

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**BASIC FINANCIAL STATEMENTS AND  
REQUIRED SUPPLEMENTARY INFORMATION**

**SEPTEMBER 30, 2018 AND 2017**

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

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REQUIRED SUPPLEMENTARY INFORMATION**

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

**September 30, 2018**

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 years ended September 30, 2018 and 2017. We encourage readers to consider this information in conjunction with the basic financial statements, which begin on Page 18.

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 2018**

- Total assets increased by approximately 28% due to purchase of land, two new fire department vehicles, other capital asset additions, investment performance.
- Total long-term liabilities increased by 46% due to the issuance of a \$3,000,000 note payable to be used for the construction of a new fire station.
- Total net position of \$3,637,492 decreased by \$40,807, which represents a decrease of 1% for the year ended September 30, 2018 as a result of increased workforce, including the necessary equipment.
- Amounts invested in capital assets, net of related debt amounted to \$1,801,184. This represents a decrease of 2% for the year ended September 30, 2018, which is a result of the loan issuance cost and increase in interest expense due to the \$3,000,000 construction loan to be used on a training facility for volunteer firefighters of the Horizon Volunteer Fire Department Inc.
- Unrestricted net position, available to meet the District's on-going obligations, totaled \$1,836,308. This represents an increase of less than 1% for the year ended September 30, 2018, as a result of investing in capital assets.
- At September 30, 2018, the District's governmental fund statements show a combined ending fund balance of \$4,937,872, an increase of \$2,260,271 or 84% as a result of a new loan of \$3,000,000 which has been committed by the Board of Commissioners to be used in the construction of a new fire station building.
- Program revenues amount to \$194,085, a decrease of 2% from the prior year.
- General revenues amounted to \$2,359,638, an increase of 12% from the prior year.
- Total revenues amounted to \$2,553,723, an increase of 11% from the prior year.
- The District expended \$781,947 in capital expenditures for land, vehicles, and other equipment.
- The District had \$2,400,445 in net program expenses related to governmental activities. This represents a 17% increase from prior year.
- Total expenses amount to \$2,594,530, an increase of 15% from the prior year.
- The District uses the general fund to maintain its financial records.
- Total deferred inflows amounted to \$214,052, an increase of 4% from the prior year.
- The total revenue from general fund amounted to \$2,539,608, which exceeded the final budgeted revenue by 1%. The total expenditures from general fund amounted to \$3,284,742, which were over the final budgeted appropriations by 8%.

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## 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 18-20.
- Fund financial statements on Pages 21-28.
- Notes to the financial statements on Pages 29-51.

This report also contains required supplementary information and related notes on pages 52 through 57.

## 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 Statements of Net Position and Statements of Activities. These statements appear on pages 18 through 20 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 Statements of Net Position and the Statements 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.

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## GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)

The Statements of Activities present information showing how the District's net position changed during the fiscal years ended September 30, 2018 and 2017. They provide 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 these statements 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.

The Statements of Net Position and the Statements of Activities 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. The District's government-wide statements also intend to present information about the District's long-term liabilities resulting from employee benefit plans. During the years ended September 30, 2018 and 2017, the District only offered one defined-benefit pension to its employees and qualifying volunteers, which is the pension offered through the Texas Emergency Services Retirement System ("TESRS"). The County of El Paso makes the required payments on the Plan and therefore the County carries the net pension liability of the Plan. Effective October 1, 2018, the District enrolled its employees in the Texas County and District Retirement System (TCDR).

## 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 21 through 28.

## 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.

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## GOVERNMENTAL FUNDS (CONTINUED)

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.

The District has no proprietary funds or fiduciary funds.

## NOTES TO THE FINANCIAL STATEMENTS

The notes to the financial statements provide additional information that are 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 29 through 51 of this report.

## OTHER INFORMATION

In addition to the basic financial statements and the accompanying notes, this reporting package 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 52 through 57.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 5,192.9	\$ 2,917.1	\$ 1,997.4
Capital assets	<u>6,676.9</u>	<u>6,390.1</u>	<u>6,677.7</u>
Total assets	<u>11,869.8</u>	<u>9,307.2</u>	<u>8,675.1</u>
Long-term obligations	(7,635.8)	(5,118.1)	(4,547.0)
Other liabilities	<u>(596.5)</u>	<u>(510.8)</u>	<u>(504.1)</u>
Total liabilities	<u>(8,232.3)</u>	<u>(5,628.9)</u>	<u>(5,051.1)</u>

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## GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Net position:			
Net investment in			
Capital assets	\$1,801.2	\$1,842.6	\$1,730.6
Unrestricted	<u>1,836.3</u>	<u>1,835.7</u>	<u>1,893.4</u>
Total net position	<u>\$3,637.5</u>	<u>\$3,678.3</u>	<u>\$3,624.0</u>

For the year ended September 30, 2018, net position of the District's activities decreased 1% or \$40,807. 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, increased from \$1,835,735 to \$1,836,308 at the end of fiscal year 2018. The increase can be attributed to the District's return on investment with unrestricted funds.

For the year ended September 30, 2017, net position of the District's activities increased 1.5% or \$54,242. 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 \$1,893,410 to \$1,835,735 at the end of fiscal year 2017. The increase can be attributed to the District's increase in general revenues.

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# GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Table 2 compares the fiscal years ended 2018 and 2016 with the respective preceding period.

**Table 2**  
**Changes in Net Position for 2018 and 2017**  
**Compared to Previous Year Activity**  
**(In Thousands)**

	<u>Year Ended September 30,</u>		
	<u>2018</u>	<u>2017</u>	<u>Change</u>
Program revenues:			
Operating grants	\$ 50.5	\$ 43.3	\$ 7.2
Charges for services	143.6	154.6	(11.0)
General revenues:			
Property taxes	2,311.5	2,034.6	276.9
Other	<u>48.1</u>	<u>68.4</u>	<u>(20.3)</u>
Total revenues	<u>2,553.7</u>	<u>2,300.9</u>	<u>252.8</u>
Program expenses:			
Public safety	2,345.6	2,066.1	279.5
Interest on long-term debt	220.2	173.1	47.1
Loan issuance costs	<u>28.7</u>	<u>7.5</u>	<u>21.2</u>
Total expenses	<u>2,594.5</u>	<u>2,246.7</u>	<u>347.8</u>
Change in net position	\$ <u>(40.8)</u>	\$ <u>54.2</u>	\$ <u>(95.0)</u>

	<u>Year Ended September 30,</u>		
	<u>2017</u>	<u>2016</u>	<u>Change</u>
Program revenues:			
Operating grants	\$ 43.3	\$ 27.5	\$ 15.8
Charges for services	154.6	159.2	(4.6)
General revenues:			
Property taxes	2,034.6	1,935.6	99.0
Other	<u>68.4</u>	<u>13.1</u>	<u>55.3</u>
Total revenues	<u>2,300.9</u>	<u>2,135.4</u>	<u>165.5</u>

(Continued)



GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

**Table 2**  
**Changes in Net Position for 2018 and 2016**  
**Compared to Previous Year Activity**  
**(In Thousands)**  
**(Continued)**

	<u>Year Ended September 30,</u>		
	<u>2017</u>	<u>2016</u>	<u>Change</u>
Program expenses:			
Public safety	\$2,066.1	\$1,983.2	\$82.9
Interest on long-term debt	173.1	159.0	14.1
Loan issuance costs	<u>7.5</u>	<u>5.5</u>	<u>2.0</u>
Total expenses	<u>2,246.7</u>	<u>2,147.7</u>	<u>99.0</u>
Change in net position	\$ <u>54.2</u>	\$ <u>(12.3)</u>	\$ <u>66.5</u>

For the year ended September 30, 2018, property taxes increased due to an increase in assessed value of properties and commercialization in the area. Interest expense increased due to additional long-term debt outstanding during the year. The increase in public safety expenses is attributed to the increased number of staff members of the HVFD, cost-of-living adjustments for the salaries of District employees, increase of HVFD members' life insurance, increasing training and certification expenses, building and vehicle repair and maintenance, insurance, and depreciation of acquired rolling stock.

For the year ended September 30, 2017, property taxes increased due to an increase in assessed value of properties and commercialization in the area. Interest expense increased due to additional long-term debt outstanding during the year. The increase in public safety expenses is attributed to the increased number of members of the HVFD receiving stipend payments, cost-of-living adjustments for the salaries of District employees, increasing training and certification expenses, depreciation of acquired rolling stock and increase in the number of emergency calls.

