DEBT

On June 7, 2017 the Department agreed to acquire a capital note in the amount of \$3,200,000 and interest rate of 3.32 to finance a building for a future fire station with twenty payment of \$221,504 totaling \$4,430,080 of which \$1,230,080 will constitute interest.

Future minimum payments under this note as of September 30, 2017 are as follows:

Fiscal Year Ending September 30	Total
2018	221,504
2019	221,504
2020	221,504
2021	221,504
2022	221,504
2023	221,504
2024	221,504
2025	221,504
2026	221,504
2027	221,504
2028	221,504
2029	221,504
2030	221,504
2031	221,504
2032	221,504
2033	221,504
2034	221,504
2035	221,504
2036	221,504
2037	221,504
Total Long Term Note Payments	4,430,080
Less Amounts Representing Interest	(1,230,080)
Net Minimum Long Term Note Payments	\$ 3,200,000

NOTE 5 – AD VALOREM (PROPERTY) TAXES

Taxes were levied on and payable as of October 1. 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 tax year 2016, the assessed tax rate for the District was \$0.0010000 per \$100 on an assessed valuation of \$960,070,582 used to fund 2017 activities. Total tax levy for fiscal year 2017 was \$960,071. As of September 30, 2017, the delinquent current taxes for 2017 were \$23,185.

NOTE 6 – COMMITMENTS

Effective November 2017, the District entered into a fixed price contract for the Building of a Fire & Rescue Facility. Estimated future commitments associated with this project are \$2,590,000.

BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 11
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 7 -- CONTINGENCIES

Litigation

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

NOTE 8 – CONCENTRATION OF EXPENDITURES

For fiscal year 2017, the District paid the City of Kirby \$500,000 for providing emergency services to the District. Total amounts incurred for emergency services account for approximately 79% of the expenditures incurred by the District during the fiscal year.

NOTE 9 – SERVICE PROVIDERS

The District is currently engaged with the City of Kirby to provide fire suppression services. The District shall provide reimbursement of qualified expenditures to the City quarterly upon approval of the District's Board of Directors.

In addition, the District was planning on having its component unit, District 11 Fire and Rescue (a nonprofit fire department), manage a project to build a fire station with the purpose of providing equipment and housing to firefighters to service the taxpayers of the District with emergency services, however the board decided that the District will be managing these activities since during fiscal year 2017, the District was able to obtain funding for the project and approval from the City of San Antonio to waive the imposed \$20,000 debt limit on the District. Consequently, the District is seeking legal advice whether to close District 11 Fire and Rescue.

NOTE 10 – RISK MANAGEMENT

The Bexar County Emergency Services District No. 11, is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To cover this risk the District contracts with the Volunteer Firemen's Insurance Services (VFIS) of Texas to provide insurance coverage for Property/Casualty. VFIS is a multi-employer group that provides for a combination of modified self-insurance and stop-loss coverage. Contributions are set annually by VFIS. Liability by the District is generally limited to the contributed amounts. Annual contributions for the year ended September 30, 2017, were \$1,698.

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REQUIRED SUPPLEMENTARY INFORMATION

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

- Budgetary Comparison Schedule – General Fund

**BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 11
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>Budget Amounts</u>	<u>Final</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Taxes	\$ 898,482	\$ 898,482	\$ 962,345	\$ 63,863
Interest and Other Income	100	100	12,892	12,792
TOTAL REVENUES	<u>898,582</u>	<u>898,582</u>	<u>975,237</u>	<u>76,655</u>
EXPENDITURES				
Emergency Services	840,032	580,000	597,753	(17,753)
Administrative	61,450	62,800	64,283	(1,483)
Professional Fees	25,600	13,600	16,809	(3,209)
Office Facilities	9,000	8,200	5,700	2,500
Equipment	2,500	7,000	5,635	1,365
Directors Fees	2,500	4,000	4,100	(100)
Membership Fees	1,500	2,200	2,125	75
Lodging & Transportation	5,000	2,500	1,761	739
TOTAL EXPENDITURES	<u>947,582</u>	<u>680,300</u>	<u>698,166</u>	<u>(17,866)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(49,000)</u>	<u>218,282</u>	<u>277,071</u>	<u>58,789</u>
OTHER FINANCING SOURCES (USES):				
Fire Station Loan Proceeds	-	-	3,200,000	(3,200,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>3,200,000</u>	<u>(3,200,000)</u>
Net Change in Fund Balance			3,477,071	
Fund Balance - October 1	<u>560,643</u>	<u>560,643</u>	<u>560,643</u>	<u>-</u>
Special Item: Transfer of cash from District 11 Fire and Rescue	-	-	302,162	-
Fund Balance - September 30	<u>\$ 511,643</u>	<u>\$ 778,925</u>	<u>\$ 4,339,876</u>	<u>\$ 3,560,951</u>

BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 11
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
SEPTEMBER 30, 2017

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

Budgetary preparation and control is exercised at the department level. Actual expenditures may not legally exceed appropriations at the fund level. Actual expenditures did not exceed appropriations for the year ended September 30, 2017.

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

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OTHER SUPPLEMENTARY INFORMATION

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

Such statements and schedules include:

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

**BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 11
COMPARATIVE BALANCE SHEETS - GENERAL FUND
SEPTEMBER 30, 2017 AND 2016**

	2017	2016
ASSETS		
Cash and Cash Equivalents	\$ 4,466,813	\$ 685,222
Taxes Receivable	24,327	19,677
Prepaid Accounts	-	2,413
Total Assets	4,491,140	707,312
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
<i>Liabilities</i>		
Accounts Payable	127,188	125,000
Payroll Liabilities	891	2,550
<i>Total Liabilities</i>	128,079	127,550
 <i>Deferred Inflows of Resources</i>		
Unavailable Property Tax Revenue	23,185	19,119
 <i>Fund Balance</i>		
Unassigned	4,339,876	560,643
Total Fund Balance	4,339,876	560,643
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 4,491,140	\$ 707,312

**BEXAR COUNTY EMERGENCY SERVICES DISTRICT NO. 11
COMPARATIVE STATEMENTS OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GENERAL FUND
FOR YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
REVENUES		
Taxes	\$ 962,345	\$ 888,023
Interest and Other Income	<u>12,892</u>	<u>68</u>
Total Revenues	<u>975,237</u>	<u>888,091</u>
EXPENDITURES		
Emergency Services	597,753	505,813
Administrative	64,283	52,215
Professional Fees	16,809	14,936
Office Facilities	5,700	3,725
Equipment	5,635	325
Directors Fees	4,100	2,150
Lodging & Transportation	2,125	94
Membership Fees	<u>1,761</u>	<u>-</u>
Total Expenditures	<u>698,166</u>	<u>579,258</u>
OTHER FINANCING SOURCES (USES):		
Fire Station Loan Proceeds	<u>3,200,000</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>3,200,000</u>	<u>-</u>
Net Change in Fund Balance	3,477,071	308,833
Fund Balance at Beginning of Year	<u>560,643</u>	<u>251,810</u>
Special Item:		
Transfer of cash from District 11 Fire and Rescue	<u>302,162</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 7,539,876</u>	<u>\$ 560,643</u>

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