

**BEXAR COUNTY
EMERGENCY SERVICES DISTRICT #2**

ANNUAL FINANCIAL REPORT

**FISCAL YEAR ENDED
SEPTEMBER 30, 2020**





BEXAR COUNTY EMERGENCY SERVICES DISTRICT #2
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2020

DISTRICT OFFICIALS

PRESIDENT	DAVID HARRIS
VICE PRESIDENT	RICHARD CASH
TREASURER	CHRIS RAIT
SECRETARY	JUSTEN NOAKES
ASSISTANT TREASURER	BRIAN FITE
ACCOUNTANT	MARTINEZ, ROSARIO & COMPANY, L.L.P.
ATTORNEY	SANCHEZ & WILSON, PLLC



BEXAR COUNTY EMERGENCY SERVICES DISTRICT #2
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2020

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Armstrong, Vaughan & Associates, P. C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

District Commissioners
Bexar County Emergency Services District #2

Report on the Financial Statements

We have audited the accompanying basic financial statements of the governmental activities and each major fund of the Bexar County Emergency Services District #2, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise Bexar County Emergency Services District #2's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Bexar County Emergency Services District #2's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the primary government of Bexar County Emergency Services District #2, as of September 30, 2020, and the respective changes in financial position and, where applicable, cash flows, thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

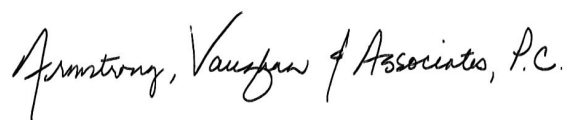
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and the Schedule of Changes and Notes – Net Pension Liability and Related Ratios as listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Bexar County Emergency Services District #2's financial statements. The comparative financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The comparative financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Armstrong, Vaughan & Associates, P.C.

May 20, 2021

MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of Bexar County Emergency Services District #2’s annual financial report presents our discussion and analysis of the District’s financial performance during the fiscal year ended September 30, 2020. Please read it in conjunction with the District’s financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

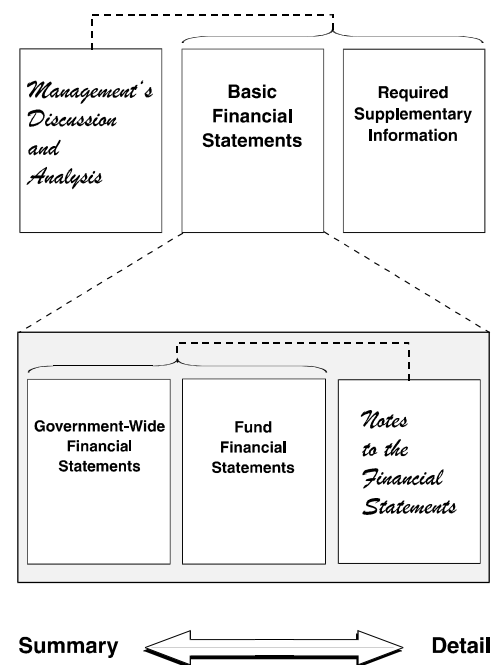
- The District’s total net position was \$25.5 million at September 30, 2020.
- During the year, the District’s expenses were \$7.5 million less than the \$21.1 million generated in taxes and other revenues for governmental activities.
- The general fund reported a fund balance this year of \$15 million.
- The District executed a capital lease in the amount of \$2.6 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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



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

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

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

Government-Wide Statements

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

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

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

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

Fund Financial Statements

The District has the following kinds of funds:

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District’s net position was \$25.5 million at September 30, 2020. (See Table A-1).

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

	Governmental Activities		Total Percentage Change
	2020	2019	2020-2019
Current Assets:			
Cash and Investments	\$ 14,389	\$ 10,874	32.3%
Cash and Investments - Restricted	8,754	8,855	-1.1%
Accrued Interest Receivable	-	13	-100.0%
Property Taxes Receivable	102	91	12.3%
Sales Taxes Receivable	1,460	964	51.4%
EMS Receivable	391	636	-38.5%
Deployment Reimbursement Receivable	628	-	100.0%
Other Receivable	36	37	-3.8%
Prepaid Items	157	281	-44.0%
Noncurrent Assets:			
Vehicles and Equipment	10,776	8,725	23.5%
Buildings	3,499	2,084	67.9%
Accumulated Depreciation	(5,448)	(3,771)	44.5%
Land	1,078	1,078	0.0%
Construction in Progress	4,631	747	519.9%
Total Assets	40,453	30,614	32.1%
Deferred Outflows	995	656	51.7%
Current Liabilities:			
Accounts Payable	645	137	370.6%
Payroll Liabilities	367	216	70.0%
Accrued Interest Payable	388	348	11.5%
Compensated Absences - Current	16	15	5.3%
Debt Payable - Current	1,162	848	37.1%
Long-Term Liabilities:			
Compensated Absences, Net of Current	541	352	53.7%
Debt Payable, Net of Current	12,166	10,749	13.2%
Net Pension Liability	619	580	6.6%
Total Liabilities	15,904	13,245	20.1%
Deferred Inflows	33	23	44.9%
Net Position:			
Net Investment in Capital Assets	9,962	6,266	59.0%
Unrestricted	15,549	11,734	32.5%
Total Net Position	\$ 25,511	\$ 18,000	41.7%

Changes in Net Position. The District's total revenues were \$21.1 million. The District's revenue comes from taxes, EMS revenues, donations, grants and investment income. The total cost of all programs and services was \$13.6 million.

Governmental Activities

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

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

	Governmental Activities		Total Percentage Change
	2020	2019	2020-2019
General Revenues			
Property Taxes	\$ 8,698	\$ 7,758	12.1%
Sales Taxes	8,830	4,772	85.0%
Miscellaneous	12	31	-62.3%
Interest	66	130	-48.9%
Program Revenues			
EMS Charges	2,887	1,917	50.6%
Operating Grants and Contributions	647	56	1055.4%
Total Revenues	<u>21,140</u>	<u>14,664</u>	44.2%
General Expenses			
General Administration	967	697	38.8%
Emergency Services	12,185	8,792	38.6%
Interest and Fees on Notes Payable	476	495	-3.8%
Total Expenses	<u>13,629</u>	<u>9,984</u>	36.5%
Increase (Decrease) in Net Position	<u>\$ 7,511</u>	<u>\$ 4,680</u>	60.5%

Table A-3 presents the cost of each of the District's largest functions, as well as each function's net cost (total cost less fees generated by the activities). The net cost reflects what was funded by local tax dollars.

- The cost of all *governmental* activities this year was \$13.6 million, and was financed primarily through property taxes, sales taxes and EMS revenues.

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

	Net Cost of Services		Total Percentage Change
	2020	2019	2020-2019
General Administration	\$ (963)	\$ (685)	40.5%
Emergency Services	(8,658)	(6,832)	26.7%
Net cost of District Functions	<u>\$ (9,620)</u>	<u>\$ (7,517)</u>	28.0%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$20.9 million, an increase of 49.3%. The increase in local revenues is a result of increased sales tax and EMS services.