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## 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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
General government	\$2,345.6	\$2,066.1	\$1,983.2	\$2,151.5	\$1,868.2	\$1,796.5
Debt issuance costs	28.7	7.5	5.5	28.7	7.5	5.5
Interest on long-term debt	<u>220.2</u>	<u>173.1</u>	<u>159.0</u>	<u>220.2</u>	<u>173.0</u>	<u>159.0</u>
Total expenses	<u>\$2,594.5</u>	<u>\$2,246.7</u>	<u>\$2,147.7</u>	<u>\$2,400.4</u>	<u>\$2,048.7</u>	<u>\$1,961.0</u>

The increase in general government expenses resulted from the increased salaries to Emergency District #1 employees for cost of living adjustments, the increased stipend expense due to increased number of volunteer fire fighters serving on HVFD, and increased depreciation expense for the District's rolling stock and fire station. Debt issuance costs incurred in 2018 and 2017 relate to a note payable issued to build a new fire station and acquire land, respectively.

## 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 \$4,937,872 and \$2,677,601 for the years ended September 30, 2018 and 2017, respectively. The changes represent an increase of 84% or \$2,260,271 and an increase of 86% or \$949,894 in comparison with the preceding year's fund balance, for 2018 and 2017, respectively. Of this amount, \$1,113,964 and \$1,361,126 constitutes unassigned, undesignated fund balance, which is available for spending at the District's discretion at September 30, 2018 and 2017, respectively.

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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>2018</u>	<u>2017</u>	<u>Percent Change</u>
General Fund	<u>\$4,937.9</u>	<u>\$2,677.6</u>	<u>84.0%</u>

	<u>2017</u>	<u>2016</u>	<u>Percent Change</u>
General Fund	<u>\$2,677.6</u>	<u>\$1,727.7</u>	<u>55.0%</u>

The 84% increase in the general fund balance observed in 2018 can be primarily attributed to a note payable of \$3,000,000 issued during the year, of which \$28,700 was used for loan issuance costs and \$2,971,300 was committed to be used for the construction of a new fire station, as established by an ordinance issued by the Board of Commissioners. The 55% increase in the general fund balance observed in 2017 can be primarily attributed to a note payable of \$1,000,000 of which \$7,500 was used for loan issuance costs and \$992,500 was committed to be used for the purchase of land and construction of a new fire station. The land for the new fire station was purchased during fiscal year 2018.

### Revenue Source

Table 5 presents a detail of the governmental fund revenues for the fiscal years ended September 30, 2018 and 2017, along with a comparison with the governmental fund revenues for the corresponding preceding fiscal year.

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

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

	<u><b>2018 Amount</b></u>	<u><b>Percent of Total</b></u>	<u><b>Increase (Decrease) Over 2017</b></u>	<u><b>Percent Increase (Decrease)</b></u>
Property taxes	\$2,302,813	90.68%	\$281,663	13.9%
Charges for services	143,607	5.65%	(10,944)	(7.1)%
Contributions	33,274	1.31%	(5,689)	(14.6)%
Investment income	39,137	1.54%	25,537	187.8%
Grant income	17,204	0.68%	12,829	293.2%
Miscellaneous	<u>3,573</u>	<u>.14%</u>	<u>(44,672)</u>	<u>(92.6)%</u>
Total	<u>\$2,539,608</u>	<u>100.0%</u>	<u>\$258,724</u>	<u>11.3%</u>

	<u><b>2017 Amount</b></u>	<u><b>Percent of Total</b></u>	<u><b>Increase (Decrease) Over 2016</b></u>	<u><b>Percent Increase (Decrease)</b></u>
Property taxes	\$2,021,150	88.61%	\$82,595	4.3%
Charges for services	154,551	6.78%	(4,651)	(2.9)%
Contributions	38,963	1.71%	17,906	85.0%
Investment income	13,600	0.60%	2,725	25.1%
Grant income	4,375	0.19%	(2,075)	(32.2)%
Miscellaneous	<u>48,245</u>	<u>2.11%</u>	<u>46,017</u>	<u>2065.4%</u>
Total	<u>\$2,280,884</u>	<u>100.0%</u>	<u>\$142,517</u>	<u>6.6%</u>

For 2018, the increase in property taxes is due to increased value of property. The increase in investment income is due to the investment of \$3,000,000 of new debt held for the construction of the new fire station building. The increase in grant income is due to increase in grant funding from for rural volunteer fire department insurance program

For 2017, the increase in property taxes is due to increased value of property. The increase in miscellaneous income is due to the write-off of an unused reserve for contingent expenses related to the District's fire station building, for which construction was substantially completed in 2014.

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## GENERAL FUND BUDGETARY HIGHLIGHTS

Table 6 discusses the variance between the final budget and the actual results for the fiscal years ended September 30, 2018 and 2017:

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

<u><b>2018</b></u>				
	<u><b>Original Budget</b></u>	<u><b>Final Budget</b></u>	<u><b>Actual</b></u>	<u><b>Variance</b></u>
Revenues:				
Property taxes	\$2,281.2	\$2,281.2	\$2,302.8	\$ 21.6
Revenue recovery	235.3	235.3	143.6	(91.7)
Contribution			33.3	33.3
Investment earnings			39.1	39.1
Grant income			17.2	17.2
Other income			3.6	3.6
	<u>\$2,516.5</u>	<u>\$2,516.5</u>	<u>\$2,539.6</u>	<u>\$ 23.1</u>
Expenditures:				
Total general government	<u>\$3,044.3</u>	<u>\$3,054.5</u>	<u>\$2,563.4</u>	<u>\$ 491.1</u>
<u><b>2017</b></u>				
	<u><b>Original Budget</b></u>	<u><b>Final Budget</b></u>	<u><b>Actual</b></u>	<u><b>Variance</b></u>
Revenues:				
Property taxes	\$2,033.2	\$2,010.2	\$2,021.2	\$ 11.0
Revenue recovery	153.6	153.6	154.6	1.0
Contribution			39.0	39.0
Investment earnings			13.6	13.6
Grant income			4.4	4.4
Other income			48.2	48.2
	<u>\$2,186.8</u>	<u>\$2,163.8</u>	<u>\$2,281.0</u>	<u>\$ 117.2</u>
Expenditures:				
Total general government	<u>\$2,701.0</u>	<u>\$2,701.0</u>	<u>\$2,340.6</u>	<u>\$ 360.4</u>

(Continued)

## GENERAL FUND BUDGETARY HIGHLIGHTS (CONTINUED)

The number of calls for the years ended September 30, 2018 and 2017 amounted to 3,372 and 3,424, respectively, and were comprised of the following:

<u>Number of Calls</u>	<u>2018</u>	<u>2017</u>
Fire	230	122
Rescue and Medical Emergency	2,271	2,445
Other	<u>871</u>	<u>857</u>
	<u>3,372</u>	<u>3,424</u>

Total calls for 2018 and 2017 decreased by 2% and increased 16% in relation to the preceding fiscal year, respectively.

## 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 September 30, 2018 and 2017, the District had \$6,676,863 and \$6,390,152 invested in capital assets, net of depreciation, respectively. These amounts represent a net increase (including additions and deletions) of \$286,711, or 4% compared to the previous year for 2018, and a net decrease of \$287,628, or 4% compared to the previous year for 2017. The net decrease observed in both years is primarily due to depreciation expense incurred in each period.

The fire station, located at 14151 Nunda, is one building with eleven apparatus bays. The building is used to house the Horizon Volunteer Fire Department, Inc. 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 Administrative Accountant.

