

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1**

**BASIC FINANCIAL STATEMENTS AND  
REQUIRED SUPPLEMENTARY INFORMATION**

**SEPTEMBER 30, 2014**

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1**

**BASIC FINANCIAL STATEMENTS AND  
REQUIRED SUPPLEMENTARY INFORMATION**

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# **EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1 MANAGEMENT'S DISCUSSION AND ANALYSIS**

**September 30, 2014**

Our discussion and analysis of El Paso County Emergency Services District #1's ("the District") financial performance provides a narrative overview of the District's financial activities for the fiscal year ended September 30, 2014. We encourage readers to consider this information in conjunction with the basic financial statements, which begins on Page 12.

Fund-based financial reporting and government-wide reporting are not viewed as being in conflict; however, they are not comparable. A significant portion of this analysis focuses on the changes in the government-wide statements, while still providing information on the District's fund-based comparative changes.

## **FINANCIAL HIGHLIGHTS**

- Total assets decreased by approximately 4% due to asset disposals related to demolition of the old fire station and deficit spending.
- Total liabilities decreased by 2% due to outstanding payables related to construction at fiscal year end 2013 being paid in 2014.
- Total net position of \$3,784,340 decreased by \$197,616, which represents a decrease of 5% for the year ended September 30, 2014. Total expenses over revenues and special items in the statement of activities was \$197,616, driven by a loss on disposal of assets related to demolition of the old fire station and the implementation of a stipend program for volunteer fire fighters.
- Amounts invested in capital assets, net of related debt amounted to \$1,912,429.
- Unrestricted net position, available to meet the District's on-going obligations, totaled \$1,871,910.
- At September 30, 2014, the District's governmental fund statements show a combined ending fund balance of \$1,722,308, a decrease of \$1,620,044. This was due to increased expenses associated with construction and implementation of the stipend program in 2014.
- General revenues amounted to \$1,565,566, an increase of 6% from the prior year.
- Program revenues and grant income increased by \$111,122 or 106%.
- The District expended \$1,253,715 related to the construction of a new fire station. Additional capital expenditures included \$764,787 for a new fire truck and \$246,252 for rescue equipment.
- The District had \$1,512,903 in net program expenses related to governmental activities.
- The District uses the general fund to maintain its financial records.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements include:

- Government-wide financial statements on Pages 14-15.
- Fund financial statements on Pages 16-19.
- Notes to the financial statements on Pages 20-33.

This report also contains other supplementary information in addition to the financial statements.

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## GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the financial position of the District, and are similar to private sector financial statements. The government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements appear on Pages 14 and 15 of this report. One of the most important questions asked about the District is whether its finances as a whole are better off or worse as a result of the year's activities. The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These two statements report the District's *net position* and changes in assets and liabilities. The District's net position can be interpreted as the difference between assets, what the District owns, and liabilities, what the District owes, as one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position are indicators of whether its *financial health* is improving or deteriorating. Net position is shown in two categories: 1) invested in capital assets, net of related debt, and 2) unrestricted. To assess the *overall health* of the District other non-financial factors need to be considered. These include but are not limited to changes in the District's jurisdiction, the availability of funds to pursue capital projects, changes in local and regional demographics, macroeconomic factors, and continuing local government support.

The Statement of Activities presents information showing how the District's net position changed during the fiscal year ended September 30, 2014. It provides a breakdown of revenues and expenses by function. All changes in net position are reported as soon as the underlying event which contributes to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only affect cash flows in future fiscal periods. Examples of such items include revenues earned and expenses incurred but not yet paid, all of which will produce changes in cash in a future fiscal period.

Both statements attempt to distinguish functions of the District that are principally supported by taxes (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees (*business-type activities*). The governmental activities function of the District includes public safety (fire protection). The District does not engage in any business-type activities.

## FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District only has governmental funds. The governmental funds financial statements are on Pages 16 through 19.

(Continued)

## **GOVERNMENTAL FUNDS**

Governmental funds are used to account for essentially the same functions of those reported in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the District's operations and the services it provides. Governmental fund information shows whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The focus of governmental funds is narrower than that of government-wide financial statements. Therefore, it can be useful to compare the information presented for the governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Reconciliations have been provided as a link between the governmental fund statements and the government-wide financial statements to assist in this comparison.

The District maintains its activities in the general fund.

## **NOTES TO THE FINANCIAL STATEMENTS**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in both the government-wide and governmental fund financial statements. The notes to the financial statements can be found on Pages 20 through 33 of this report.

## **OTHER INFORMATION**

In addition to the basic financial statements and the accompanying notes, this report also presents certain required supplementary information concerning the District's budgetary comparison schedules for its General Fund. The required supplementary information can be found on Pages 34 through 36.

(Continued)

# GOVERNMENT-WIDE FINANCIAL ANALYSIS

**Table 1**  
**Net Position (In Thousands)**  
**September 30,**

	<u>2014</u>	<u>Restated</u> <u>2013</u>		<u>2014</u>	<u>Restated</u> <u>2013</u>
Current and other assets	\$ 2,332.8	\$ 4,269.3	Net position:		
Capital assets	<u>7,384.2</u>	<u>5,741.7</u>			
			Net investment in		
Total assets	<u>9,717.0</u>	<u>10,011.0</u>	capital assets	\$1,912.4	\$ 487.4
			Unrestricted	<u>1,871.9</u>	<u>3,494.6</u>
Long-term obligations	(5,138.6)	(4,971.8)			
Other liabilities	<u>(794.1)</u>	<u>(1,057.2)</u>	Total net position	<u>\$3,784.3</u>	<u>\$3,982.0</u>
Total liabilities	<u>(5,932.7)</u>	<u>(6,029.0)</u>			

Net position of the District's activities decreased 5% or \$197,615. Unrestricted net assets, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, decreased from \$3,494,546 (as restated) to \$1,871,910 at the end of fiscal year 2014. The decrease can be attributed to the investment of unrestricted resources in capital assets during 2014.

(Continued)

## GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Table 2 compares the fiscal year ended 2014 change in net position to the 2013 change in net position.