General Fund Budgetary Highlights

Over the course of the year, the District revised its original budget one time to adjust for changes in expense allocations. Actual expenditures were \$2.18 million less than budget amounts due to less emergency service and capital outlay expenses.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2020, the District had a net investment of \$14.5 million in buildings, equipment, and vehicles. (See Table A-4). More detailed information about the District's capital assets is presented in the notes to the financial statements.

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

	Governmental Activities		Total Percentage Change
	2020	2019	2020-2019
Vehicles and Equipment	\$ 10,776	\$ 8,725	23.5%
Buildings	3,499	2,085	67.9%
Land	1,078	1,078	0.0%
Construction in Progress	4,631	747	519.9%
Totals at Historical Cost	19,984	12,634	58.2%
Total Accumulated Depreciation	(5,448)	(3,771)	44.5%
Net Capital Assets	\$ 14,536	\$ 8,863	64.0%

Long Term Debt

During the current year, the District 2 Fire and Rescue executed a \$2.6 million lease for the financing of two fire trucks. As of September 30, 2020, the District had \$13.3 million in long-term debt outstanding as shown on Table A-5.

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

	Governmental Activities		Total Percentage Change
	2020	2019	2020-2019
Capital Lease Payable	\$ 4,633	\$ 2,597	78.4%
Notes Payable	8,696	9,000	-3.4%
	<u>\$ 13,328</u>	<u>\$ 11,597</u>	14.9%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised value used for the 2021 budget provides an anticipated revenue generation of \$9.8 million. The 2020 property tax rate decreased to \$0.099546 per \$100 property valuation.
- General operating fund expenses, including contributions to District 2 Fire and Rescue, for 2021/2021 is estimated at \$20.98 million or a 28% increase over 2019/2020 actual expenses.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide Bexar County Emergency Services District #2 citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact *Mr. Josh Brown, General Manager* at:

Mailing Address: Bexar County Emergency Services District #2
14785 Omicron Drive
Building 100, Suite 124
San Antonio, Texas 78253

Telephone: 210-688-2406

Fax: 210-688-2116

E-mail: josh.brown@bc2fd.org

Or visit our Website: www.esd2.org

BEXAR COUNTY EMERGENCY SERVICES DISTRICT #2
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2020

BASIC FINANCIAL STATEMENTS

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

- Government – wide financial statements
- Fund financial statements:
 - Governmental funds

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

BEXAR COUNTY EMERGENCY SERVICES DISTRICT #2
STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

	Primary Government Governmental Activities
ASSETS	
<i>Current Assets:</i>	
Cash and Investments	\$ 14,388,493
Cash and Investments - Restricted for Construction	8,754,286
Accounts Receivables, Net of Allowance for Uncollectible:	
Property Taxes	102,159
Sales Taxes	1,459,682
EMS Charges	391,322
Deployment Reimbursement	628,039
Other	35,576
Prepaid Items	157,346
<i>Total Current Assets</i>	<u>25,916,903</u>
<i>Property and Equipment:</i>	
Vehicles and Equipment	10,776,240
Buildings	3,498,875
Less: Accumulated Depreciation	(5,447,642)
Land	1,077,635
Construction in Progress	4,631,025
<i>Total Property and Equipment</i>	<u>14,536,133</u>
TOTAL ASSETS	<u>40,453,036</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Pension Related Outflows	995,234
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 995,234</u>

The accompanying notes are an integral part of these statements.

BEXAR COUNTY EMERGENCY SERVICES DISTRICT #2
STATEMENT OF NET POSITION (CONT.)
SEPTEMBER 30, 2020

	Primary Government <hr/> Governmental Activities <hr/>
LIABILITIES	
<i>Current Liabilities:</i>	
Accounts Payable	\$ 644,704
Payroll Liabilities	367,280
Accrued Interest Payable	388,074
Compensated Absences - Current	15,802
Long-Term Debt - Current	1,162,242
<i>Total Current Liabilities</i>	<hr/> 2,578,102 <hr/>
<i>Long-Term Liabilities:</i>	
Compensated Absences, Net of Current	541,089
Long-Term Debt, Net of Current	12,166,214
Net Pension Liability	618,531
<i>Total Long-Term Liabilities</i>	<hr/> 13,325,834 <hr/>
TOTAL LIABILITIES	<hr/> 15,903,936 <hr/>
DEFERRED INFLOWS OF RESOURCES	
Deferred Pension Related Inflows	33,322
TOTAL DEFERRED INFLOWS OF RESOURCES	<hr/> 33,322 <hr/>
NET POSITION	
Net Investment in Capital Assets, Net of Related Debt	9,961,963
Unrestricted	15,549,049
TOTAL NET POSITION	<hr/> \$ 25,511,012 <hr/>

The accompanying notes are an integral part of these statements.

BEXAR COUNTY EMERGENCY SERVICES DISTRICT #2
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

					Net (Expenses), Revenues and Changes in Net Assets
Functions and Programs	Expenses	Program Revenues			Primary Government
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities:					
General Administration	\$ 968,333	\$ -	\$ 5,740	\$ -	\$ (962,593)
Emergency Services	12,185,257	2,886,494	641,224	-	(8,657,539)
Interest and Fees on Debt	476,266	-	-	-	(476,266)
Total Governmental Activities	13,629,856	2,886,494	646,964	-	(10,096,398)
Total Primary Government	\$ 13,629,856	\$ 2,886,494	\$ 646,964	\$ -	(10,096,398)
General Revenues:					
General Property Taxes					8,697,982
Sales Taxes					8,830,258
Miscellaneous					32,558
Interest Income					66,374
Loss on Disposals of Capital Assets					(19,866)
Total General Revenues					17,607,306
Change in Net Position					7,510,908
Net Position at Beginning of Year					18,000,104
Net Position at End of Year					\$ 25,511,012

The accompanying notes are an integral part of these statements.

BEXAR COUNTY EMERGENCY SERVICES DISTRICT #2
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020

	General Fund	Special Revenue Fund - District 2 Fire & Rescue	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 13,733,149	\$ 655,344	\$ 14,388,493
Cash and Investments - Restricted for Construction	-	8,754,286	8,754,286
Accounts Receivable, Net of Allowance for Uncollectible:			
Property Taxes	102,159	-	102,159
Sales Taxes	1,459,682	-	1,459,682
EMS Charges	391,322	-	391,322
Deployment Reimbursements	628,039	-	628,039
Other	35,576	-	35,576
Prepaid Items	37,351	119,995	157,346
TOTAL ASSETS	<u>\$ 16,387,278</u>	<u>\$ 9,529,625</u>	<u>\$ 25,916,903</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE			
<i>Liabilities:</i>			
Accounts Payable	\$ 190,570	\$ 454,134	\$ 644,704
Payroll Liabilities	367,280	-	367,280
<i>Total Liabilities</i>	<u>557,850</u>	<u>454,134</u>	<u>1,011,984</u>
<i>Deferred Inflows of Resources:</i>			
Unavailable Deployment Charges	628,039	-	628,039
Unavailable Property Tax Revenue	102,158	-	102,158
Unavailable EMS Charges	34,358	-	34,358
<i>Total Deferred Inflows of Resources</i>	<u>764,555</u>	<u>-</u>	<u>764,555</u>
<i>Fund Balance:</i>			
Nonspendable - Prepaid Items	37,351	119,995	157,346
Restricted - Construction	-	8,754,286	8,754,286
Unassigned	15,027,522	201,210	15,228,732
<i>Total Fund Balance</i>	<u>15,064,873</u>	<u>9,075,491</u>	<u>24,140,364</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u>\$ 16,387,278</u>	<u>\$ 9,529,625</u>	<u>\$ 25,916,903</u>

The accompanying notes are an integral part of these statements.

