

**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, 2019 AND 2018

**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, 2019

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, 2019 and 2018. We encourage readers to consider this information in conjunction with the basic financial statements, which begin on Page 19.

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 2019

- Total assets increased by approximately 13% due to new fire department construction, purchases of equipment, and an increase in general revenues.
- Total long-term liabilities increased by 8% due to the issuance of a \$1,200,000 note payable to be used for the construction of a new fire station.
- Total net position of \$4,187,568 increased by \$550,076, which represents an increase of 15% for the year ended September 30, 2019 as a result of increases in general revenues.
- Amounts invested in capital assets, net of related debt amounted to \$1,783,064. This represents an decrease of 1% for the year ended September 30, 2019, which is a result of depreciation expense that exceeded construction in progress at the end of the fiscal year.
- Unrestricted net position, available to meet the District's on-going obligations, totaled \$2,404,504. This represents a increase of 31% for the year ended September 30, 2019. The increase is attributed to general revenues and will be used for the payment of long-term debt and construction in future years.
- At September 30, 2019, the District's governmental fund statements show a combined ending fund balance of \$5,744,083, an increase of \$806,211 or 16% as a result of a new loan of \$1,200,000 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 \$328,624, an increase of 69% from the prior year. The result is primarily attributed to increased commercial activity in the District's jurisdiction.
- General revenues amounted to \$2,844,135, an increase of 21% from the prior year.
- Total revenues amounted to \$3,163,469, an increase of 24% from the prior year. The increase is attributed to an increase in the property tax rate and the total property tax base for the District.
- The District expended \$938,393 in capital expenditures for construction and other equipment.
- The District had \$2,294,059 in net program expenses related to governmental activities. This represents a 4% decrease from prior year, attributable to savings in supplies and materials.
- Total expenses amount to \$2,622,683, an increase of 1% from the prior year.
- The District uses the general fund to maintain its financial records and a Special Revenue fund to maintain the financial records of its component unit, Horizon Volunteer Fire Department, Inc.
- Total deferred inflows amounted to \$233,342, an increase of 4% from the prior year.

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FINANCIAL HIGHLIGHTS 2019 (Continued)

- The District had a net pension asset of \$184 at September 30, 2019 related to its participation in the Texas County and District Retirement System pension plan. Prior to fiscal year 2019, the District did not participate in this pension plan and had no related net pension liability or asset.
- Deferred outflows of resources and deferred inflows of resources related to pensions amounted to \$7,457 and \$373 at September 30, 2019, respectively. The District had no deferred inflows or deferred outflows related to pensions in the previous year.
- The total revenue from the general fund amounted to \$3,163,469, which exceeded the final budgeted revenue by 12%. The total expenditures from the general fund amounted to \$3,557,258, which is less than the final budgeted appropriations by 9%.

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 19-21.
- Fund financial statements on Pages 22-29.
- Notes to the financial statements on Pages 30-63.

This report also contains required supplementary information and related notes on pages 64 through 74.

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 19 through 21 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, 2019 and 2018. 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 year ended September 30, 2018, 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. Beginning October 1, 2018, the District enrolled its employees in the Texas County and District Retirement System (TCDR), a statewide, agent multiple-employer, public employee retirement system.

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 22 through 29.

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 uses a special revenue fund to maintain the activities of Horizon Volunteer Fire Department, Inc.

The District has no proprietary funds or fiduciary funds.

NOTES TO THE FINANCIAL STATEMENTS

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in both the government-wide and governmental fund financial statements. The notes to the financial statements can be found on Pages 30 through 63 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 and Special Revenue Fund, Schedule of Changes in Net Pension Liability and Related Ratios, and Schedule of Employer Contributions. The required supplementary information can be found on Pages 64 through 74.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Table 1
Net Position (In Thousands)
September 30,

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 6,295.5	\$ 5,192.9	\$ 2,917.1
Capital assets	<u>7,118.8</u>	<u>6,676.9</u>	<u>6,390.1</u>
Total assets	<u>13,414.3</u>	<u>11,869.8</u>	<u>9,307.2</u>
Deferred outflows of resources	<u>7.5</u>	<u>0.0</u>	<u>0.0</u>

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GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Long-term obligations	\$(8,835.8)	\$(8,118.1)	\$(5,547.6)
Other liabilities	<u>(398.0)</u>	<u>(114.2)</u>	<u>(81.3)</u>
Total liabilities	<u>(9,233.8)</u>	<u>(8,232.3)</u>	<u>(5,628.9)</u>
Deferred inflows of Resources	<u>(0.4)</u>	<u>0.0</u>	<u>0.0</u>
Net position:			
Investment in Capital assets, net	1,783.1	1,801.2	1,842.6
Unrestricted	<u>2,404.5</u>	<u>1,836.3</u>	<u>1,835.7</u>
Total net position	<u>\$ 4,187.6</u>	<u>\$ 3,637.5</u>	<u>\$ 3,678.3</u>

For the year ended September 30, 2019, net position of the District's activities increased 15% or \$550,076. 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 \$1,836,308 to \$2,404,504 at the end of fiscal year 2019. The increase is attributed to increasing general revenues.

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 increase in general revenues.

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GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Table 2 compares the fiscal years ended 2019 and 2018 with the respective preceding period.

**Table 2
Changes in Net Position for 2019 and 2018
Compared to Previous Year Activity
(In Thousands)**

	<u>Year Ended September 30,</u>		
	<u>2019</u>	<u>2018</u>	<u>Change</u>
Program revenues:			
Operating grants	\$ 64.9	\$ 50.5	\$ 14.4
Charges for services	263.8	143.6	120.2
General revenues:			
Property taxes	2,749.1	2,311.5	437.6
Investment earnings	94.0	39.1	54.9
Other	<u>1.0</u>	<u>9.0</u>	<u>(8.0)</u>
Total revenues	<u>3,172.8</u>	<u>2,553.7</u>	<u>619.1</u>
Program expenses:			
Public safety	2,301.9	2,345.6	(43.7)
Interest on long-term debt	310.8	220.2	90.6
Loan issuance costs	<u>10.0</u>	<u>28.7</u>	<u>(18.7)</u>
Total expenses	<u>2,622.7</u>	<u>2,594.5</u>	<u>(28.2)</u>
Change in net position	<u>\$ 550.1</u>	<u>\$ (40.8)</u>	<u>\$590.9</u>

	<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
Investment earnings	39.1	13.6	25.5
Other	<u>9.0</u>	<u>54.8</u>	<u>(45.8)</u>
Total revenues	<u>2,553.7</u>	<u>2,300.9</u>	<u>252.8</u>

(Continued)

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

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

	<u>Year Ended September 30,</u>		
	<u>2018</u>	<u>2017</u>	<u>Change</u>
Program expenses:			
Public safety	\$2,345.6	\$2,066.1	\$279.5
Interest on long-term debt	220.2	173.0	47.2
Loan issuance costs	<u>28.7</u>	<u>7.5</u>	<u>21.2</u>
Total expenses	<u>2,594.5</u>	<u>2,246.6</u>	<u>347.9</u>
Change in net position	\$ <u>(40.8)</u>	\$ <u>54.3</u>	\$ <u>(95.1)</u>

For the year ended September 30, 2019, property taxes increased due to an increase in property tax rates and the assessed value of properties and commercialization in the area. Interest expense increased due to additional long-term debt outstanding during the year. The decrease in public safety expenses is attributed to savings in vehicle repair and maintenance, insurance, and supplies.