**Table 2**  
**Changes in Net Position for 2014**  
**Compared with 2013 Activity**  
**(In Thousands)**

	<u>Year Ended September 30,</u>		
	<u>2014</u>	<u>2013</u> (Restated)	<u>Change</u>
Program revenues:			
Operating grants	\$ 14.9	\$ 31.8	\$ (16.9)
Capital grants	132.4		132.4
Charges for services	68.8	73.2	(4.4)
General revenues:			
Property taxes	1,556.6	1,469.7	86.9
Other	<u>9.0</u>	<u>12.2</u>	<u>(3.2)</u>
Total revenues	1,781.7	1,586.9	194.8
Special items:			
Loss on disposal of assets			
Total special items	<u>(250.3)</u>	<u>          </u>	<u>(250.3)</u>
Total revenues and special items	<u>1,531.4</u>	<u>1,586.9</u>	<u>(55.5)</u>
Program expenses:			
Public safety	1,555.3	973.3	582.0
Interest on long-term debt	<u>173.9</u>	<u>274.7</u>	<u>(100.8)</u>
Total expenses	<u>1,729.2</u>	<u>1,248.0</u>	<u>481.2</u>
Change in net position	<u>\$ (197.8)</u>	<u>\$ 338.9</u>	<u>\$(536.7)</u>

Property taxes increased due to an increase in assessed value of properties. Interest expense increased due to an increase in principal on long-term debt outstanding during the year.

(Continued)

## GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Table 3 presents the total cost of each of the District's programs, as well as each program's net cost (total cost less revenues generated by activities). The net cost shows the financial burden that was placed on the District by each of these functions.

**Table 3**  
**Governmental Activities**  
**(In Thousands)**  
**Year Ended September 30,**

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2014</u>	<u>2013</u> (Restated)	<u>2014</u>	<u>2013</u> (Restated)
General government	\$1,555.3	\$ 973.3	\$1,339.1	\$ 868.3
Interest on long-term debt	<u>173.9</u>	<u>274.7</u>	<u>173.8</u>	<u>274.7</u>
Total expenses	<u>\$1,729.1</u>	<u>\$1,248.0</u>	<u>\$1,512.9</u>	<u>\$1,143.0</u>

General government expenses increased due to the purchase of rescue equipment and supplies for the new fire station in addition to the implementation of the stipend program for volunteer fire firefighters.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted above, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As mentioned earlier, the General Fund is the chief operating fund of the District. The District's governmental fund statements show an ending fund balance of \$1,722,308, a decrease of \$1,620,044 in comparison with the prior year fund balance. Of this amount, \$1,666,915 constitutes unassigned, undesignated fund balance, which is available for spending at the District's discretion. Of the total fund balances, \$50,000 (or 2.9%), is committed for capital outlay for communications equipment.

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## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (Continued)

Table 4 presents the fund balance of the general fund and an analysis of significant changes in the fund balance.

**Table 4**  
**Changes in Year-End Fund Balance**  
**(In Thousands)**  
**September 30,**

	<u>2014</u>	<u>2013</u> (Restated)	<u>Percent</u> <u>Change</u>
General Fund	<u>\$1,722.3</u>	<u>\$3,342.4</u>	<u>(48)%</u>

The 48.5% decrease in the general fund balance can be primarily attributed to the expenditures for the construction of the new fire station, as well as the payment of interest and principal on long-term debt.

### Revenue Source

Table 5 presents a detail of the governmental fund revenues for the fiscal year ended September 30, 2014 and a comparison with the governmental fund revenues for the prior fiscal year.

**Table 5**  
**Total Governmental Fund Revenues**  
**Year Ended September 30,**

	<u>2014</u> <u>Amount</u>	<u>Percent</u> <u>of Total</u>	<u>Increase</u> <u>(Decrease)</u> <u>Over 2013</u> <u>Restated</u>	<u>Percent</u> <u>Increase</u> <u>(Decrease)</u>
Property taxes	\$1,555,404	87.36%	\$111,040	7.7%
Grant income	147,378	8.28%	115,580	363.5%
Charges for services	68,779	3.86%	(4,458)	(6.1)%
Investment income	7,341	.41%	351	2.9%
Miscellaneous	<u>1,644</u>	<u>.09%</u>	<u>1,399</u>	<u>571%</u>
Total	<u>\$1,780,546</u>	<u>100.0 %</u>	<u>\$223,912</u>	<u>14.3%</u>

The increase in property taxes is due to an increase in the tax assessed value from \$1,439,248,376 to \$1,600,629,041. The District received a significant grant for radio and dispatching equipment, compared to the previous year.

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## GENERAL FUND BUDGETARY HIGHLIGHTS

Table 6 discusses the variance between the final budget and the actual results for the fiscal year ended September 30, 2014:

**Table 6**  
**Final Budget Versus Actual Results**  
**(In Thousands)**  
**General Fund**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Property taxes	\$1,477.6	\$1,477.6	\$1,555.4	\$ 77.8
Grant income		25.7	147.4	121.7
Revenue recovery	40.0	54.5	68.8	14.3
Investment earnings			7.3	7.3
Miscellaneous	_____	_____	1.6	1.6
	<u>\$1,517.6</u>	<u>\$1,557.8</u>	<u>\$1,780.5</u>	<u>\$ 222.7</u>
Expenditures:				
Total general government	<u>\$1,877.5</u>	<u>\$1,932.5</u>	<u>\$3,900.6</u>	<u>\$(1,968.1)</u>

The number of calls for the year ended September 30, 2014 amounted to 2,528 and were comprised of the following:

<u>Type of Calls</u>	<u>Number of Calls</u>
Fire	126
Other	<u>2,402</u>
	<u>2,528</u>

Total calls increased by 74% in relation to the previous fiscal year.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

The District's financial statements present capital assets in two categories: those assets subject to depreciation (such as buildings and equipment) and those not subject to depreciation (such as land). At year-end, the District had \$7,384,194 invested in capital assets, net of depreciation. This amount represents a net increase (including additions and deletions) of \$1,642,497, or 29% compared to last year. The net increase is primarily due to the construction of the new fire station and purchase of a new truck in 2014. The District's old fire station was demolished prior to the completion of the new facility. The land where the old station used to stand was converted into a paved parking lot for the new facility. At the time of its demolition, the old fire station had a historical cost of \$480,395 and accumulated depreciation of \$230,116. The disposal of the net carrying balance of \$250,279 was presented as a loss in the Statement of Activities under the Special Item classification.