BEXAR COUNTY EMERGENCY SERVICES DISTRICT #2
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS	\$24,140,364
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital Assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.	14,536,133
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Charges for Deployment Services in the Statement of Activities do not provide current financial resources and are deferred in the fund statements.	628,039
--	---------

Property taxes receivable are not available to pay current period expenditures and, therefore, are unavailable in the funds statements.	102,158
---	---------

EMS revenues in the Statement of Activities do not provide current financial resources and are deferred in the fund statements.	34,358
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Liability for compensated absences are not due and payable in the current period and, therefore, not reported in the funds.	(556,891)
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Long-term liabilities are not due and payable in the current period and therefore, not reported in the funds:

Capital Lease Payable	(4,632,552)	
Notes Payable	(8,695,904)	
Accrued Interest Payable	(388,074)	(13,716,530)

Net Pension Asset/Liability (and related deferred inflows and outflows of resources) do not consume current financial resources and are not reported in the governmental funds.

Net Pension Liability	(618,531)	
Pension Related Deferred Outflows	995,234	
Pension Related Deferred Inflows	(33,322)	343,381

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	<u><u>\$25,511,012</u></u>
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The accompanying notes are an integral part of these statements.

BEXAR COUNTY EMERGENCY SERVICES DISTRICT #2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	General Fund	Special Revenue Fund - District 2 Fire & Rescue	Total Governmental Funds
REVENUES			
Property Taxes	\$ 8,687,003	\$ -	\$ 8,687,003
Sales Taxes	8,830,258	-	8,830,258
Service Contract Income - BCESD No. 6	1,405,260	-	1,405,260
Charges for Service	1,960,055	-	1,960,055
Interest	1,680	64,694	66,374
Grants & Other Contributions	13,185	5,740	18,925
Miscellaneous	22,634	-	22,634
TOTAL REVENUES	<u>20,920,075</u>	<u>70,434</u>	<u>20,990,509</u>
EXPENDITURES			
Current:			
Emergency Services	10,557,800	45,876	10,603,676
General Administrative	925,404	42,929	968,333
Capital Outlay	1,610,540	5,774,174	7,384,714
Debt Service:			
Principal	-	847,653	847,653
Interest	-	429,918	429,918
Debt Issuance Costs	-	6,000	6,000
TOTAL EXPENDITURES	<u>13,093,744</u>	<u>7,146,550</u>	<u>20,240,294</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>7,826,331</u>	<u>(7,076,116)</u>	<u>750,215</u>
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	(2,000,000)	2,000,000	-
Proceeds from Debt Issuance	-	2,579,117	2,579,117
Proceeds from Sale of Capital Assets	8,834	-	8,834
Insurance Recoveries	9,920	-	9,920
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,981,246)</u>	<u>4,579,117</u>	<u>2,597,871</u>
Net Change in Fund Balance	5,845,085	(2,496,999)	3,348,086
Fund Balance at Beginning of Year	<u>9,219,788</u>	<u>11,572,490</u>	<u>20,792,278</u>
Fund Balance at End of Year	<u>\$ 15,064,873</u>	<u>\$ 9,075,491</u>	<u>24,140,364</u>

The accompanying notes are an integral part of these statements.

BEXAR COUNTY EMERGENCY SERVICES DISTRICT #2
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE OF THE
GOVERNMENT FUND TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS	\$ 3,348,086
--	---------------------

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expenses. This is the amount by which capital outlay exceeds depreciation.

Capital Outlay	7,384,714	
Depreciation	<u>(1,682,708)</u>	5,702,006

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

(28,700)

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

Property Taxes Not Available for Current Period	10,979	
EMS Revenues Not Available for Current Period	(478,821)	
Charges for Deployment Services not Available for the Current Period	628,039	

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

Proceeds from Issuance of Notes Payable	(2,579,117)	
Principal Payments of Long-Term Debt	847,497	

Some expenses reported in the Statement of Activities do not required the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Accrued Interest	(40,350)	
Compensated Absences	<u>(189,616)</u>	\$ (229,966)

The accompanying notes are an integral part of these statements.

BEXAR COUNTY EMERGENCY SERVICES DISTRICT #2
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE OF THE
GOVERNMENT FUND TO THE STATEMENT OF ACTIVITIES (CONT.)
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Governmental funds report contributions to employee pensions as expenditures. However, in the Statement of Activities the cost of the pension is recorded based on the actuarially determined cost of the plan. This is the amount that pension expense exceeded the actuarially determined contributions.

\$ 290,905

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES

\$ 7,510,908

The accompanying notes are an integral part of these statements.



NOTES TO BASIC FINANCIAL STATEMENTS

BEXAR COUNTY EMERGENCY SERVICES DISTRICT #2
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Bexar County Emergency Services District #2 (the “District”) is a political subdivision of the State of Texas and was created by the Bexar County Commissioners’ Court after a Public Election on May 13, 2006. The District was created to provide emergency services and promote public safety, welfare, health and convenience of persons residing in the District.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District’s accounting policies are described below:

A. THE FINANCIAL REPORTING ENTITY

Component Units

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

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

Bexar County Emergency Services District #2 appoints its Board of Commissioners as the directors of the Department. The Department is a local nonprofit fire department without powers of taxation, organized exclusively for the purpose of providing fire protection and emergency services to the area covered by the District. The District has approval over the budget of the Department and general oversight of the entire operation. District 2 Fire and Rescue receive 97% of their income from Bexar County Emergency Services District #2 to primarily pay debt and provide minimal services. The fiscal year of the Department is October 1 through September 30. A copy of the audited financial statements for the Department can be obtained from the Bexar County Emergency Services District #2.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

BEXAR COUNTY EMERGENCY SERVICES DISTRICT #2
NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)
SEPTEMBER 30, 2020

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

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

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

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

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

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

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

Governmental fund level financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Receivables which are measurable but not collectible within 60 days after the end of the fiscal period are reported as deferred revenue. Property taxes which were levied prior to September 30, 2019, and became due October 1, 2019 have been assessed to finance the budget of the fiscal year beginning October 1, 2019.

Expenditures generally are recorded when they become due and payable.

The government reports the following major governmental funds:

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

BEXAR COUNTY EMERGENCY SERVICES DISTRICT #2
NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)
SEPTEMBER 30, 2020

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

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

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

D. CASH AND CASH EQUIVALENTS

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

E. INVESTMENTS

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

F. ACCOUNTS RECEIVABLE

Accounts receivable are reported net of allowances for uncollectible accounts. The allowance account represents management's estimate of uncollectible accounts based on historical trends. An allowance for uncollectible accounts has not been established as management believes all accounts to be collectible. Property taxes are levied based on taxable value at January 1 and become due October 1 and past due after the following January 31. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting.