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) 2005 Pierce Tanker
- (5) 2005 Polaris Ranger
- (6) 2005 Logistics Cargo Trailer
- (7) 2007 Pierce Quint Truck

(Continued)

## CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

Rolling stock is comprised of the following (continued):

- (8) 2008 Ford F150 Staff Vehicle
- (9) 2008 Light Tower
- (10) 2009 Pierce Brush Truck
- (11) 2009 Chevrolet Tahoe – Command/Staff Vehicle
- (12) 2011 Chevrolet Suburban – Command/Staff Vehicle
- (13) 2013 Ford F350 – Quick Response Vehicle
- (14) 2013 Top Hat Trailer
- (15) 2014 Chevrolet Tahoe – Fire Marshal/Staff Vehicle
- (16) 2014 Pierce Class A Pumper
- (17) 2015 Pierce Heavy Rescue Pumper
- (18) 2016 Chevrolet Silverado – Quick Response Vehicle
- (19) 2016 Chevrolet Silverado – Quick Response Vehicle
- (20) 2016 Chevrolet Tahoe – Fire Marshal/Staff Vehicle
- (21) 2018 Polaris Ranger – Search and Rescue
- (22) 2018 Ford Escape – Fire Marshal/Staff Vehicle
- (23) 2018 Ford Escape – Fire Marshal/Staff Vehicle
- (24) 2018 Chevrolet Silverado – Command/Staff Vehicle

Equipment that is readily available to fire personnel:

- (1) 800 Trunking radio system that allows for interoperability with other Departments
- (2) Handheld Portable Radios (63)
- (3) Lifepack 15 Cardiac Monitors (3)
- (4) 16 - AED's
- (5) SCBA Fill station
- (6) 49 – SCBA's
- (7) Ampkus Extrication Tools (4 sets)
- (8) Thermal Imaging Cameras (5)
- (9) High Angle Rescue Equipment
- (10) Dispatch Digital Conversion Equipment for interoperability with other Departments
- (11) PortaCount Pro Respirator Fit Tester
- (12) AMK-30CRT Spreaders (5)
- (13) AMK-22 Cutter (4)
- (14) 26 Ton Lift Kit With Air Cushion
- (15) 11 Lift Bag
- (16) SPX-4PTX, Super X Delux 4 Point Kit (vehicle stabilization)
- (17) Portable Rope Rescue Equipment
- (18) ARRS Rope Rescue System
- (19) Water Rescue Equipment
- (20) MCT for call information, hydrant mapping, GPS (11)
- (21) Air Monitoring Equipment (6)
- (22) Air Monitoring Calibration System
- (23) Dry Suites for Special Rescue Team (10)

(Continued)

## CAPITAL ASSETS AND DEBT ADMINISTRATION (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>2018</u>	<u>2017</u>	<u>2016</u>
Land	\$1,010,836	\$ 289,479	\$ 179,764
Buildings and improvements	4,525,882	4,655,668	4,774,015
Heavy trucks	965,257	1,232,666	1,443,083
Equipment	<u>174,888</u>	<u>212,339</u>	<u>280,918</u>
Total capital assets, net	<u>\$6,676,863</u>	<u>\$6,390,152</u>	<u>\$6,677,780</u>

Additional information on the District's capital assets can be found on Page 40 and 41 of this report.

### Debt Administration

At September 30, 2018 and 2017, the District had \$8,118,122 and \$5,547,588 in outstanding long-term debt, respectively. Long-term debt increased 46% and 12% for the years ended September 30, 2018 and 2017, respectively. Long-term debt in 2018 increased due to new loan to finance construction of a the new fire station and increased in 2017 as a result of a new loan to finance the purchase of land. Long-term debt held by the District at the end of the current year and the two preceding years 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>2018</u>	<u>2017</u>	<u>2016</u>
Notes payable	\$7,872,891	\$5,259,694	\$4,618,486
Capital leases	<u>245,231</u>	<u>287,894</u>	<u>328,647</u>
Total long-term debt	<u>\$8,118,122</u>	<u>\$5,547,588</u>	<u>\$4,947,133</u>

The District's policy is to recognize deferred compensation expense for its employees when paid. More detailed information about the District's long-term liabilities is presented on Pages 42 through 45 of this report.

(Continued)



## **ECONOMIC FACTORS**

The District's taxing jurisdiction consists of the Town of Horizon City, which is 8.6 square miles, and its outlying area making up 131.4 square miles, for a total District size of 140 square miles. Horizon City makes up about 33% of the total estimated population of 56,629 people within the District. The largest growing areas of the District include Eastlake Estates, Mission Ridge, Emerald Estates, and Paseo Del Este.

The District consists of 5 members serving as the Board of Commissioners and 8 paid employees. The Horizon Fire Department has 55 active members, of which 27 are Emergency Medical Technicians (EMT's) certified at the basic level, 1 is certified at the Intermediate level and 8 are certified at the Paramedic level. In addition, the Department has 33 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 utilizes the CAD system. The Dispatching Center is staffed on average with 3-4 paid Dispatchers every shift 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 remain in good standing with the Department, Pension 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 2/10 effective November 1, 2016). The Horizon Volunteer Fire Department has at least three volunteer firefighters available at the station at all times providing quick response times, with at least one firefighter being medically certified. With this new program being implemented, all calls are being answered. The average response time for a call in the District is 7.56 minutes to be on the scene.

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 and to maintain a lower ISO rating. Currently, the District has purchased land and is in the construction phase for a second station to address the growing needs and population increase of its taxing jurisdiction which is projected to open October 2019.

### **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.

Allen Keys  
Board of Commissioners, Chairman

## **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"), a discrete component unit of the County of El Paso, Texas, as of and for the years ended September 30, 2018 and 2017, 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 an opinion on these financial statements based on our audits. We conducted our audits 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)

### **Opinions**

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, 2018 and 2017, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

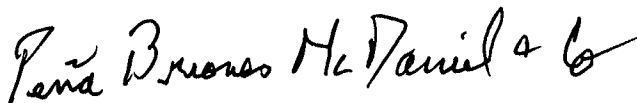
### **Other Matters**

#### *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 15, and pages 52 through 55, 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2019, 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 15, 2019

## **NOTES TO FINANCIAL STATEMENTS**

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1**  
**(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**STATEMENTS OF NET POSITION**

**September 30, 2018 and 2017**

<b><u>ASSETS</u></b>	<b>Governmental Activities</b>	
	<b><u>2018</u></b>	<b><u>2017</u></b>
Cash and cash equivalents	\$ 1,199,168	\$ 484,196
Investments	3,702,861	2,127,967
Taxes receivable, net	263,428	271,097
Other receivables, net	4,206	2,780
Earnest money deposits	-	10,000
Prepaid expenses	23,272	21,035
Non-depreciable capital assets	1,010,836	289,479
Depreciable capital assets, net of accumulated depreciation	<u>5,666,027</u>	<u>6,100,673</u>
Total assets	<u>11,869,798</u>	<u>9,307,227</u>
 <b><u>LIABILITIES</u></b>		
Accounts payable	15,171	12,446
Accrued liabilities	25,840	21,686
Accrued interest	73,173	47,208
Due within one year:		
Notes payable	437,654	386,803
Capital lease	44,661	42,663
Due after one year:		
Notes payable	7,435,237	4,872,891
Capital lease	<u>200,570</u>	<u>245,231</u>
Total liabilities	<u>8,232,306</u>	<u>5,628,928</u>
 <b><u>NET POSITION</u></b>		
Net investment in capital assets	1,801,184	1,842,564
Unrestricted	<u>1,836,308</u>	<u>1,835,735</u>
Total net position	<u>\$ 3,637,492</u>	<u>\$ 3,678,299</u>

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

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**STATEMENT OF ACTIVITIES**

**Year Ended September 30, 2018**

	<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>	
<b>FUNCTIONS/PROGRAMS</b>				
Primary government:				
Governmental activities:				
Public safety	\$ 2,345,587	\$	\$ 50,478	\$ (2,151,502)
Debt issuance costs	28,700			(28,700)
Interest on long-term debt	220,243			(220,243)
	<u>\$ 2,594,530</u>	<u>\$</u>	<u>\$ 50,478</u>	<u>(2,400,445)</u>
Total primary government				
General revenues:				
Taxes:				
Property taxes				2,311,523
Investment earnings				39,137
Gain on disposal of assets				5,405
Other income				<u>3,573</u>
				<u>2,359,638</u>
Total general revenues				
				(40,807)
Change in net position				
Net position at beginning of year				<u>3,678,299</u>
Net position at end of year				<u>\$ 3,637,492</u>

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

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1**  
**(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**STATEMENT OF ACTIVITIES**

Year Ended September 30, 2017

FUNCTIONS/PROGRAMS	Program Revenues			Net Revenue (Expense) and Change in Net Position
	Expenses	Charges for Services and Fees	Capital Grants and Contributions	Operating Grants and Contributions
Primary government:				
Governmental activities:				
Public safety	\$ 2,066,119	\$ 154,551	\$	\$ 43,338
Debt issuance costs	7,500			
Interest on long-term debt	173,031			
	<u>\$ 2,246,650</u>	<u>\$ 154,551</u>	<u>\$</u>	<u>\$ 43,338</u>
Total primary government				<u>(2,048,761)</u>
		General revenues:		
		Taxes:		
		Property taxes		2,034,561
		Investment earnings		13,600
		Gain on disposal of assets		6,597
		Other income		<u>48,245</u>
		Total general revenues		<u>2,103,003</u>
		Change in net position		54,242
		Net position at beginning of year		<u>3,624,057</u>
		Net position at end of year		<u>\$ 3,678,299</u>