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.

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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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
General government	\$2,301.9	\$2,345.6	\$2,066.1	\$1,973.3	\$2,151.5	\$1,868.2
Debt issuance costs	310.8	28.7	7.5	10.0	28.7	7.5
Interest on long-term debt	<u>10.0</u>	<u>220.2</u>	<u>173.0</u>	<u>310.8</u>	<u>220.2</u>	<u>173.0</u>
Total expenses	<u>\$2,622.7</u>	<u>\$2,594.5</u>	<u>\$2,246.6</u>	<u>\$2,294.1</u>	<u>\$2,400.4</u>	<u>\$2,048.7</u>

The increase in general government expenses observed from 2017 to 2018 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. During 2019, these expenses were comparable to the previous year. Debt issuance costs incurred in 2018 and 2017 relate to notes payable issued to build a new fire station and acquire land, respectively. Additional borrowings were made in 2019 as a result of an amendment to the District's construction budget.

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. 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 \$5,744,083 and \$4,937,872 for the years ended September 30, 2019 and 2018, respectively. The changes represent an increase of 16% or \$806,211 for 2019, and an increase of 84% or \$2,260,271 for 2018, in comparison with the preceding year's fund balance. Of this amount, \$854,783 and \$1,113,964 constitutes unassigned, undesignated fund balance, which is available for spending at the District's discretion at September 30, 2019 and 2018, 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>2019</u>	<u>2018</u>	Percent Change
General Fund	<u>\$5,744.1</u>	<u>\$4,937.9</u>	<u>16%</u>
	<u>2018</u>	<u>2017</u>	Percent Change
General Fund	<u>\$4,937.9</u>	<u>\$2,677.6</u>	<u>84%</u>

The 16% increase in the general fund balance observed in 2019 can be primarily attributed to a note payable of \$1,200,000 issued during the year, of which \$10,000 was used for loan issuance costs and \$1,190,000 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 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.

Revenue Source

Table 5 presents a detail of the governmental fund revenues for the fiscal years ended September 30, 2019 and 2018, along with a comparison with the governmental fund revenues for the corresponding preceding fiscal year.

(Continued)

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (CONTINUED)

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

	<u>2019 Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) Over 2018</u>	<u>Percent Increase (Decrease)</u>
Property taxes	\$2,739,839	86.6%	\$437,026	19.0%
Charges for services	263,767	8.3%	120,160	83.7%
Contributions	37,432	1.2%	4,158	12.5%
Investment income	93,961	3.0%	54,824	140.1%
Grant income	27,425	0.8%	10,221	59.4%
Miscellaneous	<u>1,045</u>	<u>0.1%</u>	<u>(2,528)</u>	<u>(70.8)%</u>
Total	<u>\$3,163,469</u>	<u>100.0%</u>	<u>\$623,861</u>	<u>24.6%</u>

	<u>2018 Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) Over 2017</u>	<u>Percent Increase (Decrease)</u>
Property taxes	\$2,302,813	90.7%	\$281,663	13.9%
Charges for services	143,607	5.7%	(10,944)	(7.1)%
Contributions	33,274	1.3%	(5,689)	(14.6)%
Investment income	39,137	1.5%	25,537	187.8%
Grant income	17,204	0.7%	12,829	293.2%
Miscellaneous	<u>3,573</u>	<u>0.1%</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>

For 2019, the increase in property taxes is due to increased value of property and an increase in the property tax rate. The increase in investment income is due to the investment of \$3,500,050 of debt held for the construction of the new fire station building. The increase in grant income is due to an increase in grant funding from the rural volunteer fire department insurance program.

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 \$3,242,443 of debt held for the construction of the new fire station building. The increase in grant income is due to an increase in grant funding from the rural volunteer fire department insurance program.

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GENERAL FUND BUDGETARY HIGHLIGHTS

Table 6 shows the variance between the final budget and the actual results for the fiscal years ended September 30, 2019 and 2018:

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

<u>2019</u>				
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
	<u>Budget</u>	<u>Budget</u>		
Revenues:				
Property taxes	\$2,607.0	\$2,607.0	\$2,739.8	\$ 132.8
Revenue recovery	224.2	224.2	263.8	39.6
Contributions			37.4	37.4
Investment earnings			94.0	94.0
Grant income			27.4	27.4
Other income	_____	_____	1.0	1.1
	<u>\$2,831.2</u>	<u>\$2,831.2</u>	<u>\$3,163.4</u>	<u>\$ 332.2</u>
Expenditures:				
Total general government	<u>\$3,208.8</u>	<u>\$3,259.8</u>	<u>\$3,557.2</u>	<u>\$ (297.4)</u>
<u>2018</u>				
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
	<u>Budget</u>	<u>Budget</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)
Contributions			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>\$3,054.6</u>	<u>\$2,563.4</u>	<u>\$ 491.2</u>

(Continued)

GENERAL FUND BUDGETARY HIGHLIGHTS (CONTINUED)

The number of calls for the years ended September 30, 2019 and 2018 amounted to 3,529 and 3,372, respectively, and were comprised of the following:

<u>Number of Calls</u>	<u>2019</u>	<u>2018</u>
Fire	163	230
Rescue and Medical Emergency	2,553	2,271
Other	<u>813</u>	<u>871</u>
	<u>3,529</u>	<u>3,372</u>

Total calls for 2019 and 2018 increased by 4% and decreased 2% 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, 2019 and 2018, the District had \$7,118,820 and \$6,676,863 invested in capital assets, net of depreciation, respectively. These amounts represent a net increase (including additions and deletions) of \$441,957, or 7% compared to the previous year for 2019, and a net increase of \$286,711, or 4% compared to the previous year for 2018. The net increase observed in both years is primarily due to the on-going construction of a new fire station.

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, Fire Marshal Administrative Assistant and an office shared by the Budget & Finance Specialist and Infection Control Nurse.

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

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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 Top Hat Trailer
- (14) 2014 Ford F350 – Quick Response Vehicle
- (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
- (25) 2019 Lamar Trailer

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) 43 – SCBA's
- (7) Ampkus Extrication Tools (4 sets)
- (8) Thermal Imaging Cameras (7)
- (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)
- (24) Mavic Drones (2)
- (25) Ballistic Vests (31)

(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>2019</u>	<u>2018</u>	<u>2017</u>
Land	\$1,010,836	\$1,010,836	\$ 289,479
Construction in progress	932,393		
Buildings and improvements	4,396,096	4,525,882	4,655,668
Heavy trucks	697,848	965,257	1,232,666
Equipment	<u>81,647</u>	<u>174,888</u>	<u>212,339</u>
Total capital assets, net	<u>\$7,118,820</u>	<u>\$6,676,863</u>	<u>\$6,390,152</u>

Additional information on the District's capital assets can be found on Pages 41 through 43 of this report.