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

BEXAR COUNTY EMERGENCY SERVICES DISTRICT #2
NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)
SEPTEMBER 30, 2020

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

G. PREPAID ITEMS

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. At September 30, 2020, the District had prepaid insurance of \$16,330 and prepaid service contracts and agreements of \$21,021.

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

H. PROPERTY AND EQUIPMENT

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

Furniture and equipment is capitalized if cost is over \$5,000. Major improvements and renewals of real property are capitalized if the cost is over \$25,000. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Property and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Vehicles	5 years
Equipment	5 - 10 years
Buildings	10 - 25 years

Land and Construction in Progress are not depreciated.

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

BEXAR COUNTY EMERGENCY SERVICES DISTRICT #2
NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)
SEPTEMBER 30, 2020

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

I. DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period, while a deferred inflow of resources is an acquisition of net position. The deferred outflow of resources is presented in a separate section following assets (deferred outflows) or liabilities (deferred inflows) on the statement of net position. The District currently has pension related deferred inflows and outflows.

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

J. COMPENSATED ABSENCES

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

K. LONG-TERM OBLIGATIONS

In the government- wide financial statements, long-term debt and other long-term obligations are reported as liabilities under governmental activities. Long term debt consists of a note payable and capital leases payable.

L. PENSIONS

The net pension liability, deferred inflows, and outflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Texas County and District Retirement System (TCDRS), and additions to and deductions from TCERS' fiduciary net position have been determined on the same basis as they are reported by TCERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

M. FUND EQUITY

Fund balances in governmental funds are classified as follows:

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

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

BEXAR COUNTY EMERGENCY SERVICES DISTRICT #2
NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)
SEPTEMBER 30, 2020

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

M. FUND EQUITY (CONT.)

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

Assigned – Represents amounts which the District intends to use for a specific purpose but do not meet the criteria of restricted or committed. The District Commissioners may make assignments through formal documentation in the minutes. The District Commissioners are the only entities that may make assignments at this time.

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

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

N. NET POSITION

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

O. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

P. RECLASSIFICATIONS

Certain reclassifications have been made to the prior periods presented to conform to the current presentation. These reclassifications had no effect on fund equity.

BEXAR COUNTY EMERGENCY SERVICES DISTRICT #2
NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)
SEPTEMBER 30, 2020

NOTE 2 -- DEPOSITS AND INVESTMENTS

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

1. Cash

At September 30, 2020, the carrying amounts of the District's deposits in the banks were fully covered by a combination of federal deposit insurance and pledged securities from the District's depository. The District's cash was fully collateralized. Restricted Cash and Investments is money held for the construction and improvement of fire stations.

2. Investments

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that the District did adhere to all of the requirements of the Act.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

3. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

b. Concentration of Credit Risk

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

BEXAR COUNTY EMERGENCY SERVICES DISTRICT #2
NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)
SEPTEMBER 30, 2020

NOTE 2 -- DEPOSITS AND INVESTMENTS (CONT.)

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

c. Custodial Credit Risk

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

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

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

NOTE 3 -- AD VALOREM (PROPERTY) TAXES

The District has contracted with the Bexar County Tax Assessor-Collector to collect taxes on its behalf. Current year taxes become delinquent February 1. Current year delinquent taxes not paid by July 1 are turned over to attorneys for collection action. For fiscal year 2020, the assessed tax rate for the District was \$0.10 per \$100 on an assessed valuation of \$8,633,358,543. Total tax levy for fiscal year 2020 was \$8,633,359. As of September 30, 2020, the delinquent current taxes for 2020 were \$43,348.

BEXAR COUNTY EMERGENCY SERVICES DISTRICT #2
NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)
SEPTEMBER 30, 2020

NOTE 4 -- RECEIVABLES

The following is a summary of the gross property taxes and charges for services receivable and the related allowances for uncollectible amounts:

<u>Assets</u>	<u>Amount Receivable</u>	<u>Allowance for Uncollectible Accounts</u>	<u>Net Receivable</u>
<i>Taxes:</i>			
Property Taxes	\$ 102,159	\$ -	\$ 102,159
Sales Taxes	1,459,682	-	1,459,682
<i>Other Receivables:</i>			
Charges for Service - EMS	2,595,094	(2,203,772)	391,322
Deployment Services	628,039		628,039
Vendor Refund	32,889	-	32,889
Restitution Reimbursement	2,687	-	2,687
Total	<u>\$4,820,550</u>	<u>\$ (2,203,772)</u>	<u>\$2,616,778</u>

NOTE 5 -- PREPAID CHARGES

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

<u>Fiscal Year Ending September 30,</u>	<u>Lifepaks</u>	<u>Ambulance Equipment</u>	<u>Total</u>
2021	\$ 26,622	\$ 8,026	\$ 34,648
2022	26,622	8,026	34,648
2023	26,622	8,026	34,648
2024	-	8,026	8,026
2025	-	8,025	8,025
	<u>\$ 79,866</u>	<u>\$ 40,129</u>	<u>\$ 119,995</u>

BEXAR COUNTY EMERGENCY SERVICES DISTRICT #2
NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)
SEPTEMBER 30, 2020

NOTE 6 -- CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2020, was as follows:

	Beginning Balance	Additions	Reclassifications and Disposals	Ending Balance
Governmental Activities				
<i>Depreciable Property & Equipment:</i>				
Vehicles & Equipment	\$ 8,725,106	\$ 1,870,108	\$ 181,026	\$ 10,776,240
Buildings	2,084,477	1,414,398	-	3,498,875
Less: Accumulated Depreciation	(3,771,234)	(1,682,708)	6,300	(5,447,642)
Depreciable Property & Equipment, Net	<u>7,038,349</u>	<u>1,601,798</u>	<u>187,326</u>	<u>8,827,473</u>
<i>Non-Depreciable Property & Equipment:</i>				
Land	1,077,635	-	-	1,077,635
Construction in Progress	<u>746,843</u>	<u>4,100,208</u>	<u>(216,026)</u>	<u>4,631,025</u>
Total Property & Equipment	<u><u>\$ 8,862,827</u></u>	<u><u>\$ 5,702,006</u></u>	<u><u>\$ (28,700)</u></u>	<u><u>\$ 14,536,133</u></u>

The entire depreciation expense is recorded in the Emergency Services function. Additionally, all of the debt related to the property and equipment is in the name of the District 2 Fire and Rescue.

NOTE 7 -- LONG TERM DEBT

Long-term debt and obligations payable at September 30, 2020 comprise of the following:

	Beginning Balance	Additions	Retirements/ Transfers	Ending Balance	Due Within One Year
Capital Lease Payable	\$ 2,596,834	\$ 2,579,119	\$ (543,401)	\$ 4,632,552	\$ 847,369
Notes Payable	9,000,000	-	(304,096)	8,695,904	314,873
Compensated Absences	367,278	204,451	(14,838)	556,891	15,802
	<u>\$ 11,964,112</u>	<u>\$ 2,783,570</u>	<u>\$ (862,335)</u>	<u>\$ 13,885,347</u>	<u>\$ 1,178,044</u>

In December 2015, the District 2 Fire and Rescue acquired a long-term capital lease with U.S. Bank for the acquisition of equipment. The lease has a zero percent interest rate and a bargain purchase option of \$1 upon maturity. The capital lease is secured by the underlying equipment. The capital lease was paid off during the year ended September 30, 2020.