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## **CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)**

The newly built fire station, located at 14151 Nunda, is one building with eleven apparatus bays. The building is used to house the Horizon Fire Department and District staff. The building contains a large conference room that is used for Fire Department trainings, Board of Commissioners meetings and can also be utilized for an Emergency Management Center and a disaster relief center. In preparation for unseen disasters, the building has been supplied with a back-up generator to power vital portions of the building. It also contains a day room, large kitchen/dining room, a covered private patio, a large exercise room, and sleeping quarters for the firefighters. Office space is dedicated to the dispatch office, Fire Chief's office, Assistant Chief's office, Line Officers' office, Fire Marshal's office, Administrator's office, Administrative Assistant's office and a shared office for Commissioners and the Comptroller.

Rolling stock is comprised of the following:

- (1) 1997 Freightliner Class A Pumper
- (2) 2002 Freightliner Class A Pumper
- (3) 2002 Ford F-350 Quick Response Vehicle
- (4) 2003 Ford F-250 Quick Response Vehicle
- (5) 2004 Ford Expedition Fire Marshal/Staff Vehicle
- (6) 2005 Pierce Tanker
- (7) 2005 Polaris Ranger
- (8) 2005 Logistics Cargo Trailer
- (9) 2007 Pierce Quint Truck
- (10) 2008 Chevrolet Tahoe Quick Response Vehicle
- (11) 2008 Ford F150 Staff Vehicle
- (12) 2008 Light Tower
- (13) 2009 Pierce Brush Truck
- (14) 2009 Chevrolet Tahoe – Command/Staff Vehicle
- (15) 2011 Chevrolet Suburban - Command/Staff Vehicle
- (16) 2013 Ford F350 – Quick Response Vehicle
- (17) 2014 Chevrolet Tahoe – Fire Marshal/Staff Vehicle
- (18) 2014 Pierce Class A Pumper

Equipment that is readily available to fire personnel:

- (1) 800 Trunking radio system that allows for interoperability with other Departments
- (2) Lifepack 15 Cardiac Monitors
- (3) 15 - AED's
- (4) SCBA Fill station
- (5) 40 – SCBA's
- (6) Ampkus Extrication Tools
- (7) Thermal Imaging Cameras
- (8) High Angle Rescue Equipment

(Continued)

## CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

### Capital Assets (Continued)

Capital assets held by the District at the end of the current year and prior year are summarized in Table 7 as follows:

**Table 7**  
**Capital Assets, Net of Accumulated Depreciation**

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
Land	\$ 179,764	\$ 179,764
Construction in progress		3,823,907
Buildings and improvements	5,024,640	255,657
Heavy trucks	1,843,789	1,321,590
Equipment	<u>336,000</u>	<u>160,779</u>
Total capital assets, net	<u>\$7,384,193</u>	<u>\$5,741,697</u>

Additional information on the District's capital assets can be found on Page 27 and 28 of this report.

### Debt Administration

At year-end, the District had \$5,471,764 in outstanding long-term debt. Long-term debt amounted to \$5,254,288 last year, an increase of 4%. The increase in long term debt is attributed to a finance agreement obtained for the purchase of a new fire truck. Long-term debt held by the District at the end of the current year and prior year is summarized in Table 8 as follows:

**Table 8**  
**Long-term Debt Outstanding at Year End**  
**Year Ended September 30,**

	<u>Governmental Activities</u>		<u>Change</u>
	<u>2014</u>	<u>2013</u>	
Notes payable	\$5,067,000	\$4,814,000	\$253,000
Capital leases	<u>404,764</u>	<u>440,288</u>	<u>(35,524)</u>
Total long-term debt	<u>\$5,471,764</u>	<u>\$5,254,288</u>	<u>\$217,476</u>

The District's policy is to recognize deferred compensation expense for its employees when paid. There are no other long-term liabilities held by the District. More detailed information about the District's long-term liabilities is presented on Pages 29 and 30 of this report.

(Continued)

## **ECONOMIC FACTORS**

The largest populated area within the District's boundaries is the Town of Horizon City, with multiple outlying communities within a 10 mile radius around the city. The remainder of the District is mainly unpopulated desert area. The District has seen a 25% growth in population each year, hence doubling every four years.

The District consists of 5 members serving as the Board of Commissioners and 5 paid employees. The Horizon Fire Department has 47 active members, of which 17 are Emergency Medical Technicians (EMT's) certified at the basic level and 6 are certified at the Paramedic level. In addition, the department has 11 certified firefighters. Training is conducted every Wednesday by Certified Training Specialists in areas related to Fire Technology and Emergency Medical Services.

The District utilizes 24/7 dispatching services in conjunction with Horizon City Police Department. This Dispatching system is capable of CAD access. The Dispatching Center is staffed with 9 paid Dispatchers through the Horizon Police Department.

Training is also made available to firefighters to attend various seminars conducted in Texas and outside the State, as needed. The firefighters are required to attend a designated number of trainings in order to stay within good standing with the department and for the State Fireman's and Fire Marshal's Association.

The citizens of the community are fortunate to have the District rated by the Insurance Standards Organization (ISO) at 5/9. The fire department has at least 3 volunteer firefighters available at the station at all times providing quick response times. With this new program being implemented, all calls are being answered. The average response time for a call in the District is 6.43 minutes to be on the scene.

The District began charging for its services to communities outside the District boundaries during fiscal year 2004. These additional revenues will assist the District in maintaining existing equipment and facilities.

It is important that the District continue to train its volunteers and procure state of the art equipment in order to be able to provide the citizens of the District with a continued quick and effective response to the needs of the community.