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

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**September 30, 2018**

<u><b>ASSETS</b></u>	<u><b>General Fund</b></u>
Cash and cash equivalents	\$1,199,168
Investments	3,702,861
Taxes receivable, net	263,428
Other receivables, net	4,206
Prepaid expenses	<u>23,272</u>
Total assets	<u>\$5,192,935</u>
 <u><b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b></u>	
Liabilities:	
Accounts payable	\$ 15,171
Accrued liabilities	<u>25,840</u>
Total liabilities	<u>41,011</u>
Deferred inflows of resources:	
Deferred revenue	<u>214,052</u>
Total deferred inflows of resources	<u>214,052</u>
Fund balances:	
Non-spendable	23,272
Committed	3,242,443
Assigned	558,193
Unassigned	<u>1,113,964</u>
Total fund balances	<u>4,937,872</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$5,192,935</u>

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



**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

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

**September 30, 2018**

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

Total fund balances of governmental funds in the balance sheet		\$4,937,872
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds:		
Governmental capital assets,	11,056,025	
Less accumulated depreciation.	<u>(4,379,162)</u>	6,676,863
Certain liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Notes payable,	(7,872,891)	
Capital leases,	(245,231)	
Accrued interest.	<u>(73,173)</u>	(8,191,295)
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 are 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>214,052</u>
NET POSITION, GOVERNMENTAL ACTIVITIES		<u>\$3,637,492</u>

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

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**September 30, 2017**

<u><b>ASSETS</b></u>	<u><b>General Fund</b></u>
Cash and cash equivalents	\$ 484,196
Investments	2,127,967
Taxes receivable, net	271,097
Other receivables, net	2,780
Prepaid expenses	21,035
Earnest money deposit	<u>10,000</u>
Total assets	<u><u>\$ 2,917,075</u></u>
 <u><b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b></u>	
Liabilities:	
Accounts payable	\$ 12,446
Accrued liabilities	<u>21,686</u>
Total liabilities	<u>34,132</u>
Deferred inflows of resources:	
Deferred revenue	<u>205,342</u>
Total deferred inflows of resources	<u>205,342</u>
Fund balances:	
Non-spendable	31,035
Committed	992,500
Assigned	292,940
Unassigned	<u>1,361,126</u>
Total fund balances	<u>2,677,601</u>
Total liabilities, deferred inflows of resources and fund balances	<u><u>\$ 2,917,075</u></u>

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

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

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

**September 30, 2017**

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

Total fund balances of governmental funds in the balance sheet			\$2,677,601
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds:			
Governmental capital assets,	10,311,306		
Less accumulated depreciation.	<u>(3,921,154)</u>	6,390,152	
Certain liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:			
Notes payable,	(5,259,694)		
Capital leases,	(287,894)		
Accrued interest.	<u>(47,208)</u>	(5,594,796)	
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 are 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>205,342</u>
NET POSITION, GOVERNMENTAL ACTIVITIES			<u>\$3,678,299</u>

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

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1**  
**(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

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

**Year Ended September 30, 2018**

	<b><u>General</u></b> <b><u>Fund</u></b>
Revenues:	
Property taxes	\$2,302,813
Charges for services	143,607
Investment earnings	39,137
Contributions	33,274
Grant income	17,204
Other income	<u>3,573</u>
Total revenues	<u>2,539,608</u>
Expenditures:	
Current:	
Public safety	1,850,351
Capital outlay	781,947
Debt service:	
Principal	429,466
Interest	194,278
Debt issuance costs	<u>28,700</u>
Total expenditures	<u>3,284,742</u>
Excess of expenditures over revenues	<u>(745,134)</u>
Other financing sources:	
Proceeds from note payable	3,000,000
Proceeds from sale of assets	<u>5,405</u>
Total other financing sources	<u>3,005,405</u>
Net change in fund balance	2,260,271
Fund balance at beginning of year	<u>2,677,601</u>
Fund balance at end of year	<u><u>\$4,937,872</u></u>

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

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES**

**Year Ended September 30, 2018**

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

Net change in fund balance - total governmental funds	\$ 2,260,271
---	--------------

Governmental funds report capital outlays as expenditures.

However, in the government-wide statements, the cost of those  
assets are depreciated over their estimated useful lives:

Expenditure for capital assets,	781,947	
Less current year provision for depreciation.	<u>(495,236)</u>	286,711

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	429,466
--	---------

Accrued interest expense is reported as an expense in the governmental funds on the modified accrual basis, but is reported as a liability in the statement of net position on the full accrual basis:	
Change in accrued interest expense.	(25,965)

Certain property tax revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred on the modified accrual basis in governmental funds:	
Change in deferred property taxes.	8,710

The proceeds from notes payable provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.	<u>(3,000,000)</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (40,807)</u>
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The accompanying notes are an integral  
part of these financial statements.

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1**  
**(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

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

**Year Ended September 30, 2017**

	<b><u>General</u></b> <b><u>Fund</u></b>
Revenues:	
Property taxes	\$2,021,150
Charges for services	154,551
Contributions	38,963
Investment earnings	13,600
Grant income	4,375
Other income	<u>48,245</u>
Total revenues	<u>2,280,884</u>
Expenditures:	
Current:	
Public safety	1,540,106
Capital outlay	241,348
Debt service:	
Principal	399,545
Interest	152,051
Debt issuance costs	<u>7,500</u>
Total expenditures	<u>2,340,550</u>
Excess of expenditures over revenues	<u>(59,666)</u>
Other financial sources:	
Proceeds from note payable	1,000,000
Proceeds from sale of assets	<u>9,560</u>
Total other financial sources	<u>1,009,560</u>
Net change in fund balance	949,894
Fund balance at beginning of year	<u>1,727,707</u>
Fund balance at end of year	<u>\$2,677,601</u>

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

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1**  
**(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES**

**Year Ended September 30, 2017**

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

Net change in fund balance - total governmental funds	\$ 949,894
Governmental funds report capital outlays as expenditures. However, in the government-wide statements, the cost of those assets are depreciated over their estimated useful lives:	
Expenditure for capital assets,	241,348
Less gain on disposal of capital assets,	(2,963)
Less current year provision for depreciation.	<u>(526,013)</u> (287,628)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	399,545
Accrued interest expense is reported as an expense in the governmental funds on the modified accrual basis, but is reported as a liability in the statement of net position on the full accrual basis:	
Change in accrued interest expense.	(20,980)
Certain property tax revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred on the modified accrual basis in governmental funds:	
Change in deferred property taxes.	13,411
The proceeds from notes payable provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.	<u>(1,000,000)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 54,242</u>

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

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**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, these financial statements present the activities of the District and its component units. All activities of the District are governmental in nature and are financed through taxes and other non-exchange transactions. Component units are legally separate organizations for which the District is financially accountable or other organizations whose nature and significant relationship with the District are such that exclusion would cause the District’s financial statements to be misleading. Financial accountability is defined as the appointment of a voting majority of the component unit’s Board, and (i) either the District’s ability to direct the organization or (ii) the potential for the Organization to provide a financial benefit to or impose a financial burden on the District.

Blended component units, although legally separate entities are, in substance, part of the District’s operations. Accordingly, data from these units are combined with data of the primary government. The discretely presented component unit, on the other hand, is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government. The District is not aware of any entity which would consider itself to be a discrete component unit of the District.

**Blended Component Units –**

Horizon Volunteer Fire Department, Inc. – The Horizon Volunteer Fire Department (“HVFD”) was established to provide first responders to fires, medical emergencies, disasters and terrorist acts, and to protect the lives and property of the residents of the District’s response area. The HVFD was incorporated in the State of Texas in January 2015 and applied for tax exempt status as a non-profit organization under Section 501(c) (3) of the Internal Revenue Code. The HVFD advances public safety through its fire prevention programs by enrolling volunteers. The HVFD administers a modified stipend program to provide incentive compensation to all enrolled volunteers in the form of hourly wages upon completion of a training program. The modified stipend program was originally implemented by the District and was transferred entirely to the HVFD effective June 2015. All stipend pay earned by volunteers is fully reimbursed by the District. All intercompany transactions have been eliminated in the accompanying financial statements.

(Continued)



**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

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

Reporting Entity (Continued) –

Horizon Volunteer Fire Department, Inc. (Continued) – The HVFD meets the requirements for blending because it is managed as a department of the District and because it does not have additional sources of income other than stipend reimbursements provided by the District. The HVFD's activities are reported in the District's General Fund. Separate financial statements are not prepared for the HVFD. The HVFD's fiscal year ends on September 30.