Debt Administration

At September 30, 2019 and 2018, the District had \$8,835,622 and \$8,118,122 in outstanding long-term debt, respectively. Long-term debt increased 7% and 46% for the years ended September 30, 2019 and 2018, respectively. Long-term debt in 2019 increased due to additional borrowings made as a result of an approved increase to the budget for the construction of a new fire station. In 2018, long-term debt increased due to the first portion of debt issued to cover the original budgeted cost of the new fire station. 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>2019</u>	<u>2018</u>	<u>2017</u>
Notes payable	\$8,635,236	\$7,872,891	\$5,259,694
Capital leases	200,570	245,231	287,894
Net pension liability (asset)	<u>(184)</u>	<u> </u>	<u> </u>
Total long-term debt	<u>\$8,835,622</u>	<u>\$8,118,122</u>	<u>\$5,547,588</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 43 through 46 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 139.4 square miles, for a total District size of 148 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 4 members serving as the Board of Commissioners with 1 vacancy and 9 paid employees. The Fire Marshal's office increased their staff to keep up with the rapidly developing commercial business within ESD #1. The Horizon Fire Department has 44 active members, of which 24 are Emergency Medical Technicians (EMT's) certified at the basic level, 1 is certified at the Intermediate level and 7 are certified at the Paramedic level. In addition, the Department has 26 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 three to four 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 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. The Horizon Volunteer Fire Department responded to 3,638 - 911 incidents in the Fiscal year. They also head up the County Search and Rescue team with 10 members from HFD of the 30-member team. The SAR team was activated to 6 incidents in this fiscal year.

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 is in the construction phase for a second station to address the growing needs and population increase of its taxing jurisdiction. The new station is projected to open in March 2020.

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.

Bill Mayberry
Board of Commissioners, President

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 year ended September 30, 2019, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Auditors' Responsibility (Continued)

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of El Paso County Emergency Services District #1 as of September 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the District's changes in the net pension liability and related ratios and the schedule of the District's employer contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of 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.

Prior Period Financial Statements

The financial statements of El Paso County Emergency Services District # 1, as of September 30, 2018, were audited by other auditors whose report was dated March 18, 2019 and expressed an unmodified opinion.

(Continued)

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2020, 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.

SBNG, PC

El Paso, Texas
January 23, 2020

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

STATEMENTS OF NET POSITION

September 30, 2019 and 2018

<u>ASSETS</u>	Governmental Activities	
	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 3,660,868	\$ 1,199,168
Investments	2,276,519	3,702,861
Taxes receivable, net	328,077	263,428
Other receivables, net	5,276	4,206
Prepaid expenses	24,620	23,272
Net pension asset	184	
Non-depreciable capital assets	1,943,229	1,010,836
Depreciable capital assets, net of accumulated depreciation	<u>5,175,591</u>	<u>5,666,027</u>
Total assets	<u>13,414,364</u>	<u>11,869,798</u>
Deferred outflows of resources from pensions	<u>7,457</u>	<u> </u>
<u>LIABILITIES</u>		
Accounts payable	295,853	15,171
Accrued liabilities	32,082	25,840
Accrued interest	70,139	73,173
Due within one year:		
Notes payable	532,062	437,654
Capital lease	46,753	44,661
Due after one year:		
Notes payable	8,103,174	7,435,237
Capital lease	<u>153,817</u>	<u>200,570</u>
Total liabilities	<u>9,233,880</u>	<u>8,232,306</u>
Deferred inflows of resources from pensions	<u>373</u>	<u> </u>
<u>NET POSITION</u>		
Investment in capital assets, net of related debt	1,783,064	1,801,184
Unrestricted	<u>2,404,504</u>	<u>1,836,308</u>
Total net position	<u>\$ 4,187,568</u>	<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, 2019

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net Revenue (Expense) and Change in Net Position</u>
		<u>Charges for Services and Fees</u>	<u>Capital Grants and Contributions</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Primary government:					
Governmental activities:					
Public safety	\$ 2,301,904	\$ 263,767	\$	\$ 64,857	\$ (1,973,280)
Debt issuance costs	10,000				(10,000)
Interest on long-term debt	<u>310,779</u>	_____	_____	_____	<u>(310,779)</u>
Total primary government	<u>\$ 2,622,683</u>	<u>\$ 263,767</u>	<u>\$</u>	<u>\$ 64,857</u>	<u>(2,294,059)</u>
		General revenues:			
		Taxes:			
					2,749,129
					93,961
					<u>1,045</u>
				Total general revenues	<u>2,844,135</u>
				Change in net position	550,076
				Net position at beginning of year	<u>3,637,492</u>
				Net position at end of year	<u>\$ 4,187,568</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>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net Revenue (Expense) and Change in Net Position</u>
		<u>Charges for Services and Fees</u>	<u>Capital Grants and Contributions</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Primary government:					
Governmental activities:					
Public safety	\$ 2,345,587	\$ 143,607	\$	\$ 50,478	\$ (2,151,502)
Debt issuance costs	28,700				(28,700)
Interest on long-term debt	<u>220,243</u>	<u> </u>	<u> </u>	<u> </u>	<u>(220,243)</u>
Total primary government	<u>\$ 2,594,530</u>	<u>\$ 143,607</u>	<u>\$</u>	<u>\$ 50,478</u>	<u>(2,400,445)</u>
		General revenues:			
		Taxes:			
					2,311,523
					39,137
					5,405
					<u>3,573</u>
				Total general revenues	<u>2,359,638</u>
				Change in net position	(40,807)
				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)**

BALANCE SHEET - GOVERNMENTAL FUNDS

September 30, 2019

<u>ASSETS</u>	<u>General Fund</u>	<u>Special Revenue Fund- HFD</u>	<u>Total Governmental Activities</u>
Cash and cash equivalents	\$3,627,185	\$ 33,683	\$3,660,868
Investments	2,276,519		2,276,519
Taxes receivable, net	328,077		328,077
Other receivables, net	5,276		5,276
Due from other funds	33,683		33,683
Prepaid expenses	<u>24,620</u>	<u> </u>	<u>24,620</u>
Total assets	<u>\$6,295,360</u>	<u>\$ 33,683</u>	<u>\$6,329,043</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 295,853	\$	\$ 295,853
Due to other funds		33,683	33,683
Accrued liabilities	<u>32,082</u>	<u> </u>	<u>32,082</u>
Total liabilities	<u>327,935</u>	<u>33,683</u>	<u>361,618</u>
Deferred inflows of resources:			
Deferred revenue - Property taxes	<u>223,342</u>	<u> </u>	<u>223,342</u>
Total deferred inflows of resources	<u>223,342</u>	<u> </u>	<u>223,342</u>
Fund balances:			
Non-spendable	24,620		24,620
Committed	3,500,050		3,500,050
Assigned	1,364,630		1,364,630
Unassigned	<u>854,783</u>	<u> </u>	<u>854,783</u>
Total fund balances	<u>5,744,083</u>	<u> </u>	<u>5,744,083</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$6,295,360</u>	<u>\$ 33,683</u>	<u>\$6,329,043</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, 2019