In February 2017, the District 2 Fire and Rescue acquired a long-term lease purchase agreement with Frost Bank for the acquisition of four new fire trucks (fire trucks). The lease has a 2.97% interest rate. The purchase agreement is secured by the underlying equipment. Future minimum lease payments are shown in the table on page 29.

In May 2017, the District 2 Fire and Rescue acquired a long-term capital lease with Stryker Flex Financial for the acquisition of equipment (chest compression systems). The lease has a zero percent interest rate and a bargain purchase option of \$1 upon maturity. The capital lease is secured by the underlying equipment. Future minimum lease payments are shown in the table on page 29.

BEXAR COUNTY EMERGENCY SERVICES DISTRICT #2
NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)
SEPTEMBER 30, 2020

NOTE 7 -- LONG TERM DEBT (CONT.)

In March 2020, the District 2 Fire and Rescue acquired a long-term lease purchase agreement with Frost Bank for the acquisition of two new fire trucks. The lease has a 2.54% interest rate. The purchase agreement is secured by the underlying equipment. Future minimum lease payments are shown in the table below.

For the Year Ended September 30,	Fire Truck Lease Payments	Compression Lease Payments	Total Lease Payments
2021	\$ 943,379	\$ 28,777	\$ 972,156
2022	943,379	28,777	972,156
2023	943,379	-	943,379
2024	943,379	-	943,379
2025	406,818		406,818
Thereafter	813,636		813,636
	4,993,970	57,554	5,051,524
Less Amount Representing Interest	(418,972)	-	(418,972)
	<u>\$ 4,574,998</u>	<u>\$ 57,554</u>	<u>\$ 4,632,552</u>

The following is an analysis of the equipment under capital lease as of September 30, 2020:

	Life Packs	Fire Truck	Compression	Total
Cost Basis of Equipment Leased	\$ 205,052	\$ 5,925,829	\$ 123,329	\$ 6,254,210
Less: Accumulated Depreciation	(184,547)	(1,284,265)	(80,164)	(1,548,976)
Net Basis of Equipment	<u>\$ 20,505</u>	<u>\$ 4,641,564</u>	<u>\$ 43,165</u>	<u>\$ 4,705,234</u>

Notes Payable

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

BEXAR COUNTY EMERGENCY SERVICES DISTRICT #2
NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)
SEPTEMBER 30, 2020

NOTE 7 -- LONG TERM DEBT (CONT.)

Notes Payable (Cont.)

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

Fiscal Year Ending September 30,	Principal	Interest	Total
2021	\$ 314,873	\$ 346,097	\$ 660,970
2022	327,405	333,565	660,970
2023	340,435	320,535	660,970
2024	353,985	306,985	660,970
2025	368,073	292,897	660,970
Thereafter	6,991,133	2,262,442	9,253,575
	<u>\$ 8,695,904</u>	<u>\$ 3,862,521</u>	<u>\$ 12,558,425</u>

NOTE 8 -- PENSION PLAN

Plan Description

The District participates as one of 800 plans in the nontraditional, defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). TCDRS is an agency created by the state of Texas and administered in accordance with the TCDRS Act as an agent multiple-employer retirement system for County and District employees in the State of Texas. The Board of Trustees of TCDRS is responsible for the administration and management of the system. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at PO Box 2034, Austin, Texas 78768-2034 or online at www.tcdrs.org.

The plan provisions are adopted by the governing body of the District, within the options available in the state statutes governing TCDRS. Members can retire at age 60 and above with 8 or more years of service or with 30 years regardless of age or when the sum of their age and years of service equals 75 or more. A member is vested after 8 years but must leave his accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by the employer. Effective January 1, 2018, the District has changed its retirement eligibility to age 60 and above with 5 years or more of service.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the District within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

BEXAR COUNTY EMERGENCY SERVICES DISTRICT #2
NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)
SEPTEMBER 30, 2020

NOTE 8 -- PENSION PLAN (CONT.)

Contributions

The District has elected the annually determined contribution rate plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the District is actuarially determined annually. The District contributed using the actuarially determined rate of 7.67% for the months of the accounting year 2019, and 7.69% for the months of the accounting year in 2020. The District's contributions to TCDRS for the year ended September 30, 2020, were \$486,088, and were equal to the actuarially determined required contributions.

The contribution rate payable by the employee members for 2019 and 2020 is the rate of 7%, as adopted by the governing body of the District. The employee deposit rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

Benefits Provided

TCDRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the District, within the options available in the state statutes governing TCDRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the District-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

At the December 31 valuation and measurement date, the following employees were covered by the benefit terms:

Employees Covered by Benefit Terms:

	<u>2019</u>	<u>2018</u>
Inactive Employees or Beneficiaries Currently Receiving Benefits	-	-
Inactive Employees Entitled to but Not Yet Receiving Benefits	29	32
Active employees	84	66
	<u>113</u>	<u>98</u>

Net Pension Liability

The District's Net Pension Liability (NPL) was measured as of December 31, 2019, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

BEXAR COUNTY EMERGENCY SERVICES DISTRICT #2
NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)
SEPTEMBER 30, 2020

NOTE 8 -- PENSION PLAN (CONT.)

Actuarial Assumptions

The Total Pension Liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

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

*Presented net of pension plan investment expense, including inflation

Depositing Members

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

Service Retirees, Beneficiaries,
and Non-Depositing Members

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

Disabled Retirees

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

Actuarial assumptions are reviewed annually. Updated mortality assumptions were adopted in 2017. New annuity purchase rates were reflected for benefits earned after 2017. All other actuarial assumptions that determine the total pension liability as of December 31, 2019 were based on the results of an actuarial experience study for the period January 1, 2013 – December 31, 2016, except where required to be different by GASB 68.

The long-term expected rate of return on pension plan investments is 8.10%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TCDRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TCDRS.

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2020 information for a 10 year time horizon.

BEXAR COUNTY EMERGENCY SERVICES DISTRICT #2
NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)
SEPTEMBER 30, 2020

NOTE 8 -- PENSION PLAN (CONT.)

Actuarial Assumptions (Cont.)

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2017. See Milliman's TCDRS Investigation of Experience report for the period January 1, 2013 – December 31, 2016 for more details.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Geometric Real Rate of Return (Expected Minus Inflation)
US Equities	14.50%	5.20%
Private Equity	20.00%	8.20%
Global Equities	2.50%	5.50%
Int'l Equities - Developed Markets	7.00%	5.20%
Int'l Equities - Emerging Markets	7.00%	5.70%
Investment-Grade Bonds	3.00%	-0.20%
Strategic Credit	12.00%	3.14%
Direct Lending	11.00%	7.16%
Distressed Debt	4.00%	6.90%
REIT Equities	3.00%	4.50%
Master Limited Partnerships (MLPs)	2.00%	8.40%
Private Real Estate Partnerships	6.00%	5.50%
Hedge Funds	8.00%	2.30%
	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the Total Pension Liability was 8.10%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

BEXAR COUNTY EMERGENCY SERVICES DISTRICT #2
NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)
SEPTEMBER 30, 2020

NOTE 8 -- PENSION PLAN (CONT.)