**Relationships with Other Governmental Entities -**

The County of El Paso, Texas – As amended by the Texas 83<sup>rd</sup> Legislature, Section 775.301 of the Texas Health and Safety Code grants certain control provisions to the Commissioners Court of Counties that border the United Mexican States and have a population of more than 800,000. Under the statute, the County of El Paso has certain control provisions over the District, which includes the responsibility of appointing a Board of Commissioners, establishing operating policies and procedures for the District, and approving the District's annual budget and tax rate. Based on the application of the criteria set forth by the Government Accounting Standards Board, management has determined the District to be a discrete component unit of the County of El Paso, Texas.

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 in 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  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**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-wide statement of net position and 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 (or fund balance) 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 (or fund balance) that applies to a future period which will not be recognized as an inflow of resources until that time.

Fund Accounting – The District uses fund accounting 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  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

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

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, include 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.

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 (level 1 investments).

Property Tax Calendar – The District is responsible for the assessment, collection, and apportionment of property taxes. The Board of Commissioners levies property taxes on October 1. The certified tax roll from the El Paso Central Appraisal District reflected taxable values of \$2,306,455,051 and \$2,043,100,541 for the years ended September 30, 2018 and 2017, respectively. Taxes are due upon receipt of the tax bill and are delinquent if not paid by February 1, 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.

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

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

Property Tax Calendar (Continued) – The District’s 2017-2018 effective tax rate was \$.099468 per \$100 of assessed valuation. The effective tax rate for 2016-2017 was \$.097353, per \$100 of assessed valuation. The District incurred expenditures of \$29,686 and \$26,616 for the services provided by El Paso Central Appraisal District and \$80,323 and \$78,668 for the services provided by El Paso County for the years ended September 30, 2018 and 2017, respectively.

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 \$29,270 and \$18,380 for the years ended September 30, 2018 and 2017, respectively.

Allowance for Doubtful Accounts – Other accounts receivable are stated net of an allowance for doubtful accounts. Management periodically evaluates the collectability of its accounts receivable. The allowance for doubtful accounts amounted to \$1,402 and \$8,833 for the years ended September 30, 2018 and 2017, respectively.

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. When capital assets are disposed of, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Depreciation is determined using the straight-line method over the following estimated useful lives of the capital assets:

Buildings and improvements	5-40 years
Heavy trucks	10 years
Equipment	3-10 years

Long-Term Debt – 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 debt service expenditures in the current period in both the government-wide financial statements and the governmental financial statements.

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

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

Deferred Outflows of Resources and Deferred Inflows of Resources – In addition to assets and liabilities, the statement of net position and the governmental 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 (or fund balance) that applies to a future period which will not be recognized as an outflow of resources until that time. The District does not have any items in this category.

Deferred inflows of resources represent an acquisition of net position (or fund balance) that applies to a future period which will not be recognized as an inflow of resources until that time. The District has one type of item that qualifies for reporting in this category. Unearned revenue - property taxes arises only under the modified accrual basis of accounting and is only reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from property 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 balance includes amounts that are intended to be used for specific purposes but are neither considered restricted or committed. Fund balance may be assigned by formal action of the Board of Commissioners. At September 30, 2018, \$229,430 was assigned for capital outlays and \$328,763 was assigned for Fire Marshall operations. At September 30, 2017, \$17,282 was assigned for capital outlay and \$275,658 was assigned for Fire Marshall operations. Committed fund balances include amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to ordinances passed by the Board of Commissioners, the District's highest level of decision-making authority. Commitments may be modified or rescinded only through ordinances approved by the Board of Commissioners. At September 30, 2018, \$3,242,443 was committed for the building of a new fire station. At September 30, 2017, \$992,500 was committed for the purchase of real estate to be used for building a new fire station. The 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, 2018 and 2017 includes \$23,272 and \$31,035, respectively, of prepaid expenses to be consumed in future periods.

Fund Balance Flow Assumptions – It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance, and unassigned fund balance is applied last.

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**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.

Budgets and Budgetary Accounting – The District is required by the Texas Constitution and the Texas Health and Safety Code to adopt an annual balanced budget for its general fund. The District's Board of Commissioners officially adopts the annual budget and any amendments. As established by the Texas 83<sup>rd</sup> Legislature, the Texas Health and Safety Code grants authority and responsibility to the County of El Paso, Texas for reviewing and approving the District's annual budget and amendments before adoption by the Board of Commissioners. All budgets are prepared on the budgetary basis of accounting as required by Texas law.

**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.

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**DEPOSITS AND INVESTMENTS (Continued)**

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;
- 4) Certificates of deposit; and
- 5) Obligation of, or Guaranteed by Governmental Agencies, such as letters of credit or direct obligations.

Investments in collateral mortgage obligations are prohibited. The maximum allowable stated maturity of any authorized investment type cannot exceed two years to maturity. Repurchase agreements, for which no secondary market exists has a maximum maturity of 120 days.

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.

The fair value measurements authoritative literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. The District uses appropriate valuation techniques based on the available inputs to measure fair value of its investments. When available, the District measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs were used only when Level 1 or Level 2 inputs were not available.

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**DEPOSITS AND INVESTMENTS (Continued)**

Investments are reported at Level 3 fair value which approximates cost. The certificates of deposit and exchange-traded and closed-end funds are maintained with Morgan Stanley and Plains Capital Bank 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’s policy for mitigating interest rate risk is to limit the maximum weighted average maturity of investment portfolios to 365 days. In addition, the District’s policy includes structuring the investment portfolio so that investments mature to meet cash requirements for ongoing operations and diversify maturities and staggering purchase dates to minimize the impact of market fluctuations over time. The District invests operating funds primarily in certificates of deposit, shorter-term securities, money market mutual funds, or local government investment pools functioning as money market mutual funds.

*Credit Risk* – State law limits investments to the types described above. The District’s policy for restricting investment instruments is consistent with Texas state law. The District will minimize credit risk by limiting investments to the safest types of investments, pre-qualifying the financial institutions and broker/dealers with which the District will do business, and diversifying the investment portfolio so that potential losses on individual issuers are minimized.

In addition, the District’s policy establishes the following maximum limits, by instrument, for its total investment portfolio:

1. U.S. Treasury securities	100%
2. Agencies and instrumentalities	85%
3. Certificates of deposit	100%
4. Repurchase agreements	20%
5. Money market mutual funds	50%
6. Authorized pools	50%

Investments are composed of the following at September 30, 2018 and 2017:

	<b><u>2018</u></b>	<b><u>2017</u></b>
Certificates of deposit	\$3,702,861	\$2,127,967
	<u>\$3,702,861</u>	<u>\$2,127,967</u>

(Continued)



**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**DEPOSITS AND INVESTMENTS (Continued)**

*Concentration of Credit Risk* – The District places no limit on the amount the District may invest in any one issuer. At September 30, 2018 and 2017 the District had the following investments in single issuers representing more than five percent of the total investments on hand:

	<u>2018</u>	<u>2017</u>
Issuer A	\$ 240,005	\$
Issuer B	239,981	
Issuer C	239,981	
Issuer D	239,954	
Issuer E	239,940	239,889
Issuer F	239,938	
Issuer G	239,906	
Issuer H	239,899	
Issuer I	239,894	
Issuer J	239,806	
Issuer K	239,794	
Issuer L	224,752	
Issuer M	199,576	
Issuer N	199,364	
Issuer O		240,007
Issuer P		240,005
Issuer Q		240,002
Issuer R		240,002
Issuer S		239,534
Issuer T		159,730
Issuer U		149,979
Issuer V		149,890
Issuer W		<u>100,003</u>
Total	<u>\$3,262,790</u>	<u>\$1,999,041</u>

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1**  
**(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO FINANCIAL STATEMENTS**  
**(CONTINUED)**

**DEPOSITS AND INVESTMENTS (Continued)**

*Custodial Credit Risk - Deposits* – The District’s policy is to require full collateralization of all funds on deposit with a depository bank. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be at least 102% of market value of principal and accrued interest on the deposits or investments less an amount insured by the FDIC. At its discretion, the District may require a higher level of collateralization for certain investment securities. Securities pledged as collateral shall be held by an independent third party with whom the District has a current custodial agreement. Management evaluates the exposure to custodial credit risk for deposits exceeding the amount insured by the FDIC by comparing the amounts of cash on-hand to collateral funds. At September 30, 2018, pledged collateral funds securing the District’s deposits had a fair market value of \$3,619,201, which exceeded the District’s bank balances totaling \$922,559. At September 30, 2017, pledged collateral funds securing the District’s deposits had a fair market value of \$3,529,722, which, along with the coverage provided by the FDIC, exceeded the District’s bank balances totaling \$563,695. Management does not believe the District is exposed to any significant credit risk.