### **Request for Information**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Board of Commissioners, President, 14151 Nunda, Horizon City, Texas 79928.

Marvin McLellan  
Board of Commissioners, President

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Commissioners  
El Paso County Emergency Services District #1  
Horizon City, Texas

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

We have audited the accompanying financial statements of the governmental activities of El Paso County Emergency Services District #1 ("the District"), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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.

### **Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

(Continued)

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of El Paso County Emergency Services District #1 as of September 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on Pages 1 through 11 and 34 through 36, respectively, 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 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.

As discussed in the notes to the financial statements, in October 2013, the District adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

### **Other reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated February 1, 2015, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing on internal control over financial reporting and compliance and the results of testing, and not to provide an opinion on internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.



El Paso, Texas  
February 1, 2015

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1**

**STATEMENT OF NET POSITION**

**September 30, 2014**

<b><u>ASSETS</u></b>	<b><u>Governmental Activities</u></b>
Cash and cash equivalents	\$ 1,248,696
Investments	814,290
Taxes receivable, net	243,288
Other receivables	21,176
Prepaid expenses	5,393
Non-depreciable capital assets	179,764
Depreciable capital assets, net of accumulated depreciation	<u>7,204,429</u>
Total assets	<u>9,717,036</u>
 <b><u>LIABILITIES</u></b>	
Accounts payable	\$ 417,685
Accrued liabilities	7,874
Accrued interest	35,374
Due within one year:	
Notes payable	295,987
Capital lease	37,188
Due after one year:	
Notes payable	4,771,013
Capital lease	<u>367,576</u>
Total liabilities	<u>5,932,697</u>
 <b><u>NET POSITION</u></b>	
Net investment in capital assets	1,912,429
Unrestricted	<u>1,871,910</u>
Total net position	<u>\$ 3,784,339</u>

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

# EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1

## STATEMENT OF ACTIVITIES

Year Ended September 30, 2014

FUNCTIONS/PROGRAMS	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net Revenue (Expense) and Change in Net Position</u>
		<u>Charges for Services and Fees</u>	<u>Capital Grants and Contributions</u>	<u>Operating Grants and Contributions</u>	
Primary government:					
Governmental activities:					
Public safety	\$1,555,289	\$ 68,779	\$ 132,397	\$ 14,981	\$ (1,339,132)
Interest on long-term debt	<u>173,771</u>				<u>(173,771)</u>
Total primary government	<u>\$1,729,060</u>	<u>\$ 68,779</u>	<u>\$ 132,397</u>	<u>\$ 14,981</u>	<u>(1,512,903)</u>
General revenues:					
Taxes:					
Property taxes					1,556,581
Investment earnings					7,341
Miscellaneous					<u>1,644</u>
Total general revenues					1,565,566
Special items:					
Loss on disposal of assets					<u>(250,279)</u>
Total general revenues and special items					<u>1,315,287</u>
Change in net position					<u>(197,616)</u>
Net position at beginning of year, as previously reported					4,053,088
Change in accounting principle					<u>(71,133)</u>
Net position at beginning of year, as restated					<u>3,981,955</u>
Net position at end of year					<u>\$ 3,784,339</u>

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

EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1

BALANCE SHEET - GOVERNMENTAL FUNDS

September 30, 2014

<u>ASSETS</u>	<u>General Fund</u>
Cash and cash equivalents	\$1,248,696
Investments	814,290
Taxes receivable, net	243,288
Other receivables	21,176
Prepaid insurance	<u>5,393</u>
Total assets	<u>\$2,332,843</u>
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>	
Liabilities:	
Accounts payable	\$ 417,685
Accrued liabilities	<u>7,874</u>
Total liabilities	<u>425,559</u>
Deferred inflows of resources:	
Unearned revenue-property taxes	<u>184,976</u>
Total deferred inflows of resources	<u>184,976</u>
Fund balances:	
Non-spendable	5,393
Assigned for capital outlays	50,000
Unassigned	<u>1,666,915</u>
Total fund balances	<u>1,722,308</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$2,332,843</u>

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

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1**

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL  
FUNDS TO THE STATEMENT OF NET POSITION**

**September 30, 2014**

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE  
STATEMENT OF NET POSITION ARE DIFFERENT BECAUSE:

Total fund balances of governmental funds in the balance sheet		\$1,722,308
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds:		
Governmental capital assets	9,829,867	
Less accumulated depreciation	<u>(2,445,674)</u>	7,384,193
Certain liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Notes payable	(5,067,000)	
Capital leases	(404,764)	
Accrued interest	<u>(35,374)</u>	(5,507,138)
Tax receivables not collected within 60 days of the end of the fiscal year are not considered available resources under the modified accrual basis and reported as deferred inflows of resources in the government funds. Unavailable tax receivables are reported in the statement of net position on the full accrual basis		<u>184,976</u>
NET POSITION, GOVERNMENTAL ACTIVITIES		<u>\$3,784,339</u>

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

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUNDS**

**Year Ended September 30, 2014**

	<b><u>General Fund</u></b>
Revenues:	
Property taxes	\$1,555,404
Grant income	147,378
Charges for services	68,779
Investment earnings	7,341
Miscellaneous	<u>1,644</u>
Total revenues	<u>1,780,546</u>
Expenditures:	
Current:	
Public safety	1,183,401
Capital outlay	2,264,663
Debt service:	
Principal	282,524
Interest	<u>170,002</u>
Total expenditures	<u>3,900,590</u>
Excess of expenditures over revenue	(2,120,044)
Other financing sources:	
Proceeds from long-term debt	<u>500,000</u>
Net change in fund balance	(1,620,044)
Fund balance at beginning of year	<u>3,342,352</u>
Fund balance at end of year	<u>\$1,722,308</u>

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



## **NOTES TO FINANCIAL STATEMENTS**

## EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1

### NOTES TO FINANCIAL STATEMENTS

#### ORGANIZATION AND OPERATIONS

El Paso County Emergency Services District #1 (the District) was created for the purpose of saving lives, the protection of property endangered by fires and other emergencies, and to promote the teaching and practices of fire and accident prevention. The District is a taxing entity and is a political subdivision of the State of Texas. The District was formed as provided by Article III, Section 48-e of the Texas Constitution. The District is administered by a Board of Commissioners (Commissioners), appointed by the Commissioners of the County of El Paso, Texas, that acts as the authoritative and legislative body of the entity.

#### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity - As required by generally accepted accounting principles, the accompanying financial statements present the activities of the District.

Based on the application of the criteria set forth by the Government Accounting Standards Board, management has determined that no component units exist, which would require inclusion in this report. Further, management is not aware of any entity which would consider the District to be a component unit.

Government-Wide and Fund Financial Statements - The government-wide financial statements (the statement of net position and the statement of activities) report information on all activities of the District. There are no fiduciary or business-type activities conducted by the District. All activities of the District are governmental in nature and are supported by taxes and other non-exchange transactions.

The statement of activities demonstrates the degree to which the direct expenses of a given function or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 or program, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes and other items not properly included among program revenues are reported instead as general revenue. The District only has one governmental fund.

Measurement Focus, Basis of Accounting, and Financial 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. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Measurement Focus, Basis of Accounting, and Financial Presentation (Continued) -

Governmental fund financial statements are reported using the 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 to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt, which is recognized when due.

Grants and entitlements and interest associated with the current fiscal period are all considered susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when the District receives cash.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

In addition to assets and liabilities, the government fund balance sheet may report separate sections of deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period which will not be recognized as an outflow of resources until that time. Deferred inflows of resources represent an acquisition of net position that applies to a future period which will not be recognized as an inflow of resources until that time.

Fund Accounting - The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District only uses governmental funds.

Governmental Funds - Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. For the District, the General Fund is used to account for all financial resources of the District, except those required to be accounted for in another fund. The General Fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Texas and the by-laws of the District.

(Continued)

# EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements - GASB 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict or contradict GASB pronouncements: 1) Financial Accounting Standards Board (FASB) Statements and Interpretations; 2) Accounting Principles Board Opinions; 3) Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. Implementation of GASB 62 is reflected in the financial statements and notes to the financial statements.

GASB 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, amends the net asset reporting requirements in Statement No. 34 and other pronouncements by incorporating deferred outflows of the resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure at net position rather than assets. Implementation of GASB 34 is reflected in the financial statements.

GASB 65, Items Previously Reported as Assets and Liabilities, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources and deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Implementation of GASB 65 is reflected in the financial statements.

Revenues: Exchange and Non-Exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 60 days of fiscal year-end. Under the modified accrual basis, interest and charges for services are considered to be both measurable and available at fiscal year-end.

Non-exchange transactions, in which the District receives value without directly giving value in return, includes grants and donations. On an accrual basis, revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must be available before it can be recognized.

(Continued)

## EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

#### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expenses/Expenditures - On an accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable.

Cash and Cash Equivalents and Investments - For presentation in the financial statements, investments with an original maturity of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an original maturity of more than three months are reported as investments. Investments are recorded at fair value, which is based on quoted market prices.

Property Tax Calendar - The District is responsible for the assessment, collection, and apportionment of property taxes. The Board of Commissioners levies property taxes on September 1. The certified tax roll from the El Paso Central Appraisal District reflected a taxable value of \$1,600,629,041 for the year ended September 30, 2014. Taxes are due upon receipt of the tax bill and are delinquent if not paid by January 31, of the year following in which levied. On January 1, of each year, a tax lien attaches to property to secure the payment of tax revenues, penalties and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable in the current period. The District's 2013-2014 effective tax rate was \$.093595 and the actual tax rate was \$.10, per \$100 of assessed valuation. The District incurred expenditures of \$68,632 for the services provided by El Paso Central Appraisal District for the year ended September 30, 2014.

Allowance for Delinquent Taxes Receivable - Delinquent taxes receivable are evaluated by management throughout the year. The District performs ongoing evaluations and maintains allowances for uncollectible delinquent taxes based on factors surrounding the credit risk, historical trends and other information of the outstanding amount for each tax levy. The allowance for uncollectible delinquent taxes was \$18,380 for the year ended September 30, 2014.

Capital Assets - Capital assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements. All capital assets are recorded at cost (or estimated historical cost) if purchased or constructed and updated for additions and retirements during the year. Donated capital assets are recorded at estimated fair market value at the date of the donation. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

(Continued)

## EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

#### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued) - Depreciation is determined using the straight-line method over the following estimated useful lives of the capital assets:

Buildings and improvements	40 years
Heavy trucks	10 years
Equipment	3-10 years

Long-Term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Long-term issuance costs are recognized as a debt service expenditure in the current period in both the government-wide financial statements and the governmental financial statements.

Deferred Outflows/Inflows of Resources-In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any item in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents and acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unearned revenue – property taxes, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from properties taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Reservations of Fund Balance - Unassigned fund balances are available for any purpose; these amounts can be reported only in the District's general fund. Assigned fund balances can only be spent for specific purposes determined by a formal action of the Board of Commissioners. Fund equity assignments have been established for future acquisitions of equipment. If assigned and unassigned assets are available for the same purpose, the assigned assets will be used before unassigned assets. At September 30, 2014, the Board of Commissioners assigned \$50,000 for communication equipment. Non-spendable fund balance includes amounts that cannot be spent because it is not in spendable form or is not expected to be converted into cash. Non-spendable fund balance at September 30, 2014 includes \$5,393 of prepaid expenses to be consumed in future periods.

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Net Position - Equity is classified as net position and displayed in two components:

- 1) Invested in capital assets, net of related debt - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- 2) Unrestricted net position - all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Estimates - The presentation 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/expenditures during the reporting period. Actual results may differ from those estimates.

**DEPOSITS AND INVESTMENTS**

Statutes require the classification of funds held by the District into three categories.

Category 1 consists of "active" funds - those funds required to be kept in "cash" or "near cash" status for immediate use by the District. Such funds must be maintained as cash, withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of "inactive" funds - those funds not required for use within the current two year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing no later than the end of the current period of designation of depositories.