Discount Rate Sensitivity Analysis

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

	Discount Rate 7.10%	Discount Rate 8.10%	Discount Rate 9.10%
Total Pension Liability	\$ 3,434,041	\$ 2,764,192	\$ 2,239,143
Fiduciary Net Position	2,145,661	2,145,661	2,145,661
Net Pension Liability	<u>\$ 1,288,380</u>	<u>\$ 618,531</u>	<u>\$ 93,482</u>

Changes in Net Pension Liability

The below schedule presents the changes in the Net Pension Liability as of December 31, 2019:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2018	\$ 1,822,362	\$ 1,242,034	\$ 580,328
Changes for the year:			
Service Cost	437,145	-	437,145
Interest	181,773	-	181,773
Effect of Plan Changes	-	-	-
Effect of Economic/Demographic			
Gains or Losses	354,322		354,322
Difference Between Expected and			
Actual Experience	-	-	-
Changes of Assumptions	-	-	-
Refund of Contributions	(31,410)	(31,410)	-
Benefit Payments	-	-	-
Administrative Expenses	-	(1,635)	1,635
Member Contributions	-	338,724	(338,724)
Net Investment Income	-	203,277	(203,277)
Employer Contributions	-	371,144	(371,144)
Other Changes	-	23,527	(23,527)
Net Changes	<u>941,830</u>	<u>903,627</u>	<u>38,203</u>
Balance at December 31, 2019	<u>\$ 2,764,192</u>	<u>\$ 2,145,661</u>	<u>\$ 618,531</u>

BEXAR COUNTY EMERGENCY SERVICES DISTRICT #2
NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)
SEPTEMBER 30, 2020

NOTE 8 -- PENSION PLAN (CONT.)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TCDRS financial report. That report may be obtained at www.tcdrs.com.

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

For the year ended September 30, 2020, the District recognized pension expense of \$207,602. Also as of September 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Economic Experience	\$ 592,166	\$ 10,941
Changes in Assumptions	530	8,573
Net Difference Between Projected and Actual Investment Earnings	-	13,808
Contributions Subsequent to the Measurement Date	402,538	-
	<u>\$ 995,234</u>	<u>\$ 33,322</u>

BEXAR COUNTY EMERGENCY SERVICES DISTRICT #2
NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)
SEPTEMBER 30, 2020

NOTE 8 -- PENSION PLAN (CONT.)

Deferred outflows of resources in the amount of \$402,538 is related to pensions resulting from contributions subsequent to the measurement date, and will be recognized as a reduction of the net pension liability for the plan year ending December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Year ended December 31,	Net Deferred Outflows (Inflows) of Resources
2020	\$ 74,514
2021	73,205
2022	77,058
2023	59,565
2024	73,325
Thereafter	201,707
	<u>\$ 559,374</u>

NOTE 9 -- SERVICE PROVIDER AGREEMENTS

The District holds an Interlocal Agreement with the Bexar County Emergency Services District No. 6 (BCESD No. 6) requiring 12 monthly payments totaling \$1,405,260 to the District in exchange for fire suppression services, starting October 1, 2019. This amount was paid in full as of September 30, 2020.

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

NOTE 10 -- CONTINGENT LIABILITIES

Litigation -

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

BEXAR COUNTY EMERGENCY SERVICES DISTRICT #2
NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)
SEPTEMBER 30, 2020

NOTE 10 -- CONTINGENT LIABILITIES (CONT.)

Commitments –

Station 124 and 125 Land Purchase and Construction

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

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

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

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

In June 2020, The Department executed a contract for construction of Station No. 124 at a cost of \$7,535,647 plus a \$17,506 contingency. As of September 30, 2020, the Department had incurred \$350,115.

Station 124 & 125 Engineering Fees

During the fiscal years ended September 30, 2018 and 2020, the Department executed contracts with architects for the design of Stations 124 and 125 and other related architectural services. Below summarizes the remaining commitment for these services as of September 30, 2020:

Total Contract	Incurred to Date	Remaining Commitment
\$ 2,518,735	\$ 873,759	\$ 1,644,976

BEXAR COUNTY EMERGENCY SERVICES DISTRICT #2
NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)
SEPTEMBER 30, 2020

NOTE 11 -- RELATED PARTIES

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

NOTE 12 -- OPERATING LEASE

On May 18, 2020, the Department executed a lease agreement with the Texas Research & Technology Foundation to lease a 5,264 square feet office suite, known as Suite No. 124 for their administrative offices and temporary fire station. The term of the lease is 15 months with an option to extend it for an additional 15 months. On June 18, 2020, the Department executed an amendment and assignment to the original executed lease, to assign rights and obligations to the District and to increase the leased space from 5,264 to 5,622 square feet. The base rent is \$7,027. The future minimum lease payments required under the agreement are \$84,324.

Should the District choose to extend the lease, the new base rent would be \$7,238.

NOTE 13 -- RISK MANAGEMENT

The Bexar County Emergency Services District #2 is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. To cover the risk the District contracts with Volunteer Firemen's Insurance Services (VFIS) of Texas to provide insurance coverage for Property/Casualty. Contributions are set annually by VFIS. Liability by the District is generally limited to the contributed amounts. Annual contributions for the year ended September 30, 2020 were \$55,663. The titles of the equipment are held by District 2 Fire and Rescue while the insurance coverage is held by Bexar County Emergency Services District #2. The insurance coverage does note that the Bank holds the title and would be paid for the damages first.

NOTE 14 -- SUBSEQUENT EVENTS

On November 5, 2020, the City of San Antonio approved a request submitted by the District, to incur new debt not in excess of \$30,000,000 for the purpose of constructing and improvement of current and/or new fire stations and to acquire fire-fighting equipment.

In January 2021, the Department amended and increased one of the contracts with architects for \$225,224.

In January 2021, the District approved entering into a purchase agreement for 3.58 acres of land for the price of \$554,736. The sale has not been finalized as of the date of this report.

In May 2021, the Department purchased 5.217 acres of land for \$1,406,034 with the intent of building a future fire station.

In May 2021, the District approved a proposal totaling \$1,474,670 for the purchase of one pumper truck and two rescue trucks.