**PROPERTY TAX AND OTHER RECEIVABLES**

Property tax and other receivables consist of the following at September 30, 2018 and 2017:

	<u>2018</u>		
	<u>Gross</u>	<u>Allowance for Uncollectible Accounts</u>	<u>Net</u>
Governmental activities:			
Property taxes, current	\$117,768	\$	\$117,768
Property taxes, delinquent	<u>174,930</u>	<u>(29,270)</u>	<u>145,660</u>
Taxes receivable, net	<u>292,698</u>	<u>(29,270)</u>	<u>263,428</u>
Other receivables, net	<u>5,608</u>	<u>(1,402)</u>	<u>4,206</u>
Total governmental activities	<u>\$298,306</u>	<u>\$(30,672)</u>	<u>\$267,634</u>

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**PROPERTY TAX AND OTHER RECEIVABLES (Continued)**

	<u>2017</u>		
	<u>Gross</u>	<u>Allowance for Uncollectible Accounts</u>	<u>Net</u>
Governmental activities:			
Property taxes, current	\$116,748	\$	\$116,748
Property taxes, delinquent	<u>172,729</u>	<u>(18,380)</u>	<u>154,349</u>
Taxes receivable, net	<u>289,477</u>	<u>(18,380)</u>	<u>271,097</u>
Other receivables, net	<u>11,613</u>	<u>(8,833)</u>	<u>2,780</u>
Total governmental activities	<u>\$301,090</u>	<u>\$(27,213)</u>	<u>\$273,877</u>

**CAPITAL ASSETS**

Capital asset activity for the District for the years ended September 30, 2018 and 2017, was as follows:

	<u>September 30, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>September 30, 2018</u>
Non-depreciable capital assets:				
Land	\$ <u>289,479</u>	\$ <u>721,357</u>	\$ _____	\$ <u>1,010,836</u>
Total non-depreciable capital assets	\$ <u>289,479</u>	\$ <u>721,357</u>	\$ _____	\$ <u>1,010,836</u>
	<u>September 30, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>September 30, 2017</u>
Non-depreciable capital assets:				
Land	\$ <u>179,764</u>	\$ <u>109,715</u>	\$ _____	\$ <u>289,479</u>
Total non-depreciable capital assets	\$ <u>179,764</u>	\$ <u>109,715</u>	\$ _____	\$ <u>289,479</u>

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**CAPITAL ASSETS (Continued)**

	<b><u>September 30, 2017</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>September 30, 2018</u></b>
Depreciable capital assets:				
Building and improvements	\$5,091,770	\$	\$	\$5,091,770
Heavy trucks	3,672,215		(37,228)	3,634,987
Equipment	<u>1,257,842</u>	<u>60,590</u>	<u>          </u>	<u>1,318,432</u>
	<u>10,021,827</u>	<u>60,590</u>	<u>(37,228)</u>	<u>10,045,189</u>
Less accumulated depreciation:				
Building and improvements	436,102	129,786		565,888
Heavy trucks	2,439,549	267,409	(37,228)	2,669,730
Equipment	<u>1,045,503</u>	<u>98,041</u>	<u>          </u>	<u>1,143,544</u>
Total accumulated depreciation	<u>3,921,154</u>	<u>495,236</u>	<u>(37,228)</u>	<u>4,379,162</u>
Depreciable capital assets, net	<u>\$6,100,673</u>	<u>\$(434,646)</u>	<u>\$          </u>	<u>\$5,666,027</u>
	<b><u>September 30, 2016</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>September 30, 2017</u></b>
Depreciable capital assets:				
Building and improvements	\$5,081,965	\$ 9,805	\$	\$5,091,770
Heavy trucks	3,662,298	67,287	(57,370)	3,672,215
Equipment	<u>1,207,898</u>	<u>54,541</u>	<u>(4,597)</u>	<u>1,257,842</u>
	<u>9,952,161</u>	<u>131,633</u>	<u>(61,967)</u>	<u>10,021,827</u>
Less accumulated depreciation:				
Building and improvements	307,950	128,152		436,102
Heavy trucks	2,219,215	277,704	(57,370)	2,439,549
Equipment	<u>926,980</u>	<u>120,157</u>	<u>(1,634)</u>	<u>1,045,503</u>
Total accumulated depreciation	<u>3,454,145</u>	<u>526,013</u>	<u>(59,004)</u>	<u>3,921,154</u>
Depreciable capital assets, net	<u>\$6,498,016</u>	<u>\$(394,380)</u>	<u>\$ (2,963)</u>	<u>\$6,100,673</u>

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**CAPITAL ASSETS (Continued)**

Total provision for depreciation of \$495,236 and \$526,013 was charged to public safety of the primary government in 2018 and 2017, respectively. Capital assets pledged as security for long-term debt had a cost of \$5,994,542 as of September 30, 2018 and 2017.

**DEFERRED REVENUE**

Deferred revenue in the amount of \$214,052 and \$205,342 at September 30, 2018 and 2017, respectively, consisted of property tax revenue received more than 60 days following year-end (unavailable to pay liabilities of the current period). Governmental funds report deferred 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. Deferred revenue received after 60 days is fully recognized as revenue on the government-wide statements. Deferred revenue at the government-wide level arises only when the District receives resources before it has a legal claim to them.

**LONG-TERM DEBT**

The following is a summary of changes in governmental activities long-term debt for the year ended September 30, 2018 and 2017:

	<b><u>Balance at September 30, 2017</u></b>	<b><u>Additions</u></b>	<b><u>Reductions</u></b>	<b><u>Balance at September 30, 2018</u></b>	<b><u>Due Within One Year</u></b>
Notes payable	\$5,259,694	\$3,000,000	\$(386,803)	\$7,872,891	\$437,654
Capital leases	<u>287,894</u>	<u>          </u>	<u>(42,663)</u>	<u>245,231</u>	<u>44,661</u>
	<u>\$5,547,588</u>	<u>\$3,000,000</u>	<u>\$(429,466)</u>	<u>\$8,118,122</u>	<u>\$482,315</u>
	<b><u>Balance at September 30, 2016</u></b>	<b><u>Additions</u></b>	<b><u>Reductions</u></b>	<b><u>Balance at September 30, 2017</u></b>	<b><u>Due Within One Year</u></b>
Notes payable	\$4,618,486	\$1,000,000	\$(358,792)	\$5,259,694	\$386,803
Capital leases	<u>328,647</u>	<u>          </u>	<u>(40,753)</u>	<u>287,894</u>	<u>42,663</u>
	<u>\$4,947,133</u>	<u>\$1,000,000</u>	<u>\$(399,545)</u>	<u>\$5,547,588</u>	<u>\$429,466</u>

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**LONG-TERM DEBT (Continued)**

*Notes Payable*

	<u>2018</u>	<u>2017</u>
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 semi-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.	\$3,305,000	\$3,551,000
The District entered into a \$3,000,000 note agreement with TIB - the Independent BankersBank to finance the acquisition and construction of a fire station. Interest is at 3.95% per annum, payable in semi-annual installments which are specified in the contract. The note matures in February 2037 and is secured by ad valorem taxes levied and assessed on the proceeds of taxable property in the District.	3,000,000	
The District entered into a \$1,000,000 note agreement with TIB - the Independent BankersBank to finance the acquisition of real property. Interest is at 3.75% per annum, payable in semi-annual installments, which are specified in the contract. The note matures in August 2037 and is secured by ad valorem taxes levied and assessed on the proceeds of taxable property in the District.	981,856	1,000,000
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.	317,723	366,310
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.	188,000	223,000

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**LONG-TERM DEBT (Continued)**

***Notes Payable (Continued)***

The District entered into a \$157,750 note agreement with Branch Banking and Trust to finance the purchase of one Tahoe and two Silverado vehicles. Interest is at 1.83% per annum, payable in semi-annual installments, which are specified in the contract. The note matures in August 2020 and is secured by and payable from ad valorem taxes levied and assessed on all the proceeds of taxable property in the District.