Category 3 consists of "interim" funds - those funds not needed for immediate use, but needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- 1) Commercial paper;
- 2) Bankers' acceptances;
- 3) Repurchase agreements; and
- 4) Certificates of deposit.

Investments in collateral mortgage obligations are prohibited. The maximum allowable stated maturity of any authorized investment type cannot exceed two years to maturity, except for repurchase agreements, for which the maximum maturity shall be 120 days.

(Continued)

EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1

NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)

**DEPOSITS AND INVESTMENTS (Continued)**

Investment categories are as follows:

- Category 1 Insured or registered, with securities held by the District or its agent in the District's name.
- Category 2 Uninsured and unregistered, with securities held by the counter party's trust department or agent in the District's name.
- Category 3 Uninsured and unregistered, with securities held by the counter party or by its trust department or agent, but not in the District's name.

Investments are reported at fair value which approximates cost. The certificates of deposit and exchange-traded and closed-end funds are maintained with Morgan Stanley and National Bank of El Paso in the name of El Paso County Emergency Services District #1. All certificates of deposit have a carrying amount of or less than, \$250,000, at each of the institutions and are fully insured by the FDIC. Cash, certificates of deposit, and exchange-traded and closed-end funds are classified as Investment Category 1.

*Interest Rate Risk* - The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk* - State law limits investments to the types described above. However, the District has no investment policy that would further limit its investment choices.

Investments are composed of the following at September 30, 2014:

Certificates of deposit	\$807,312
Mutual funds	<u>6,978</u>
	<u>\$814,290</u>

*Concentration of Credit Risk* - The District places no limit on the amount the District may invest in any one issuer. At September 30, 2014 the District had the following investments in single issuers representing more than five percent of the total investments on hand:

Issuer A	\$200,690
Issuer B	149,050
Issuer C	114,188
Issuer D	100,000
Issuer E	52,438
Issuer F	<u>42,281</u>
Total	<u>\$658,647</u>

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**DEPOSITS AND INVESTMENTS (Continued)**

*Custodial Credit Risk - Deposits* - Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of September 30, 2014, none of the District's bank balance of \$1,392,683 was exposed to custodial credit risk.

**RECEIVABLES**

Receivables consist of the following at September 30, 2014:

	<u>Gross</u>	<u>Allowance for Uncollectible Accounts</u>	<u>Net</u>
Governmental activities:			
Property taxes	\$261,668	\$(18,380)	\$243,288
Other	<u>21,176</u>	<u>          </u>	<u>21,176</u>
Total governmental activities	<u>\$282,844</u>	<u>\$(18,380)</u>	<u>\$264,464</u>

**CAPITAL ASSETS**

Capital asset activity for the District for the year ended September 30, 2014, was as follows:

	<u>September 30,2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>September 30,2014</u>
Non-depreciable capital assets:					
Land	\$ 179,764	\$	\$	\$	\$179,764
Construction in progress	<u>3,823,907</u>	<u>1,253,624</u>	<u>          </u>	<u>(5,077,531)</u>	<u>          </u>
Total non-depreciable capital assets	<u>\$4,033,671</u>	<u>\$1,253,624</u>	<u>\$          </u>	<u>\$(5,077,531)</u>	<u>\$179,764</u>

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**CAPITAL ASSETS (Continued)**

	<b>September 30,2013</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>September 30,2014</b>
Depreciable capital assets:					
Building and improvements	\$ 480,395	\$	\$(480,395)	\$5,077,531	\$5,077,531
Heavy trucks	2,745,287	764,786			3,510,073
Equipment	<u>816,246</u>	<u>246,252</u>			<u>1,062,498</u>
	<u>4,041,928</u>	<u>1,011,038</u>	<u>(480,395)</u>	<u>5,077,531</u>	<u>9,650,102</u>
Less accumulated depreciation for:					
Building and improvements	224,738	58,269	(230,116)		52,891
Heavy trucks	1,423,697	242,588			1,666,285
Equipment	<u>655,467</u>	<u>71,030</u>			<u>726,497</u>
Total accumulated depreciation	<u>2,303,902</u>	<u>371,887</u>	<u>(230,116)</u>		<u>2,445,673</u>
Depreciable capital assets, net	<u>\$1,738,026</u>	<u>\$575,756</u>	<u>\$(250,279)</u>	<u>\$5,077,531</u>	<u>\$7,204,429</u>

Total provision for depreciation of \$371,887 was charged to public safety of the primary government. Capital assets pledged as security for long-term debt had a cost of \$5,900,006.

**UNEARNED REVENUE**

Unearned revenue in the amount of \$184,976 at September 30, 2014, consisted of property tax revenue received more than 60 days following year-end (unavailable to pay liabilities of the current period). Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Unearned revenue received after 60 days is fully recognized as revenue on the government-wide statements. Unearned revenue at the government-wide level arise only when the District receives resources before it has a legal claim to them.

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**LONG-TERM DEBT**

The following is a summary of changes in governmental activities long-term debt for the year ended September 30, 2014:

	<b><u>Balance at September 30, 2013</u></b>	<b><u>Additions</u></b>	<b><u>Reductions</u></b>	<b><u>Balance at September 30, 2014</u></b>	<b><u>Due Within One Year</u></b>
Notes payable	\$4,814,000	\$500,000	\$247,000	\$5,067,000	\$295,987
Capital leases	<u>440,288</u>	<u>          </u>	<u>35,524</u>	<u>404,764</u>	<u>37,188</u>
	<u>\$5,254,288</u>	<u>\$500,000</u>	<u>\$282,524</u>	<u>\$5,471,764</u>	<u>\$333,175</u>

*Notes Payable* - The District entered into a \$4,597,000 note agreement with TIB - the Independent Bankersbank to finance the acquisition and construction of a fire station. Interest is at 3.25% per annum, payable in annual installments which are specified in the contract. The note matures in February 2029 and is secured by ad valorem taxes levied and assessed on the proceeds of taxable property in the District.