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

Total fund balances of governmental funds in the balance sheet		\$5,744,083
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds:		
Governmental capital assets	11,994,418	
Less accumulated depreciation	<u>(4,875,598)</u>	7,118,820
Certain liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Notes payable	(8,635,236)	
Capital leases	(200,570)	
Accrued interest	<u>(70,139)</u>	(8,905,945)
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.		223,342
Net pension asset represents pension assets in excess of total pension liabilities, which are not available to pay current-period expenditures and therefore excluded from the governmental funds:		
Net pension asset		184
Pension related deferred inflows and outflows are not due and payable in the current period, and are not available to pay current period expenditures, therefore are not reported in the governmental funds:		
Deferred outflows of resources related to pensions	7,457	
Deferred inflows of resources related to pensions	<u>(373)</u>	<u>7,084</u>
NET POSITION, GOVERNMENTAL ACTIVITIES		<u>\$4,187,568</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>ASSETS</u>	<u>General Fund</u>	<u>Special Revenue Fund- HFD</u>	<u>Total Governmental Activities</u>
Cash and cash equivalents	\$ 1,193,061	\$ 6,107	\$1,199,168
Investments	3,702,861		3,702,861
Taxes receivable, net	263,428		263,428
Other receivables, net	4,206		4,206
Due from other funds	6,107		6,107
Prepaid expenses	<u>23,272</u>	<u> </u>	<u>23,272</u>
Total assets	<u>\$ 5,192,935</u>	<u>\$ 6,107</u>	<u>\$5,199,042</u>
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 15,171	\$	\$ 15,171
Due to other funds		6,107	6,107
Accrued liabilities	<u>25,840</u>	<u> </u>	<u>25,840</u>
Total liabilities	<u>41,011</u>	<u>6,107</u>	<u>47,118</u>
Deferred inflows of resources:			
Deferred revenue - Property taxes	<u>214,052</u>	<u> </u>	<u>214,052</u>
Total deferred inflows of resources	<u>214,052</u>	<u> </u>	<u>214,052</u>
Fund balances:			
Non-spendable	23,272		23,272
Committed	3,242,443		3,242,443
Assigned	558,193		558,193
Unassigned	<u>1,113,964</u>	<u> </u>	<u>1,113,964</u>
Total fund balances	<u>4,937,872</u>	<u> </u>	<u>4,937,872</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 5,192,935</u>	<u>\$ 6,107</u>	<u>\$5,199,042</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)**

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

Year Ended September 30, 2019

	<u>General Fund</u>	<u>Special Revenue Fund- HFD</u>	<u>Total Governmental Activities</u>
Revenues:			
Property taxes	\$2,739,839	\$	\$ 2,739,839
Charges for services	263,767		263,767
Investment earnings	93,961		93,961
Contributions	37,432		37,432
Grant income	27,425		27,425
Other income	<u>1,045</u>	<u> </u>	<u>1,045</u>
Total revenues	<u>3,163,469</u>	<u> </u>	<u>3,163,469</u>
Expenditures:			
Current:			
Public safety	1,376,973	435,763	1,812,736
Capital outlay	938,393		938,393
Debt service:			
Principal	482,316		482,316
Interest	313,813		313,813
Debt issuance costs	<u>10,000</u>	<u> </u>	<u>10,000</u>
Total expenditures	<u>3,121,495</u>	<u>435,763</u>	<u>3,557,258</u>
Excess of revenues (expenditures) over expenditures (revenues)	<u>41,974</u>	<u>(435,763)</u>	<u>(393,789)</u>
Other financing sources:			
Interfund transfers	(435,763)	435,763	
Proceeds from note payable	<u>1,200,000</u>	<u> </u>	<u>1,200,000</u>
Total other financing sources	<u>764,237</u>	<u>435,763</u>	<u>1,200,000</u>
Net change in fund balance	806,211		806,211
Fund balance at beginning of year	<u>4,937,872</u>	<u> </u>	<u>4,937,872</u>
Fund balance at end of year	<u>\$5,744,083</u>	<u>\$ </u>	<u>\$ 5,744,083</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, 2019

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

Net change in fund balance - total governmental funds		\$ 806,211
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 outlay	938,393	
Less current year provision for depreciation	<u>(496,436)</u>	441,957
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position		482,316
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		3,034
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		9,290
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		(1,200,000)
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds		
Change in pension asset, deferred inflows, and outflows		<u>7,268</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ 550,076</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

	<u>General Fund</u>	<u>Special Revenue Fund- HFD</u>	<u>Total Governmental Activities</u>
Revenues:			
Property taxes	\$2,302,813	\$	\$ 2,302,813
Charges for services	143,607		143,607
Investment earnings	39,137		39,137
Contributions	33,274		33,274
Grant income	17,204		17,204
Other income	<u>3,573</u>	<u> </u>	<u>3,573</u>
Total revenues	<u>2,539,608</u>	<u> </u>	<u>2,539,608</u>
Expenditures:			
Current:			
Public safety	1,430,839	419,512	1,850,351
Capital outlay	781,947		781,947
Debt service:			
Principal	429,466		429,466
Interest	194,278		194,278
Debt issuance costs	<u>28,700</u>	<u> </u>	<u>28,700</u>
Total expenditures	<u>2,865,230</u>	<u>419,512</u>	<u>3,284,742</u>
Excess of expenditures over revenues	<u>(325,622)</u>	<u>(419,512)</u>	<u>(745,134)</u>
Other financing sources:			
Interfund transfers	(419,512)	419,512	
Proceeds from note payable	3,000,000		3,000,000
Proceeds from sale of assets	<u>5,405</u>	<u> </u>	<u>5,405</u>
Total other financial sources	<u>2,585,893</u>	<u>419,512</u>	<u>3,005,405</u>
Net change in fund balance	2,260,271		2,260,271
Fund balance at beginning of year	<u>2,677,601</u>	<u> </u>	<u>2,677,601</u>
Fund balance at end of year	<u>\$4,937,872</u>	<u>\$ </u>	<u>\$ 4,937,872</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 outlay	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>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ (40,807)</u>

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

NOTES TO 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 as a Special Revenue Fund of the District. 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 83rd 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 States and Mexico 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 \$2,634,811,720 and \$2,306,455,051 for the years ended September 30, 2019 and 2018, 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 2018-2019 effective tax rate was \$.100000 per \$100 of assessed valuation. The effective tax rate for 2017-2018 was \$.099468, per \$100 of assessed valuation. The District incurred expenditures of \$32,473 and \$29,686 for the services provided by El Paso Central Appraisal District and \$73,412 and \$80,323 for the services provided by El Paso County for the years ended September 30, 2019 and 2018, 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 for the years ended September 30, 2019 and 2018.

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 \$1,759 and \$1,402 for the years ended September 30, 2019 and 2018, 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 recognized deferred outflows of resources related to pensions on its statement of net position.

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 two types of items that qualify 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. The District also recognizes deferred inflows of resources related to pensions on its statement of net position.

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 nor committed. Fund balance may be assigned by formal action of the Board of Commissioners. At September 30, 2019, \$1,067,337 was assigned for capital outlays and \$297,293 was assigned for Fire Marshall operations. At September 30, 2018, \$328,763 was assigned for capital outlay and \$229,430 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, 2019, \$3,500,050 was committed for the building of a new fire station. At September 30, 2018, \$3,242,443 was committed 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, 2019 and 2018 includes \$24,620 and \$23,272, 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 83rd 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.