REQUIRED SUPPLEMENTARY INFORMATION

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

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

BEXAR COUNTY EMERGENCY SERVICES DISTRICT #2
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Budget Amounts			Variance Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES				
Property Taxes	\$ 8,760,000	\$ 8,683,300	\$ 8,687,003	\$ 3,703
Sales Taxes	4,420,000	8,320,000	8,830,258	510,258
Service Contract Income - BCESD No. 6	1,405,261	1,405,261	1,405,260	(1)
Charges for Service	2,250,000	1,500,000	1,960,055	460,055
Interest	2,500	3,500	1,680	(1,820)
Grants & Contributions	-	563,200	13,185	(550,015)
Miscellaneous	1,000	20,250	22,634	2,384
TOTAL REVENUES	<u>16,838,761</u>	<u>20,495,511</u>	<u>20,920,075</u>	<u>424,564</u>
EXPENDITURES				
<i>Current:</i>				
Emergency Services	11,941,340	11,783,340	10,557,800	1,225,540
General Administrative	1,219,000	1,054,600	925,404	129,196
Capital Outlay	600,000	2,440,000	1,610,540	829,460
TOTAL EXPENDITURES	<u>13,760,340</u>	<u>15,277,940</u>	<u>13,093,744</u>	<u>2,184,196</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>3,078,421</u>	<u>5,217,571</u>	<u>7,826,331</u>	<u>2,608,760</u>
OTHER FINANCING SOURCES (USES)				
Transfers In (Out)	(2,650,000)	(2,000,000)	(2,000,000)	-
Proceeds from Sale of Capital Assets	2,500	1,500	8,834	7,334
Insurance Recoveries	-	10,000	9,920	(80)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,647,500)</u>	<u>(1,988,500)</u>	<u>(1,981,246)</u>	<u>7,254</u>
Net Change in Fund Balance	430,921	3,229,071	5,845,085	2,616,014
Fund Balance at Beginning of Year	<u>9,219,788</u>	<u>9,219,788</u>	<u>9,219,788</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 9,650,709</u>	<u>\$ 12,448,859</u>	<u>\$ 15,064,873</u>	<u>\$ 2,616,014</u>

BEXAR COUNTY EMERGENCY SERVICES DISTRICT #2
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
SPECIAL REVENUE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Budget Amounts			Variance Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES				
Interest	\$ 50,000	\$ 80,000	\$ 64,694	\$ (15,306)
Grants & Other Contributions	21,000	6,000	5,740	(260)
TOTAL REVENUES	<u>71,000</u>	<u>86,000</u>	<u>70,434</u>	<u>(15,566)</u>
EXPENDITURES				
<i>Current:</i>				
Emergency Services	23,068	23,068	45,876	(22,808)
General Administrative	27,300	51,100	42,929	8,171
Capital Outlay	10,484,728	5,852,900	5,774,174	78,726
<i>Debt Service:</i>				
Principal	2,000,000	2,000,000	847,653	1,152,347
Interest Expense	500,000	500,000	429,918	70,082
Debt Issuance Costs	-	6,000	6,000	-
TOTAL EXPENDITURES	<u>13,035,096</u>	<u>8,433,068</u>	<u>7,146,550</u>	<u>1,286,518</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(12,964,096)</u>	<u>(8,347,068)</u>	<u>(7,076,116)</u>	<u>1,270,952</u>
OTHER FINANCING SOURCES (USES)				
Transfers In (Out)	2,650,000	2,000,000	2,000,000	-
Proceeds from Debt Issuance	-	-	2,579,117	2,579,117
TOTAL OTHER FINANCING SOURCES (USES)	<u>2,650,000</u>	<u>2,000,000</u>	<u>4,579,117</u>	<u>2,579,117</u>
Net Change in Fund Balance	(10,314,096)	(6,347,068)	(2,496,999)	3,850,069
Fund Balance at Beginning of Year	<u>11,572,490</u>	<u>11,572,490</u>	<u>11,572,490</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 1,258,394</u>	<u>\$ 5,225,422</u>	<u>\$ 9,075,491</u>	<u>\$ 3,850,069</u>

BEXAR COUNTY EMERGENCY SERVICES DISTRICT #2
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
SEPTEMBER 30, 2020

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

Budgetary preparation and control is exercised at the department level. Actual expenditures may not legally exceed appropriations at the fund level. Actual expenditures did not exceeded appropriations for the year ended September 30, 2020.

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

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

The District does not use encumbrances.

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

Total Pension Liability			
	2014	2015	2016
Service Cost	\$ 51,741	\$ 75,931	\$ 106,417
Interest on the Total Pension Liability	8,555	14,803	22,208
Difference between Expected and Actual Experience	12,132	-	-
Effect of Plan Changes	-	(12,610)	49,604
Effect of Economic/Demographic Gains or Losses	-	(21,882)	163,966
Effect of Assumptions Changes or Inputs	-	1,061	-
Benefit Payments/ Refunds of Contributions	-	(3,003)	(18,967)
Net Change in Total Pension Liability	72,428	54,300	323,228
Total Pension Liability - Beginning	80,249	152,677	206,977
Total Pension Liability - Ending	<u>\$ 152,677</u>	<u>\$ 206,977</u>	<u>\$ 530,205</u>
Plan Fiduciary Net Position			
	2014	2015	2016
Contributions - Employer	\$ 25,228	\$ 36,091	\$ 51,603
Contributions - Employee	46,078	63,665	93,398
Net Investment Income	5,164	(258)	18,403
Benefit Payments/Refund of Contributions	-	(3,003)	(18,967)
Administrative Expense	(85)	(144)	(200)
Other	(6)	(17)	9,199
Net Change in Plan Fiduciary Net Position	76,379	96,334	153,436
Plan Fiduciary Net Position - Beginning	69,009	145,388	241,722
Plan Fiduciary Net Position - Ending	<u>\$ 145,388</u>	<u>\$ 241,722</u>	<u>\$ 395,158</u>
Net Pension Liability - Ending	\$ 7,289	\$ (34,745)	\$ 135,047
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	95.23%	116.79%	74.53%
Covered Payroll	\$ 1,151,919	\$ 1,538,944	\$ 2,334,956
Net Pension Liability as a Percentage of Covered Payroll	0.63%	-2.26%	5.78%

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

BEXAR COUNTY EMERGENCY SERVICES DISTRICT #2
SCHEDULE OF CHANGES - NET PENSION LIABILITY AND RELATED RATIOS
ANALYSIS OF FUNDING PROGRESS
LAST SIX PLAN YEARS (CONT.)

<u>2017</u>	<u>2018</u>	<u>2019</u>
\$ 222,434	\$ 345,822	\$ 437,145
60,765	124,849	181,773
-	-	-
342,225	-	-
65,244	164,572	354,322
(12,247)	-	-
(5,009)	(16,498)	(31,410)
<u>673,412</u>	<u>618,745</u>	<u>941,830</u>
530,205	1,203,617	1,822,362
<u>\$ 1,203,617</u>	<u>\$ 1,822,362</u>	<u>\$ 2,764,192</u>

<u>2017</u>	<u>2018</u>	<u>2019</u>
\$ 79,999	\$ 277,119	\$ 371,144
191,124	248,697	338,724
61,959	(7,843)	203,277
(5,009)	(16,498)	(31,410)
(483)	(998)	(1,635)
3,562	15,247	23,527
<u>331,152</u>	<u>515,724</u>	<u>903,627</u>
395,158	726,310	1,242,034
<u>\$ 726,310</u>	<u>\$ 1,242,034</u>	<u>\$ 2,145,661</u>

\$ 477,307	\$ 580,328	\$ 618,531
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60.34%	68.16%	77.62%
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\$ 2,730,337	\$ 3,552,808	\$ 4,838,910
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17.48%	16.33%	12.78%
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BEXAR COUNTY EMERGENCY SERVICES DISTRICT #2
NOTES TO SCHEDULE OF CHANGES -NET PENSION LIABILITY AND RELATED RATIOS
LAST SIX FISCAL YEARS