The District entered into a \$356,000 note agreement with Branch Banking and Trust to finance the acquisition and construction of a pumper truck. Interest is at 2.07% per annum, payable in semi-annual installments, which are specified in the contract. The note matures in February 2023 and is secured by ad valorem taxes levied and assessed on the proceeds of taxable property in the District.

The District entered into a \$500,000 note agreement with TIB - the Independent Bankersbank to finance the acquisition of a heavy rescue truck. Interest is at 2.45% per annum, payable in semi-annual installments, which are specified in the contract. The note matures in August 2024 and is secured by ad valorem taxes levied and assessed on the proceeds of taxable property in the District.

Annual debt service for the outstanding notes is as follows:

<b><u>Year Ending September 30,</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2015	\$ 295,987	\$ 157,906	\$ 453,893
2016	310,277	143,562	453,839
2017	320,418	134,101	454,519
2018	329,587	124,343	453,930
2019	339,784	114,286	454,070
2020-2024	1,820,947	409,685	2,230,632
2025-2029	<u>1,650,000</u>	<u>137,541</u>	<u>1,787,541</u>
Total	<u>\$5,067,000</u>	<u>\$1,221,424</u>	<u>\$6,288,424</u>

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**LONG-TERM DEBT (Continued)**

*Capital Lease Obligation* - Capital lease obligation of the governmental activities at September 30, 2014 consists of the following obligation under capital lease entered into for the acquisition of rolling stock:

Capital lease originating in November, 2008, in the original amount of \$850,000, with annual interest at 4.685%. Annual principal payments, including interest, are in the amount of \$108,508 during the first five years, and \$56,150 thereafter, maturing in March 2023. Secured by Pierce Brush truck, Pierce Quint truck, and Chevy Tahoe.	\$404,764
Less amount due within one year	<u>37,188</u>
Amount due after one year	<u>\$367,576</u>

Annual debt service requirements for the capital lease are as follows:

<b><u>Year Ending September 30,</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2015	\$ 37,188	\$ 18,962	\$ 56,150
2016	38,930	17,220	56,150
2017	40,753	15,397	56,150
2018	42,663	13,487	56,150
2019	44,661	11,489	56,150
2020-2024	<u>200,569</u>	<u>24,031</u>	<u>224,600</u>
	<u>\$404,764</u>	<u>\$100,586</u>	<u>\$505,350</u>

For governmental activities, long-term liabilities are liquidated by the general fund. The related equipment will become the property of the District when all the terms of the lease agreement are met.

Equipment and related accumulated depreciation under capital leases are as follows:

Equipment	\$822,475
Less accumulated depreciation	<u>493,485</u>
Net value	<u>\$328,990</u>

Amortization of leased equipment under capital assets is included with depreciation expense.

(Continued)

## EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

#### EMPLOYEE PENSION PLAN

The District offers a retirement plan to eligible employees under the Texas Emergency Services Retirement system ("TESRS"). TESRS is a cost-sharing multiple employer pension system, administered by the Fire Fighter's Pension Commissioner and established by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration.

TESRS is included in the Fire Fighters' Pension commissioner's annual financial reports as a pension trust fund. At August 31, 2013, there were 216 fire or emergency services departments participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a participating department.

Contribution provisions were originally established by S.B. 411, 65th Legislature, Regular Session (1977) and were amended by board rule in 2006. No contributions are required by individual members of participating departments. The governing bodies of participating departments are required to contribute at least the minimum prescribed amount per month (\$36) for each active member and may contribute more. Additional contributions may be made by a governing body to pay for granting credit for service before the department began participating in TESRS (prior service). The State may also be required to make annual contributions up to a limited amount to make TESRS actuarially sound.

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions were set by board rule, and there is no maximum contribution rate. For the fiscal year ending September 30, 2014, as well as each of the two previous years, total contributions to TESRS by the Districted totaled \$10,000.

#### RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; damage to, and theft or destruction of assets; errors and omissions; injuries to volunteer firefighters and natural disaster, for which commercial insurance is carried. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amounts of loss can be reasonably estimated. During fiscal year ended 2014, the District contracted with the VFIS of Texas, Inc. for liability, property, and crime damage. Coverages provided by the Company are as follows:

Public Official Errors and Omissions Liability (Per Occurrence)	\$1,000,000
Business Auto Coverage Liability Combined (Each Accident)	\$1,000,000
Commercial General Liability	\$3,000,000
Commercial Property	\$577,371
Blanket Portable Equipment	Guaranteed Replacement Cost Coverage
Crime Insurance:	
Employee Dishonesty (Per Occurrence)	\$100,000
Surety Bond	\$100,000

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**RISK MANAGEMENT (Continued)**

The District had no changes in insurance coverage from the prior year and there were no settlements that exceeded insurance coverage in the last three years.

Workers' compensation coverage is maintained by paying premiums to Texas Municipal League. The premium is calculated based upon accident history and administrative costs.

**COMMITMENTS AND CONTINGENCIES**

As of September 30, 2014, the District was involved in litigation with the City of El Paso for compensation owed of \$123,405 as a result of annexation of land within the jurisdiction of the District. The District was awarded \$25,675 in 2013, which was collected in 2014. The remaining amount of \$97,730 is still pending appeals.

**CONCENTRATIONS OF CREDIT RISK ARISING FROM DEPOSITS IN EXCESS OF  
INSURED LIMITS**

The District maintains interest-bearing cash balances with several financial institutions. Deposits are insured by the Federal Deposit Insurance Corporation (FDIC) at each institution up to \$250,000. In addition, account balances have pledged securities with a market value of \$4,436,270. At times, the interest-bearing cash balances may exceed federally insured amounts; however, the District does not believe that it is exposed to any significant credit risk on uninsured amounts. At September 30, 2014, the District's cash balances were fully insured.

(Continued)

EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1

NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)

**RESTATEMENT**

*GASB No. 65* - In March 2012, the Accounting Standards Board (GASB) approved statement No. 65, *Items Previously Reported as Assets and Liabilities* (Statements). The Statement provides additional guidance regarding financial statement elements to be classified as deferred outflows of resources and deferred inflows of resources and the impact of those financial statement elements, such as major fund determination. In addition, the statement changes the method of reporting debt issuance costs.