(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

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

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

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

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

- 1) Commercial paper;
- 2) Bankers’ acceptances;
- 3) Repurchase agreements;
- 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.

(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 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, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Certificates of deposit	\$2,276,519	\$3,702,861
	<u>\$2,276,519</u>	<u>\$3,702,861</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, 2019 and 2018 the District had the following investments in single issuers representing more than five percent of the total investments on hand:

	<u>2019</u>	<u>2018</u>
Issuer A	\$ 240,112	\$
Issuer B	240,036	
Issuer C	240,022	
Issuer D	240,012	
Issuer E	240,004	
Issuer F	239,998	
Issuer G	200,414	
Issuer H	200,032	
Issuer I	160,094	
Issuer J	150,393	
Issuer K		240,005
Issuer L		239,981
Issuer M		239,981
Issuer N		239,954
Issuer O		239,940
Issuer P		239,937
Issuer Q		239,906
Issuer R		239,899
Issuer S		239,894
Issuer T		239,806
Issuer U		239,794
Issuer V		224,753
Issuer W		199,576
Issuer X		<u>199,364</u>
	<u>\$2,151,117</u>	<u>\$3,262,790</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, 2019, pledged collateral funds securing the District’s deposits had a fair market value of \$3,200,336, which exceeded the District’s bank balances totaling \$1,595,223. At September 30, 2018, pledged collateral funds securing the District’s deposits had a fair market value of \$3,619,201, which, along with the coverage provided by the FDIC, exceeded the District’s bank balances totaling \$922,559. 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, 2019 and 2018:

	2019		
	<u>Gross</u>	<u>Allowance for Uncollectible Accounts</u>	<u>Net</u>
Governmental activities:			
Property taxes, current	\$180,981	\$	\$180,981
Property taxes, delinquent	<u>176,366</u>	<u>(29,270)</u>	<u>147,096</u>
Taxes receivable, net	357,347	(29,270)	328,077
Other receivables, net	<u>7,035</u>	<u>(1,759)</u>	<u>5,276</u>
Total governmental activities	<u>\$364,382</u>	<u>\$(31,029)</u>	<u>\$333,353</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)

	2018		
	<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	292,698	(29,270)	263,428
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>

CAPITAL ASSETS

Capital asset activity for the District for the years ended September 30, 2019 and 2018, was as follows:

	<u>September 30, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>September 30, 2019</u>
Non-depreciable capital assets:				
Land	\$1,010,836	\$	\$	\$1,010,836
Construction in progress	<u> </u>	<u>932,393</u>	<u> </u>	<u>932,393</u>
Total non-depreciable capital assets	<u>\$1,010,836</u>	<u>\$ 932,393</u>	<u>\$ </u>	<u>\$1,943,229</u>
	<u>September 30, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>September 30, 2018</u>
Non-depreciable capital assets:				
Land	\$ 289,479	\$ 721,357	\$	\$1,010,836
Total non-depreciable capital assets	<u>\$ 289,479</u>	<u>\$ 721,357</u>	<u>\$ </u>	<u>\$1,010,836</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)

	<u>September 30, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>September 30, 2019</u>
Depreciable capital assets:				
Building and improvements	\$ 5,091,770	\$	\$	\$5,091,770
Heavy trucks	3,634,987			3,634,987
Equipment	<u>1,318,432</u>	<u>6,000</u>	<u> </u>	<u>1,324,432</u>
	<u>10,045,189</u>	<u>6,000</u>	<u> </u>	<u>10,051,189</u>
Less accumulated depreciation:				
Building and improvements	565,888	129,786		695,674
Heavy trucks	2,669,730	267,409		2,937,139
Equipment	<u>1,143,544</u>	<u>99,241</u>	<u> </u>	<u>1,242,785</u>
Total accumulated depreciation	<u>4,379,162</u>	<u>496,436</u>	<u> </u>	<u>4,875,598</u>
Depreciable capital assets, net	<u>\$5,666,027</u>	<u>\$(490,436)</u>	<u>\$ </u>	<u>\$5,175,591</u>
	<u>September 30, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>September 30, 2018</u>
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>

(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 \$496,436 and \$495,236 was charged to public safety of the primary government in 2019 and 2018, respectively. Capital assets pledged as security for long-term debt had a cost of \$5,994,542 as of September 30, 2019 and 2018.

DEFERRED REVENUE

Deferred revenue in the amount of \$223,342 and \$214,052 at September 30, 2019 and 2018, 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, 2019 and 2018:

	<u>Balance at September 30, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at September 30, 2019</u>	<u>Due Within One Year</u>
Notes payable	\$7,872,891	\$1,200,000	\$(437,655)	\$8,635,236	\$532,062
Capital leases	245,231		(44,661)	200,570	46,753
Net pension asset	_____	_____	(184)	(184)	_____
	<u>\$8,118,122</u>	<u>\$1,200,000</u>	<u>\$(482,500)</u>	<u>\$8,835,622</u>	<u>\$578,815</u>
	<u>Balance at September 30, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at September 30, 2019</u>	<u>Due Within One Year</u>
Notes payable	\$5,259,694	\$3,000,000	\$(386,803)	\$7,872,891	\$437,654
Capital leases	287,894	_____	(42,663)	245,231	44,661
	<u>\$5,547,588</u>	<u>\$3,000,000</u>	<u>\$(429,466)</u>	<u>\$8,118,122</u>	<u>\$482,315</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>2019</u>	<u>2018</u>
The District entered into a \$4,597,000 note agreement with TIB - the Independent Bankers Bank 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.	\$3,051,000	\$3,305,000
The District entered into a \$3,000,000 note agreement with TIB - the Independent Bankers Bank 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.	2,978,154	3,000,000
The District entered into a \$1,200,000 note agreement with TIB - the Independent Bankers Bank to finance the acquisition of real property. Interest is at 2.89% 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 as well as real estate.	1,200,000	
The District entered into a \$1,000,000 note agreement with TIB - the Independent Bankers Bank 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.	945,621	981,856
The District entered into a \$500,000 note agreement with TIB - the Independent Bankers Bank 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.	267,939	317,723

(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 \$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.	\$ 152,000	\$ 188,000
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>40,522</u>	<u>80,312</u>
Total notes payable	8,635,236	7,872,891
Less amount due within one year	<u>532,062</u>	<u>437,654</u>
Amount due after one year	<u>\$8,103,174</u>	<u>\$7,435,237</u>

Annual debt service for the outstanding notes is as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 532,062	\$ 296,343	\$ 828,405
2021	554,154	274,253	828,407
2022	572,230	256,177	828,407
2023	590,923	237,484	828,407
2024	560,881	218,667	779,548
2025-2029	3,109,328	788,454	3,897,780
2030-2034	1,601,726	371,054	1,972,780
2035-2037	<u>1,113,932</u>	<u>70,630</u>	<u>1,184,562</u>
Total	<u>\$8,635,236</u>	<u>\$2,513,062</u>	<u>\$11,148,296</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, 2019 and 2018 consists of the following obligation under capital lease entered into for the acquisition of rolling stock:

	<u>2019</u>	<u>2018</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.	\$200,570	\$245,231
Less amount due within one year	<u>46,753</u>	<u>44,661</u>
Amount due after one year	<u>\$153,817</u>	<u>\$200,570</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>
2020	\$ 46,753	\$ 9,396	\$ 56,149
2021	48,944	7,206	56,150
2022	51,236	4,913	56,149
2023	<u>53,637</u>	<u>2,513</u>	<u>56,150</u>
	<u>\$200,570</u>	<u>\$24,028</u>	<u>\$224,598</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, 2019 and 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

Texas County & District Retirement System

Plan Description - The El Paso County Emergency Services District #1 participates in the Texas County & District Retirement System (TCDRS), which is a statewide, agent multiple-employer, public employee retirement system.