Fiscal Year Ending September 30,	Determined Contribution (ADC)	Contributions in Relation to the ADC	Contribution Deficiency (Excess)	Covered Payroll	Actual Contributions as % of Covered Payroll
2020	\$ 482,060	\$ 482,060	-	\$ 6,271,910	7.69%
2019	313,709	352,245	(38,536)	4,575,758	7.70%
2018	114,428	209,255	(94,827)	3,100,440	6.75%
2017	77,731	77,731	-	2,802,266	2.77%
2016	50,372	50,372	-	2,196,936	2.29%
2015	30,069	30,069	-	1,309,485	2.30%

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

Valuation Date:

Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	16.2 years (based on contribution rate calculated in 12/31/2019 valuation)
Asset Valuation Method	5 Year Smoothed Market
Inflation	2.75%
Salary Increases	Varies by age and service. 4.9% average over career including inflation.
Investment Rate of Return	8.00%, net of administrative and investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	130% of the RP-2014 Healthy 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.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions*	2015: No changes in plan provisions were reflected in the Schedule. 2016: No changes in plan provisions were reflected in the Schedule. 2017: Employer contributions reflect that the member contribution rate was increased to 7%. Also, new Annuit Purchase Rates were reflected for benefits earned after 2017. 2018: Employer contributions reflect that the current service matching rate was increased 200% for future benefits 2019: No changes in plan provisions were reflected in the Schedule.

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

SUPPLEMENTARY INFORMATION

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

Such statements and schedule include:

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

BEXAR COUNTY EMERGENCY SERVICES DISTRICT #2
COMPARATIVE BALANCE SHEETS – GENERAL FUND
SEPTEMBER 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and Cash Equivalents	\$ 13,733,149	\$ 8,322,821
Accounts Receivable, Net of Allowance for Uncollectible		
Property Taxes	102,159	91,180
Sales Taxes	1,459,682	964,316
EMS Charges	391,322	636,182
Deployment Reimbursements	628,039	-
Other	35,576	36,660
Prepaid Items	37,351	126,235
TOTAL ASSETS	<u>\$ 16,387,278</u>	<u>\$ 10,177,394</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE		
<i>LIABILITIES</i>		
Accounts Payable	\$ 190,570	\$ 136,843
Payroll Liabilities	367,280	216,404
TOTAL LIABILITIES	<u>557,850</u>	<u>353,247</u>
<i>DEFERRED INFLOWS OF RESOURCES</i>		
Unavailable Deployment Charges	628,039	-
Unavailable Property Tax Revenue	102,158	91,180
Unavailable EMS Charges	34,358	513,179
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>764,555</u>	<u>604,359</u>
<i>FUND BALANCE</i>		
Nonspendable	37,351	126,235
Unassigned	15,027,522	9,093,553
TOTAL FUND BALANCE	<u>15,064,873</u>	<u>9,219,788</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u>\$ 16,387,278</u>	<u>\$ 10,177,394</u>

BEXAR COUNTY EMERGENCY SERVICES DISTRICT #2
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – GENERAL FUND
FOR YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
REVENUES		
Property Taxes	\$ 8,687,003	\$ 7,762,834
Sales Taxes	8,830,258	4,771,796
Service Contract Income - BCESD No. 6	1,405,260	1,269,838
Charges for Service	1,960,055	133,594
Interest	1,680	3,353
Grants & Other Contributions	13,185	43,012
Miscellaneous	22,634	28,014
TOTAL REVENUES	<u>20,920,075</u>	<u>14,012,441</u>
EXPENDITURES		
<i>Current:</i>		
Emergency Services	10,557,800	7,649,569
General Administration	925,404	678,535
Capital Outlay	1,610,540	420,853
TOTAL EXPENDITURES	<u>13,093,744</u>	<u>8,748,957</u>
Excess (Deficiency) Over (Under) Expenditures	7,826,331	5,263,484
OTHER FINANCING SOURCES (USES)		
Transfers In (Out)	(2,000,000)	(650,974)
Proceeds from Sale of Capital Assets	8,834	34,740
Insurance Recoveries	9,920	2,920
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,981,246)</u>	<u>(613,314)</u>
Net Change in Fund Balance	5,845,085	4,650,170
Fund Balance at Beginning of Year	<u>9,219,788</u>	<u>4,569,618</u>
Fund Balance at End of Year	<u>\$ 15,064,873</u>	<u>\$ 9,219,788</u>

BEXAR COUNTY EMERGENCY SERVICES DISTRICT #2
COMPARATIVE BALANCE SHEETS – SPECIAL REVENUE FUND
SEPTEMBER 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and Cash Equivalents	\$ 655,344	\$ 2,550,715
Cash and Investments - Restricted for Constructions	8,754,286	8,854,492
Interest Receivable	-	12,640
Prepaid Items	119,995	154,643
TOTAL ASSETS	<u><u>\$ 9,529,625</u></u>	<u><u>\$ 11,572,490</u></u>
LIABILITIES AND FUND BALANCE		
<i>LIABILITIES</i>		
Accounts Payable	\$ 454,134	\$ -
<i>TOTAL LIABILITIES</i>	<u><u>454,134</u></u>	<u><u>-</u></u>
<i>FUND BALANCE</i>		
Nonspendable	119,995	154,643
Restricted for Construction	8,754,286	8,854,492
Unassigned	201,210	2,563,355
<i>TOTAL FUND BALANCE</i>	<u><u>9,075,491</u></u>	<u><u>11,572,490</u></u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u><u>\$ 9,529,625</u></u>	<u><u>\$ 11,572,490</u></u>

BEXAR COUNTY EMERGENCY SERVICES DISTRICT #2
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – SPECIAL REVENUE FUND
FOR YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
REVENUES		
Interest	\$ 64,694	\$ 126,927
Grants & Other Contributions	5,740	13,026
Miscellaneous	-	20
TOTAL REVENUES	<u>70,434</u>	<u>139,973</u>
EXPENDITURES		
<i>Current:</i>		
Emergency Services	45,876	36,704
General Administration	42,929	18,891
Capital Outlay	5,774,174	1,297,546
<i>Debt Service:</i>		
Principal	847,653	530,187
Interest	429,918	86,413
Debt Issuance Costs	6,000	112,500
TOTAL EXPENDITURES	<u>7,146,550</u>	<u>2,082,241</u>
Excess (Deficiency) Over (Under) Expenditures	<u>(7,076,116)</u>	<u>(1,942,268)</u>
OTHER FINANCING SOURCES (USES)		
Transfers In (Out)	2,000,000	650,974
Proceeds from Debt Issuance	2,579,117	9,000,000
Proceeds from Sale of Capital Assets	-	5,855
TOTAL OTHER FINANCING SOURCES (USES)	<u>4,579,117</u>	<u>9,656,829</u>
Net Change in Fund Balance	(2,496,999)	7,714,561
Fund Balance at Beginning of Year	<u>11,572,490</u>	<u>3,857,929</u>
Fund Balance at End of Year	<u><u>\$ 9,075,491</u></u>	<u><u>\$ 11,572,490</u></u>