	<u>80,312</u>	<u>119,384</u>
Total notes payable	7,872,891	5,259,694
Less amount due within one year	<u>437,654</u>	<u>386,803</u>
Amount due after one year	<u>\$7,435,237</u>	<u>\$4,872,891</u>

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>
2019	\$ 437,654	\$ 302,485	\$ 740,139
2020	485,396	256,662	742,058
2021	500,755	241,304	742,059
2022	517,276	224,783	742,059
2023-2027	2,653,203	861,685	3,514,888
2028-2032	1,888,157	422,886	2,311,043
2033-2037	<u>1,390,450</u>	<u>151,489</u>	<u>1,541,939</u>
Total	<u>\$7,872,891</u>	<u>\$2,461,294</u>	<u>\$10,334,185</u>

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**LONG-TERM DEBT (Continued)**

***Capital Lease Obligation***

Capital lease obligation of the governmental activities at September 30, 2018 and 2017 consists of the following obligation under capital lease entered into for the acquisition of rolling stock:

	<u>2018</u>	<u>2017</u>
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.	\$245,231	\$287,894
Less amount due within one year	<u>44,661</u>	<u>42,663</u>
Amount due after one year	<u>\$200,570</u>	<u>\$245,231</u>

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

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 44,661	\$ 11,489	\$ 56,150
2020	46,753	9,397	56,150
2021	48,944	7,206	56,150
2022	51,236	4,914	56,150
2023	<u>53,637</u>	<u>2,513</u>	<u>56,150</u>
	<u>\$245,231</u>	<u>\$35,519</u>	<u>\$280,750</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 under capital leases total \$822,475 and have been fully depreciated as of September 30, 2018. Amortization of leased equipment under capital lease is included in depreciation expense.

(Continued)



**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**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").

***General information***

Plan Description – TESRS administers a cost-sharing multiple employer pension system ("the System") established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. The System issues a stand-alone financial report that is available to the public at [www.tesrs.org](http://www.tesrs.org).

The System is governed by a Board of Trustees composed of nine members. Of the nine-member Board of Trustees, at least five trustees must be active members of the pension system, one of whom must represent emergency medical services personnel. One trustee may be a retiree of the pension system, and three trustees must be persons who have experience in the fields of finance, securities investment, or pension administration. At August 31, 2017 ("the measurement date"), there were 235 contributing fire and/or emergency services department members participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a member department.

On August 31, 2017, the pension system membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits	3,104
Terminated Members Entitled to Benefits but Not Yet Receiving Them	2,208
Active Participants (Vested and nonvested)	4,046

Benefits Provided – Senate Bill 411, 65th Legislature, Regular Session (1977), created TESRS and established the applicable benefit provisions. The 79th Legislature, Regular Session (2005), re-codified the provisions and gave the TESRS Board of Trustees authority to establish vesting requirements, contribution levels, benefit formulas, and eligibility requirements by board rule. The benefit provisions include retirement benefits as well as death and disability benefits. Members are 50% vested after the tenth year of service, with the vesting percent increasing 10% for each of the next five years of service so that a member becomes 100% vested with 15 years of service.

Upon reaching age 55, each vested member may retire and receive a monthly pension equal to his vested percent multiplied by six times the governing body's average monthly contribution over the member's years of qualified service. For years of service in excess of 15 years, this monthly benefit is increased at the rate of 6.2% compounded annually. There is no provision for automatic postretirement benefit increases.

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**EMPLOYEE PENSION PLAN (Continued)**

Benefits Provided (Continued) – On and off-duty death benefits and on-duty disability benefits are dependent on whether or not the member was engaged in the performance of duties at the time of death or disability. Death benefits include a lump sum amount or continuing monthly payments to a member's surviving spouse and dependent children.

Funding Policy – Contributions are made by governing bodies for the participating departments. No contributions are required from the individuals who are members of the System, nor are they allowed. The governing bodies of each participating department are required to make contributions for each month a member performs emergency services for a department (this minimum contribution is \$36 per member and the department may make a higher monthly contribution for its members). This is referred to as a Part One contribution, which is the legacy portion of the System contribution that directly impacts future retiree annuities.

The State is required to contribute an amount necessary to make the System "actuarially sound" each year, which may not exceed one-third of the total of all contributions made by participating governing bodies in a particular year.

The board rule defining contributions was amended effective July 27, 2014 to add the potential for actuarially determined Part Two contributions that would be required only if the expected future annual contributions from the State are not enough with the Part One contributions to provide an adequate contribution arrangement as determined by the most recent actuarial valuation. This Part Two portion, which is actuarially determined as a percent of the Part One portion (not to exceed 15%), is to be actuarially adjusted near the end of each even-numbered calendar year based on the most recent actuarial valuation. Based on the actuarial valuation as of August 31, 2017, the Part Two contributions were established by the Board to be 2% of the Part One contributions beginning September 30, 2017.

Additional contributions may be made by governing bodies within two years of joining the System, to grant up to ten years of credit for service per member. Prior service purchased must have occurred before the department began participation in the System.

A small subset of participating departments have a different contribution arrangement which is being phased out over time. In this arrangement, contributions made in addition to the monthly contributions for active members, are made by local governing bodies on a pay-as-you-go basis for members who were pensioners when their respective departments merged into the System. There is no actuarial impact associated with this arrangement as the pay-as-you-go contributions made by these governing bodies are always equal to benefit payments paid by the System.

Contributions Required and Contributions Made – 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.

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**EMPLOYEE PENSION PLAN (Continued)**

Contributions Required and Contributions Made (Continued) – For the fiscal year ending August 31, 2017, total contributions (dues, prior service, and interest on prior service financing) of \$5,012,131 were paid into TESRS by the political subdivisions served by the member volunteer emergency services personnel. The State appropriated \$1,583,825 for the fiscal year ending August 31, 2017. The purpose of the biennial actuarial valuation is to determine if the contribution arrangement is adequate to pay the benefits that are promised. The most recently completed biennial actuarial valuation as of August 31, 2016 stated that TESRS has an adequate contribution arrangement for the benefit provisions recognized in the valuation based on the expected total contributions, including the expected contributions both from the governing body of each participating department and from the State. The expected contributions from the State are State appropriations equal to (1) the maximum annual contribution (one-third of all contributions to TESRS by governing bodies of participating departments in a year) as needed in accordance with state law governing TESRS and (2) approximately \$725,000 each year to pay for part of the System's administrative expenses.

During the year ended August 31, 2017, a total of \$48,962 in contributions were made to the System on behalf of ESD#1. Total contributions made to the System subsequent to the measurement period and prior to September 30, 2018 totaled \$43,274 and are presented as an expense in the accompanying statement of activities for the fiscal year ended September 30, 2018.

During the year ended August 31, 2016 (the previous measurement period), a total of \$34,552 in contributions were made to the System on behalf of ESD#1. Total contributions made to the System subsequent to the previous measurement period and prior to September 30, 2017 totaled \$48,962 and are presented as an expense in the accompanying statement of activities for the fiscal year ended September 30, 2018.

***Payments by a Non-employer Third Party***

The governing bodies of each participating department are required to make contributions for each month a member performs emergency services for a department (this minimum contribution is \$36 per member and the department may make a higher monthly contribution for its members). As established in Section 775.301 of the Texas Health and Safety Code, the Commissioners' Court of El Paso Texas County ("the County") approves the District's annual fiscal budget and may establish procedures regarding the District's procurements and activities. Accordingly, the County is considered the controlling governing body of the District for purposes of adopting TESRS's funding policy and thus, is required to make minimum contributions to TESRS. The payments provided to TESRS by the El Paso Texas County meet the criteria of a special funding situation as defined in GASB statement 68, and thus are recognized as revenue by the District when paid by the County to TESRS in accordance to GASB 68, paragraph 58.

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**EMPLOYEE PENSION PLAN (Continued)**

***Payments by a Non-employer Third Party (Continued)***

During the fiscal years ended September 30, 2018 and 2017, pension contributions from the County made to TESRS on behalf of the District totaled \$33,274 and \$38,962, respectively. The District made voluntary contributions to the Plan of \$10,000 in the fiscal years ending September 30, 2018 and 2017. Since the County pays 100% of the required contributions into the Plan, the County carries 100% of the net pension liability related to the Plan. Therefore, additional GASB 68 reporting requirements for the Plan apply to the County and not the District.

**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 2018, 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 (Per Occurrence)	\$3,000,000
Commercial Property	\$4,132,751
Fair Labor Standards Act Suit Defense Coverage (Per Occurrence)	\$100,000
Blanket Portable Equipment	Guaranteed Replacement Cost Coverage
Crime Insurance:	
Employee Dishonesty (Per Occurrence)	\$100,000
Surety Bond	\$100,000

The District's insurance coverage changed from the prior year to increase commercial property coverage for its new fire station building and to add additional coverage for Fair Labor Standards Act defense suits and Cyber Attacks liability. There were no settlements that exceeded insurance coverage in the last three years.