A brief description of the benefit terms includes the following:

- 1) All full-and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year. Employees in a temporary position are not eligible for membership.
- 2) The plan provides retirement, disability and survivor benefits.
- 3) TCDRS is a savings-based plan. For the District's plan, 5% of each employee's pay is deposited into his or her TCDRS account. By law, employee accounts earn 7% interest on beginning of year balances annually. At retirement, the account is matched at an employer set percentage (current match is 135%) and is then converted to an annuity.
- 4) There are no automatic cost of living adjustments ("COLAs"). Each year, the District may elect an ad hoc COLA for its retirees (if any). There are two COLA types, each limited by actual inflation.
- 5) Benefit terms are established under the TCDRS Act. The terms may be amended as of January 1 each year but remain in conformity with the Act.

The District's contribution rate is calculated annually on an actuarial basis, although the employer may elect to contribute at a higher rate. The District contribution rate is based on the TCDRS funding policy adopted by the TCDRS Board of Trustees and must conform with the TCDRS Act. The employee contribution rates are set by the District and are currently 5%. The most recent comprehensive annual financial report for TCDRS can be found at www.tcdrs.org. Membership information is shown in the chart below.

(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)

December 31, 2019

Members:

Inactive employees entitled to but not yet receiving benefits:	0
Number of employees:	9
Average monthly salary:	\$2,053
Average age:	46.01
Average length of service in years*:	7.25

*Averages reported for active employees

December 31, 2018

Inactive employees (or their beneficiaries) receiving benefits:

Number of benefit recipients:	0
Average monthly benefit:	\$0

Total contributions payable to the plan at September 30, 2019 were \$1,752. The District did not participate in the TCDRS Pension Plan prior to October 1, 2018.

Net Pension Liability – The "Net Pension Liability" ("NPL") is the difference between the "Total Pension Liability" (TPL) and the Plan's Fiduciary Net Position" ("FNP"). The TPL is the present value of pension benefits that are allocated to current members due to past service by the entry age normal actuarial cost method. The TPL includes benefits related to projected salary and service, and automatic COLAs. In addition, ad-hoc COLA's are adjusted in the TPL to the extent they are substantially automatic. The FNP is determined on the same basis as the pension plans. The District's net position was measured as of December 31, 2018 and December 31, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates.

(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)

<u>Net Pension Liability/ (Asset)</u>	<u>December 31, 2018</u>
Total pension liability	\$5,108
Fiduciary net position	<u>5,292</u>
Net pension liability/(asset)	\$ <u>(184)</u>
Fiduciary net position as a percentage of total pension liability	103.60%
Pensionable covered payroll (1)	\$55,422
Net pension liability as a percentage of covered payroll	(0.33)%
Discount rate (2)	8.10%
Long-term expected rate of return, net of investment expense (2)	8.10%
Municipal bond rate	Does not apply

(1) Payroll is calculated based on contributions as reported to TCDRS.

(2) This rate reflects the long-term rate of return funding valuation assumption of 8.0% plus 0.10% adjustment to be gross of administrative expenses as required by GASB 68.

Other Actuarial Assumptions – The actuarial assumptions that determined the total pension liability as of December 31, 2018 were based on the results of an actuarial experience study for the period January 1, 2013 through December 31, 2016 except where required to be different by GASB 68.

(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)

Actuarial Methods and Assumptions Used for GASB Calculations - All actuarial methods and assumptions used for this GASB analysis were the same as those used in the December 31, 2018 funding valuations, except as noted below and throughout this report.

The following are key assumptions and methods used:

Valuation Timing	Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age Normal (1)
Amortization Method	
Recognition of economic/demographic gains or losses	Straight-line amortization over expected working life
Recognition of assumptions changes or inputs	Straight-line amortization over expected working life
Asset Valuation Method	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	2.75%
Salary Increases	The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.25% (made up of 2.75% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.6% per year for a career employee.

(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)

Actuarial Methods and Assumptions Used for GASB Calculations (Continued) -

Investment Rate of Return	8.10% (Gross of administrative expenses)
Cost-of-Living Adjustments	Cost-of-living adjustments for El Paso County Emergency Services District #1 are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost of living adjustments is included in the funding valuation.
Retirement Age	Average age 61.
Turnover	New employees are assumed to replace any terminated members and have similar entry ages.
Mortality	
Depositing members	90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate scale after 2014.
Service Retirees, beneficiaries and non-depositing members	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Disabled retirees	130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

(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)

Actuarial Methods and Assumptions Used for GASB Calculations (Continued) -

- (1) Individual entry age normal cost method, as required by GASB 68, used for GASB calculations. Note that a slightly different version of the entry age normal cost method is used for the funding actuarial valuation.

Schedule of Changes in Net Pension Liability/(Asset) – The change in the reported net pension liability for the measurement period ended December 31, 2018 and December 31, 2017 is as follows:

	<u>Total Pension Liability (a)</u>	<u>Increase (Decrease) Fiduciary Net Position (b)</u>	<u>Net Pension Liability/ (Asset) (a)-(b)</u>
Balance as of December 31, 2017	\$	\$	\$
Changes for the year:			
Service cost	5,104		5,104
Interest on total pension liability	413		413
Effect of economic/demographic gains or losses	(409)		(409)
Refund of contributions			
Administrative expenses		(4)	4
Member contributions		2,771	(2,771)
Net investment income		57	(57)
Employer contributions		2,317	(2,317)
Other	<u> </u>	<u>151</u>	<u>(151)</u>
Balance as of December 31, 2018	<u>\$5,108</u>	<u>\$5,292</u>	<u>\$ (184)</u>

(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)

Schedule of Changes in Net Pension Liability/(Asset) – A schedule of Net Pension Liability, in addition to the information above, includes multi-year trend information and is presented in the Required Supplementary Information section and can be found on page 72 of this report.

Long-Term Expected Rate of Return -The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2019 information for a 10-year time horizon. Note that the valuation assumption for long-term expected return is reassessed at a minimum of every four years and is set based on a 30-year time horizon; the most recent analysis was performed in 2017.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Geometric Real Rate of Return</u>
U.S. Equities	10.50%	5.40%
Private Equity	18.00%	8.40%
Global Equities	2.50%	5.70%
International Equities - Developed Markets	10.00%	5.40%
International Equities - Emerging Markets	7.00%	5.90%
Investment-grade Bonds	3.00%	1.60%
Strategic Credit	12.00%	4.39%
Direct Lending	11.00%	7.95%
Distressed Debt	2.00%	7.20%
REIT Equities	2.00%	4.15%
Master Limited Partnerships (MLPs)	3.00%	5.35%
Private Real Estate Partnerships	6.00%	6.30%
Hedge Funds	13.00%	3.90%

(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)

Depletion of Plan Assets/GASB Discount Rate - The discount rate is the single rate of return that, when applied to all projected benefit payments results in an actuarial present value of projected benefit payments equal to the total of the following:

1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension plan's fiduciary net position is projected to be greater than the benefit payments that are projected to be made in that period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term rate of return, calculated using the expected rate of return on pension plan investments.
2. The actuarial present value of projected benefit payments not included in (1), calculated using the municipal bond rate.