The provisions of GASB No. 65 were implemented by the District for the fiscal year beginning October 1, 2013. Prior to implementation of the Statement, the District reported debt issuance costs as a non-current asset in the statement of net position. In GASB 65, debt issuance costs, excluding bond insurance costs which should be treated as a prepaid asset, are to be recognized in the period of the debt issue. This resulted in a restatement of previously reported amounts as follows:

	2013 Previously <u>Presented</u>	<u>Restatement</u>	2013 <u>Restated</u>
<b>Governmental Activities:</b>			
Loan origination fees, net	\$ 71,133	\$(71,133)	\$
Total assets	10,082,070	(71,133)	10,010,937
Net position, unrestricted	3,565,679	(71,133)	3,494,546
Total net position	4,053,088	(71,133)	3,981,955
Amortization expense	4,846	(4,846)	
Change in net position	334,137	4,846	338,983
Net position, beginning of year	3,718,951	(75,979)	3,642,972

**SUBSEQUENT EVENTS**

Subsequent events were evaluated through February 1, 2015, which is the date the financial statements were available to be issued and no reportable items were noted.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

**Year Ended September 30, 2014**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	
	<b><u>Original</u></b>	<b><u>Final</u></b>	<b><u>Budgetary Basis</u></b>	<b><u>Variance</u></b>
Revenues:				
Taxes:				
Property taxes	\$1,477,579	\$1,477,579	\$ 1,555,404	\$ 77,825
Intergovernmental:				
Grant income		25,675	147,378	121,703
Revenue recovery	40,000	54,512	68,779	14,267
Investment earnings			7,341	7,341
Total revenues	<u>1,517,579</u>	<u>1,557,766</u>	<u>1,778,902</u>	<u>221,136</u>
Expenditures:				
Public safety:				
Fire control and EMS:				
Salaries and benefits	160,800	155,812	158,212	(2,400)
Material and services	903,038	975,908	1,025,189	(49,281)
Capital outlay	361,000	348,129	2,264,663	(1,916,534)
Principal payments	282,524	282,524	282,524	
Interest payments	<u>170,217</u>	<u>170,217</u>	<u>170,002</u>	<u>215</u>
Total expenditures	<u>1,877,579</u>	<u>1,932,590</u>	<u>3,900,590</u>	<u>(1,968,000)</u>
Excess of expenditures over revenue	<u>(360,000)</u>	<u>(374,824)</u>	<u>(2,121,688)</u>	<u>(1,746,864)</u>
Fund balance, beginning of year	<u>3,342,352</u>	<u>3,342,352</u>	<u>3,342,352</u>	<u>3,342,352</u>
Fund balance, end of year	<u>\$2,982,352</u>	<u>\$2,967,528</u>	<u>\$ 1,220,664</u>	<u>\$1,595,488</u>
Budget basis deficit			\$(2,121,688)	
Non-budgeted funds			<u>501,644</u>	
GAAP basis excess			(1,620,044)	
Fund balance, beginning of year			<u>3,342,352</u>	
Fund balance, end of the year			<u>\$ 1,722,308</u>	

See notes to budgetary comparison schedule  
and independent auditor's report.

## EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1

### NOTES TO BUDGETARY COMPARISON SCHEDULE

#### **BUDGET PROCESS AND CALENDAR**

Budgetary Process - The budgetary process is prescribed by provisions of Title 4, Chapter 102, of the Local Government Code of the Texas Legislature and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the certificate of estimated resources and the appropriation resolution, both of which are prepared on the budgetary basis of accounting.

The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified by resolution of the District Board. All funds are required to be budgeted and appropriated. The level of budgetary control is at the object level for the District. Any budgetary modifications at this level may only be made by resolution of the District Board.

Under the District's by-laws, revenues not specifically related to a particular fund shall be deposited into the District's General Fund. Monies can only be transferred from the General Fund by resolution of the District Board.

Estimated Resources - As part of the District's budgetary process, the Board approves the official estimated resources. The official estimated resources states the projected revenue of the General Fund. Prior to September 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the official estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about October 1, the estimated resources is amended to include any unencumbered balances from the preceding year. The estimated resources may be further amended during the year if the Board determines that an estimate needs to be either increased or decreased. The amounts reported on the budgetary statements reflect the amounts in the final amended official certificate of estimated resources issued during fiscal year ended 2014.

Appropriations - An annual appropriation resolution must be passed by September 15 of the preceding year for the period October 1 to September 30. The appropriation resolution fixes spending authority at the fund and object level. The appropriation resolution may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The allocation of appropriations among funds and objects within a fund may be modified during the year only by a resolution of the Board. The amounts reported as the original budgeted amounts in the budgetary statements reflect the appropriations in the first complete appropriated budget, including amounts automatically carried over from prior years. The amounts reported as final budgeted amounts in the schedules of budgetary comparison represent the final appropriation amounts, including all supplemental appropriations.

(Continued)

## **EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1**

### **NOTES TO BUDGETARY COMPARISON SCHEDULE (CONTINUED)**

#### **BUDGET PROCESS AND CALENDAR (Continued)**

Lapsing of Appropriations - At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the General Fund and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the subsequent fiscal year and need not be appropriated.

Budgetary Basis of Accounting - The District's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on a cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures are recorded when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting on the governmental fund statements and on the full accrual basis on the government-wide statements.

#### **EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the year ended September 30, 2014, expenditures exceeded appropriations for capital outlay and material and services by \$1,968,000 due to construction costs and the purchase of a new truck, as well as supply purchases to stock the new station facilities. These excess expenditures were funded by greater-than-anticipated revenues in those funds, proceeds from the issuance of long-term debt and available unassigned fund balances.

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT  
AUDITING STANDARDS**

To the Board of Commissioners  
El Paso County Emergency Services District #1

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities of El Paso County Emergency Services District #1 ("the District"), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 1, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

(Continued)

To the Board of Commissioners  
El Paso County Emergency Services District #1

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Peña Briones & Co.*

El Paso, Texas  
February 1, 2015