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

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**COMMITMENTS AND CONTINGENCIES**

As of September 30, 2018, the District was involved in litigation with the City of El Paso for compensation owed to the District of \$123,405 as a result of annexation of land within the jurisdiction of the District. The District was awarded \$25,675 in 2014, which was collected in 2015. The remaining amount of \$97,730 is still pending appeals. This amount has not been recorded as a receivable on the books of the District.

On November 7, 2017, the District purchased land at the purchase price of \$721,357 at the address of Desert Canyon at Mission Ridge Unit 2, Lot 13, Block 2, El Paso County, Texas using proceeds from long-term debt which were committed by an ordinance issued by the District's Board of Commissioners to be used for the construction of a new fire station building. The purchase agreement with the Seller of the land establishes various commitments, under which the District is required to begin construction of a new facility within thirty months of the purchase of the land.

**SUBSEQUENT EVENTS**

Effective October 31, 2018, the District became a participating employer on the Texas County and District Retirement System ("TCDRS"). Participation of all of the District's employees is mandatory, except for employees of the Horizon volunteer Fire Department, which is a component unit of the District. TCDRS is a statewide, agent multiple-employer, public-employee retirement system. The system serves 760 participating counties and districts throughout Texas. Each employer maintains its own customized plan of benefits. Plan provisions are adopted by the governing body of each employer, within the options available in the TCDRS Act. Employers have the flexibility and local control to adjust benefits annually and pay for those benefits based on their needs and budgets.

Each employer has a defined benefit plan that functions similarly to a cash balance plan. The assets of the plans are pooled for investment purposes, but each employer's plan assets may be used only for the payment of benefits to the members of that employer's plan. It is intended that the pension plan be construed and administered in a manner that the retirement system will be considered qualified under Section 401(a) of the Internal Revenue Code. A percentage of each employee's paycheck is deposited into his or her TCDRS account. That percentage (from 4% to 7%) is set by the employer. The employee's savings grow, by law, at a rate of 7%, compounded annually. The employer selects a matching rate — at least "dollar for dollar," up to \$2.50 per \$1.00 in the employee's account.

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**SUBSEQUENT EVENTS (Continued)**

At retirement, the employee's account balance is combined with employer matching and converted into a lifetime monthly benefit. Employees receive a month of service time for each month that they make a deposit into their account. The amount of service an employee needs to earn a future benefit is called the vesting requirement. When an employee is vested, he or she has the right to a monthly benefit, which includes employer matching, at age 60 or older. Employers may choose 5, 8, or 10 year vesting. In addition, employees may retire before age 60 if they meet one of the stated requirements, as set by the employee. For the year ended December 31, 2018, the District elected to require its employees to make salary deferral contributions of 5% into the Plan, while the District is required to make employer contributions of 4.18% of gross salaries.

The District follows accounting requirements prescribed by GASBS No. 68 to account for its net pension liability, periodic pension cost and other balances related to TCDRS.

Subsequent events were evaluated through February 15, 2019, which is the date the financial statements were available to be issued.

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

**Year Ended September 30, 2018**

	<b>Budgeted Amounts</b>		<b>Actual Amounts Budgetary</b>	
	<b><u>Original</u></b>	<b><u>Final</u></b>	<b><u>Basis</u></b>	<b><u>Variance</u></b>
Revenues:				
Taxes:				
Property taxes	\$ 2,281,220	\$ 2,281,220	\$ 2,302,813	\$ 21,593
Charges for services	235,325	235,325	143,607	(91,718)
Contributions			33,274	33,274
Investment earnings			39,137	39,137
Grant income			17,204	17,204
Other income			3,573	3,573
Total revenues	<u>2,516,545</u>	<u>2,516,545</u>	<u>2,539,608</u>	<u>23,063</u>
Expenditures:				
Public safety:				
Fire control and EMS:				
Salaries and benefits	730,076	733,306	657,831	75,475
Material and services	1,232,608	1,239,608	1,192,520	47,088
Capital outlay	457,780	457,780	60,590	397,190
Debt service:				
Principal payments	429,465	429,465	429,466	(1)
Interest payments	194,410	194,410	194,278	132
Loan issuance costs			28,700	(28,700)
Total expenditures	<u>3,044,339</u>	<u>3,054,569</u>	<u>2,563,385</u>	<u>491,184</u>
Surplus of revenues over expenditures (excess of expenditures over revenue)	(527,794)	(538,024)	(23,777)	514,247
Fund balance, beginning of year	<u>2,677,601</u>	<u>2,677,601</u>	<u>2,677,601</u>	
Fund balance, end of year	<u>\$ 2,149,807</u>	<u>\$ 2,139,577</u>	<u>\$ 2,653,824</u>	<u>\$ 514,247</u>

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
(CONTINUED)**

Year Ended September 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Budget basis deficit			\$ (23,777)	
Other financing sources:				
Proceeds from note payable			3,000,000	
Proceeds from sale of assets			5,405	
Other reconciling items:				
Previous year encumbrances for capital outlay			<u>(721,357)</u>	
GAAP basis excess			2,260,271	
Fund balance, beginning of year			<u>2,677,601</u>	
Fund balance, end of the year			<u>\$ 4,937,872</u>	

See notes to required supplementary information  
and independent auditor's report.



**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1**  
**(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

**Year Ended September 30, 2017**

	<b>Budgeted Amounts</b>		<b>Actual Amounts Budgetary</b>	
	<b><u>Original</u></b>	<b><u>Final</u></b>	<b><u>Basis</u></b>	<b><u>Variance</u></b>
Revenues:				
Taxes:				
Property taxes	\$ 2,033,199	\$ 2,010,157	\$ 2,021,150	\$ 10,993
Charges for services	153,615	153,615	154,551	936
Contributions			38,963	38,963
Investment earnings			13,600	13,600
Grant income			4,375	4,375
Other income			48,245	48,245
	<u>2,186,814</u>	<u>2,163,772</u>	<u>2,280,884</u>	<u>117,112</u>
Total revenues				
Expenditures:				
Public safety:				
Fire control and EMS:				
Salaries and benefits	690,060	683,060	555,905	127,155
Material and services	1,159,144	1,174,723	984,201	190,522
Capital outlay	300,000	291,500	133,633	157,867
Debt service:				
Principal payments	399,545	399,545	399,545	
Interest payments	152,210	152,131	152,051	80
Loan issuance costs			7,500	(7,500)
	<u>2,700,959</u>	<u>2,700,959</u>	<u>2,232,835</u>	<u>468,124</u>
Total expenditures				
Surplus of revenues over expenditures (excess of expenditures over revenue)	(514,145)	(537,187)	48,049	585,236
Fund balance, beginning of year	<u>1,727,707</u>	<u>1,727,707</u>	<u>1,727,707</u>	
Fund balance, end of year	<u>\$ 1,213,562</u>	<u>\$ 1,190,520</u>	<u>\$ 1,775,756</u>	<u>\$ 585,236</u>

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
(CONTINUED)**

**Year Ended September 30, 2017**

	<b>Budgeted Amounts</b>		<b>Actual Amounts Budgetary</b>	
	<b><u>Original</u></b>	<b><u>Final</u></b>	<b><u>Basis</u></b>	<b><u>Variance</u></b>
Budget basis surplus			\$ 48,049	
Other financing sources:				
Proceeds from note payable			1,000,000	
Proceeds from sale of assets			9,560	
Other reconciling items:				
Previous year encumbrances for capital outlay			<u>(107,715)</u>	
GAAP basis excess			949,894	
Fund balance, beginning of year			<u>1,727,707</u>	
Fund balance, end of the year			<u><u>\$ 2,677,601</u></u>	

See notes to required supplementary information  
and independent auditor's report.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**SIGNIFICANT ACCOUNTING POLICIES**

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 expenses are recognized on the cash and encumbrances basis. Revenues are budgeted in the year that receipt is expected and expenditures are budgeted in the year that the applicable purchase orders are expected to be issued. 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.

**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 2018.

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
(CONTINUED)**

**BUDGET PROCESS AND CALENDAR (Continued)**

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.

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.

**EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the year ended September 30, 2018, the only expenditure category that exceeds its corresponding budgeted appropriation amount was loan issuance costs. Total budgeted appropriations exceed total expenditures by \$491,184. These excess appropriations were rolled forward to the following fiscal year.

For the year ended September 30, 2017, the only expenditure category that exceeds its corresponding budgeted appropriation amount was debt issuance costs. Total budgeted appropriations exceed total expenditures by \$468,124. These excess appropriations were rolled forward to the following fiscal year.

**AUDITORS' SECTION**

**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"), a discrete component unit of The County of El Paso, Texas, as of and for the year ended September 30, 2018, 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 15, 2019.

**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.



El Paso, Texas  
February 15, 2019