Therefore, if plan investments in a given future year are greater than projected benefit payments in that year and are invested such that they are expected to earn the long-term rate of return, the discount rate applied to projected benefit payments in that year should be the long-term expected rate of return on plan investments. If future years exist where this is not the case, then an index rate reflecting the yield on a 20-year, tax-exempt municipal bond should be used to discount the projected benefit payments for those years.

The determination of a future date when plan investments are not sufficient to pay projected benefit payments is often referred to as a depletion date projection. A depletion date projection compares projections of the pension plan's fiduciary net position to projected benefit payments and aims to determine a future date, if one exists, when the fiduciary net position is projected to be less than projected benefit payments. If an evaluation of the sufficiency of the projected fiduciary net position compared to projected benefit payments can be made with sufficient reliability without performing a depletion date projection, alternative methods to determine sufficiency may be applied.

In order to determine the discount rate to be used by the employer, an alternative method to determine the sufficiency of the fiduciary net position in all future years has been used. The alternative method reflects the funding requirements under the employer's funding policy and the legal requirements under the TCDRS Act.

1. TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability (UAAL) shall be amortized as a level percent of pay over 20-year closed layered periods.
2. Under TCDRS Act, the employer is legally required to make the contribution specified in the funding policy.

(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)

Depletion of Plan Assets/GASB Discount Rate (Continued) –

3. The employer's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.
4. Any increased cost due to the adoption of a COLA is required to be funded over a period of 15 years, if applicable.

Based on the above, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments. Based on the expected level of cash flows and investment returns to the system, the fiduciary net position as a percentage of total pension liability is projected to increase from its current level in future years.

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the employer is equal to the long-term assumed rate of return of the investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses for GASB 68 purposes. Therefore, a discount rate of 8.10% has been used. This rate reflects the long-term assumed rate of return on assets for funding purposes of 8.00%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

Sensitivity Analysis - The following presents the net pension liability of the District, calculated using the discount rate of 8.10%, as well as what the District net position liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.10%) or 1 percentage point higher (9.10%) than the current rate.

	<u>December 31, 2018</u>		
	1% Decrease <u>7.10%</u>	Current Discount Rate <u>8.10%</u>	1% Increase <u>9.1%</u>
Total pension liability	\$6,022	\$5,108	\$4,371
Less fiduciary net position	<u>5,292</u>	<u>5,292</u>	<u>5,292</u>
Net pension liability/(asset)	<u>\$ 730</u>	<u>\$ (184)</u>	<u>\$ (921)</u>

(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)

Net Pension Expense - Pension expense for the years ended September 31, 2019 and 2018 is recognized by the District as follows:

<u>Pension Expense/ (Income)</u>	<u>January 1, 2018 to December 31, 2018</u>
Service cost	\$5,104
Interest on total pension liability	413
Administrative expenses	4
Member contributions	(2,771)
Expected investment on return, net of investment expenses	(208)
Recognition of deferred inflows/outflows of resources:	
Recognition of economic/demographic gains and losses	(37)
Recognition of investment gains or losses	30
Other	<u>(151)</u>
Net pension expenses (income)	<u>\$ 2,384</u>

As of September 30, 2019, the deferred inflows and outflows of resources are as follows:

	<u>September 30, 2019</u>	
	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ 373	\$
Net difference between projected and actual earnings		121
Contributions made subsequent to measurement date (1)	<u> </u>	<u>7,336</u>
	<u>\$ 373</u>	<u>\$7,457</u>

(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)

Net Pension Expense (Continued)

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

Year Ended December 31,

2019	\$7,329
2020	(7)
2021	(7)
2022	(6)
2023	(36)
Thereafter (2)	<u>(188)</u>
	<u>\$7,085</u>

- (1) Any eligible employee contributions made subsequent to the measurement date through the employer's fiscal year end should be reflected as required by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurements Date*, an amendment to GASB 68.
- (2) Total remaining balance to be recognized in future years, if any. Note that additional future deferred inflows and outflows of resources may impact these numbers.

(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)

Texas Emergency Services Retirement System

The District offers a retirement plan to eligible employees under the Texas Emergency Services Retirement System ("TESRS").

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.

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, 2018 ("the measurement date"), there were 237 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, 2018, the pension system membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits	3,649
Terminated Members Entitled to Benefits but Not Yet Receiving Them	1,842
Active Participants (Vested and nonvested)	3,702

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 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, 2018, Part Two contributions are not required for an adequate contribution arrangement.

Additional contributions may be made by governing bodies within two years of joining the System, to grant up to fifteen 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.

(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 – The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions were set by board rule, and there is no maximum contribution rate.

For the fiscal year ending August 31, 2019, total contributions (dues, prior service, and interest on prior service financing) of \$3,480,509 were paid into TESRS by the political subdivisions served by the member volunteer emergency services personnel. The State appropriated \$1,329,224 for the fiscal year ending August 31, 2019. 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, 2018 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.

For the fiscal year ending August 31, 2018, 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, 2018.

During the year ended August 31, 2019, a total of \$47,432 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, 2019 totaled \$47,432 and are presented as an expense in the accompanying statement of activities for the fiscal year ended September 30, 2019.

During the year ended August 31, 2018 (the previous measurement period), a total of \$26,771 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, 2019 totaled \$43,057 and are presented as an expense in the accompanying statement of activities for the fiscal year ended September 30, 2018.

(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 – 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.

During the fiscal years ended September 30, 2019 and 2018, pension contributions from the County made to TESRS on behalf of the District totaled \$37,432 and \$33,057, respectively. The District made voluntary contributions to the Plan of \$10,000 in each of the fiscal years ending September 30, 2019 and 2018. 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.

(Continued)

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

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

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 2019, 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	\$4,888,968
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. 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

Litigation

As of September 30, 2019, 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.

Town of Horizon Police Department – Dispatching Services

The District entered into an interlocal agreement with the Town of Horizon City, Texas (“the Town”) in which the Town’s public safety department will provide dispatching services to the District, including but not limited to providing staff 24 hours a day, 7 days a week, to answer emergency services and dispatch responses for District personnel. The original period of the contract began on March 1, 2015 and ended on September 30, 2015. At the end of the term, the contract is renewed every year unless both parties agree to terminate the agreement. Total compensation for the services provided by the Town during the year ended September 30, 2019 was \$110,535. The agreement requires the annual contract amount to be revisited every year and approved by both parties. The contract amount for fiscal year 2019-2020 is \$109,620.

SUBSEQUENT EVENTS

Effective January 8, 2020, the District entered into a loan agreement with TIB Holdings, LLC for the financing of a new fire truck. The loan agreement establishes financing of a total principal amount of \$283,531, with an interest rate of 2.19% per annum, and matures February 15, 2027. The entire loan principal is secured by ad-valorem taxes.

Subsequent events were evaluated through January 23, 2020 , which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**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, 2019

	<u>Budgeted Amounts</u>		Actual Amounts Budgetary	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Basis</u>	
Revenues:				
Taxes:				
Property taxes	\$ 2,607,010	\$2,607,010	\$ 2,739,839	\$ 132,829
Charges for services	224,218	224,218	263,767	39,549
Contributions			37,432	37,432
Investment earnings			93,961	93,961
Grant income			27,425	27,425
Other income			<u>1,045</u>	<u>1,045</u>
Total revenues	<u>2,831,228</u>	<u>2,831,228</u>	<u>3,163,469</u>	<u>332,241</u>
Expenditures:				
Public safety:				
Fire control and EMS:				
Salaries and benefits	667,757	727,957	729,261	(1,304)
Material and services	1,091,863	1,078,749	1,083,475	(4,726)
Capital outlay	652,892	656,806	938,393	(281,587)
Debt service:				
Principal payments	482,316	482,346	482,316	30
Interest payments	313,974	313,944	313,813	131
Loan issuance costs			<u>10,000</u>	<u>(10,000)</u>
Total expenditures	<u>3,208,802</u>	<u>3,259,802</u>	<u>3,557,258</u>	<u>(297,456)</u>
Surplus of revenues over expenditures (excess of expenditures over revenue)	(377,574)	(428,574)	(393,789)	34,785
Fund balance, beginning of year	<u>4,937,872</u>	<u>4,937,872</u>	<u>4,937,872</u>	
Fund balance, end of year	<u>\$ 4,560,298</u>	<u>\$4,509,298</u>	<u>\$ 4,544,083</u>	<u>\$ 34,785</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, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Budget basis deficit			\$ (393,789)	
Other financing sources:				
Proceeds from note payable			<u>1,200,000</u>	
GAAP basis excess			806,211	
Fund balance, beginning of year			<u>4,937,872</u>	
Fund balance, end of the year			<u>\$ 5,744,083</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, 2018

	<u>Budgeted Amounts</u>		Actual Amounts	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>	
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			<u>3,573</u>	<u>3,573</u>
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			<u>28,700</u>	<u>(28,700)</u>
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

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance
	Original	Final		
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 - SPECIAL REVENUE FUND
HORIZON VOLUNTEER FIRE DEPARTMENT, INC.**

Year Ended September 30, 2019

	<u>Budgeted Amounts</u>		Actual Amounts Budgetary	
	<u>Original</u>	<u>Final</u>	<u>Basis</u>	<u>Variance</u>
Revenues:				
Transfers from general fund	\$ 447,154	\$ 396,154	\$ 435,763	\$ 39,609
Total revenues	<u>447,154</u>	<u>396,154</u>	<u>435,763</u>	<u>39,609</u>
Expenditures:				
Public safety:				
Salaries and benefits	<u>447,154</u>	<u>396,154</u>	<u>435,763</u>	<u>(39,609)</u>
Total expenditures	<u>447,154</u>	<u>396,154</u>	<u>435,763</u>	<u>(39,609)</u>
Surplus of revenues over expenditures				
Fund balance, beginning of year	_____	_____	_____	_____
Fund balance, end of year	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</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 - SPECIAL REVENUE FUND
HORIZON VOLUNTEER FIRE DEPARTMENT, INC.**

Year Ended September 30, 2018

	<u>Budgeted Amounts</u>		Actual Amounts Budgetary	
	<u>Original</u>	<u>Final</u>	<u>Basis</u>	<u>Variance</u>
Revenues:				
Transfers from general fund	\$ 393,711	\$ 393,711	\$ 419,512	\$ 25,801
Total revenues	<u>393,711</u>	<u>393,711</u>	<u>419,512</u>	<u>25,801</u>
Expenditures:				
Public safety:				
Salaries and benefits	<u>393,711</u>	<u>393,711</u>	<u>419,512</u>	<u>(25,801)</u>
Total expenditures	<u>393,711</u>	<u>393,711</u>	<u>419,512</u>	<u>(25,801)</u>
Surplus of revenues over expenditures				
Fund balance, beginning of year	_____	_____	_____	_____
Fund balance, end of year	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</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)**

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 2019.

(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 re-appropriated.

EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended September 30, 2019, the following categories exceeded its corresponding budgeted appropriations:

Capital outlay	\$281,587
Loan issuance costs	10,000
Materials and services	4,726
Salaries and Benefits	<u>1,304</u>
	<u>\$297,617</u>

Total expenditures exceeded total budgeted appropriations by \$297,617. These excess expenditures were funded with revenues that exceeded budgeted sources, as well as issuance of long-term debt for capital outlay.

For the year ended September 30, 2018, the only expenditure category that exceeded its corresponding budgeted appropriation amount was loan issuance costs in the amount of \$28,700. Total budgeted appropriations exceeded total expenditures by \$491,184. These excess appropriations were rolled forward to the following fiscal year.

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

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>2018</u>	<u>Years 2009 - 2017</u>
Total Pension Liability		
Service cost	\$ 5,104	N/A
Interest on total pension liability	413	N/A
Effect of plan changes		N/A
Effect of assumption changes or inputs		N/A
Effect of economic/demographic (gains) or losses	(409)	N/A
Benefit payments/refund of contributions		N/A
Net change in total pension liability	5,108	N/A
Total pension liability, beginning		N/A
Total pension liability, ending	5,108	N/A
Fiduciary Net Position		
Employer contributions	2,317	N/A
Member contributions	2,771	N/A
Investment income net of investment expenses	57	N/A
Benefit payments/refund of contributions		N/A
Administrative expenses	(4)	N/A
Other	151	N/A
Net change in fiduciary net position	5,292	N/A
Fiduciary net position, beginning		N/A
Fiduciary net position, ending	5,292	N/A
Net pension liability (asset)	\$ (184)	N/A
Fiduciary net position as a percentage of total pension liability	103.60%	N/A
Pensionable covered payroll	\$ 55,422	N/A
Net pension liability (asset) as a percentage of covered payroll	-0.33%	N/A

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 67/68, they should not be shown here. Therefore, we have shown only years for which the new GASB statements have been implemented. See independent auditor's report.

See independent auditors' report.

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

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Year Ended December 31,	Actuarially Determined Contribution (1)	Actual Employer Contribution (1)	Contribution Deficiency (Excess)	Pensionable Covered Payroll (2)	Actual Contribution as a % Covered Payroll
2009	\$	\$	\$	\$	
2010					
2011					
2012					
2013					
2014					
2015					
2016					
2017					
2018	2,317	2,317		55,422	4.2%

(1) TCDRS calculates actuarially determined contributions on a calendar year basis.
GASB Statement No. 68 indicates the employer should report employer contribution amounts on a fiscal year basis.

(2) Payroll is calculated based on contributions as reported to TCDRS.

See independent auditor's report.

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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 23, 2020.

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.

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.

SBNG, PC

January 23, 2020
El Paso, Texas