

# JANSEN AND GREGORCZYK

Certified Public Accountants  
P.O. Box 1778 Kyle, TX 78640

## INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners  
Bexar County Emergency Services District #3

We have audited the accompanying financial statements of the governmental activities of Bexar County Emergency Services District #3 (the District), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **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 from material misstatement.

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Bexar County Emergency Services District #3, as of September 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-5 and 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary

information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Jansen and Gregorczyk

Kyle, Texas  
April 30, 2019

BEXAR COUNTY EMERGENCY SERVICES DISTRICT #3  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2018

Our discussion and analysis of the Bexar County Emergency Services District #3 (the District's) financial performance provides an overview of the District's financial activities for the year ended September 30, 2018. Please read it in conjunction with the District's financial statements, which follow this section.

The financial report consists of three parts: Management's Discussion and Analysis (this section), the financial statements, and the notes to the financial statements.

### FINANCIAL HIGHLIGHTS

- During the year, the District had expenditures of \$5,233,161 compared to total revenues of \$5,758,669 resulting in an increase in net assets of \$525,508 for the year ended September 30, 2018.
- The District's cash and investments balance was \$3,449,865 for the fiscal year which represents an increase of \$604,384 from the prior year balance, primarily due to the increased ad valorem tax revenue.
- The District increased its support of the firefighting operations by purchasing a new engine and funding for a new station.

### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements: The Statement of Net Position and the Statement of Activities provide information about the activities of the District as a whole and present a longer-term view of the District's finances. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending.

#### Reporting the District as a Whole

One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities provide information about the District as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in them. You can think of the District's net assets—the difference between assets and liabilities—as one way to measure the District's financial health, or *financial position*. Over time, increases or decreases in the District's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the District's property tax to assess the *overall health* of the District.

## THE DISTRICT AS A WHOLE

The District's total net assets increased by \$525,508 in the year ended September 30, 2018. Our analysis of the District's activities below focuses on net assets (Table 1) and the changes in net assets (Table 2).

Table 1

	September 30,	
	2018	2017
Assets:		
Cash and Investments	\$ 3,449,865	\$ 2,845,481
Other Assets	38,574	117,450
Total Assets	<u>3,488,439</u>	<u>2,962,931</u>
Current and Other Liabilities	-	-
Total Liabilities	<u>-</u>	<u>-</u>
Net Position		
Unrestricted	3,488,439	2,962,931
Total Net Position	<u>\$ 3,488,439</u>	<u>\$ 2,962,931</u>

Table 2

Ad Valorem Tax Revenues	\$ 3,284,063	\$ 3,027,473
Sales Tax Revenues	2,195,665	2,299,875
Interest and Other Income	278,941	249,020
Total Revenues	<u>5,758,669</u>	<u>5,576,368</u>
Expenses:		
Administrative	81,816	135,822
Public Safety - Firefighting	5,009,965	4,221,207
Tax Services	141,380	121,881
Total Expenses	<u>5,233,161</u>	<u>4,478,910</u>
Increase in Net Position	525,508	1,097,458
Net Position - beginning	<u>2,962,931</u>	<u>1,865,473</u>
Net Position - ending	<u>\$ 3,488,439</u>	<u>\$ 2,962,931</u>

Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements were \$3,488,439 at September 30, 2018.

The District has sufficient revenues to pay expenses of the District.

### General Fund Budgetary Highlights

The Board of Commissioners did make changes to the budget during the year. The analysis of the budget is reflected on the Budgetary Comparison Schedule – General Fund following the Notes to the Financial Statements.

The Board did budget an increase in net assets for 2018. Revenues over expenses increased during the year. Revenues budgeted were \$34,424 less than actual. Expenses were \$560,683 less than budget resulting in an overall budget variance of \$526,259. Revenues also increased by \$249,709 representing three quarterly payments received on the Interlocal Agreement between the District and the City of San

Antonio which was executed in December of 2016. The District paid \$61,847 in legal fees for various activities, including legal assistance in drafting the Interlocal Agreement.

### **Capital Assets**

As of September 30, 2018, the District had no capital assets.

### **Long Term Debt**

As of September 30, 2018, the District had no long term debt.

### **Economic Factors and Future Years Budgets and Rates**

The District's appointed officials considered many factors when setting the fiscal year 2018 budget and tax rates. Some of those factors include the economy and the anticipated needs of the District for operations in the next year.

### **Contacting the District's Financial Management**

This financial report is designed to provide the taxpayers with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's office at:

Mr. Robert Moss, Treasurer  
P. O. Box 133  
Bulverde, TX 78163  
830-980-7394

BEXAR COUNTY EMERGENCY SERVICES DISTRICT #3  
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET  
SEPTEMBER 30, 2018

	General Fund	Adjustments (Note 7)	Statement of Net Position
<b>ASSETS</b>			
Current assets:			
Cash	2,694,862		2,694,862
Investments	755,003		755,003
Taxes receivable	38,574		38,574
	\$ 3,488,439		\$ 3,488,439
<b>LIABILITIES</b>			
	\$ -		\$ -
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property taxes	\$ 38,574	\$ (38,574)	\$ -
<b>FUND BALANCES/NET POSITION</b>			
Fund Balances			
Fund balance - unassigned	3,449,865	(3,449,865)	-
	\$ 3,488,439		-
<b>NET POSITION</b>			
Unrestricted		3,488,439	3,488,439
			\$ 3,488,439

See accompanying notes to the financial statements

BEXAR COUNTY EMERGENCY SERVICES DISTRICT #3  
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT  
OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>General Fund</u>	<u>Adjustments (Note 7)</u>	<u>Statement of Activities</u>
Expenses:			
Administrative	11,423		11,423
Firefighting Operations	5,009,965		5,009,965
Audit	3,200		3,200
Legal and Professional Fees	61,847		61,847
Insurance	1,721		1,721
Director's Expense	3,625		3,625
Tax Services	141,380		141,380
Total Expenses	<u>5,233,161</u>		<u>5,233,161</u>
General Revenues:			
Ad Valorem Tax Revenues	3,284,814	(751)	3,284,063
Sales Tax Revenues	2,195,665		2,195,665
Interlocal Agreement - San Antonio	249,709		249,709
Interest and Other Income	29,232		29,232
Total General Revenues	<u>5,759,420</u>	<u>(751)</u>	<u>5,758,669</u>
Change in Net Position/Fund Balance	526,259		525,508
Net Position/Fund Balance - beginning	<u>2,923,606</u>		<u>2,962,931</u>
Net Position/Fund Balance - ending	<u>\$ 3,449,865</u>		<u>\$ 3,488,439</u>

See accompanying notes to the financial statements

**Bexar County Emergency Services District #3**  
**Notes to the Financial Statements**  
**For the Year Ending September 30, 2018**

**NOTE 1 - ORGANIZATION**

The Bexar County Emergency Services District #3 was created by an election of the residents of Bexar County in 2002. The District is a taxing authority, which provides funds to the Bexar-Bulverde Volunteer Fire Department. The District does not have any employees, office space or fixed assets.

The District is under full control and management of a five commissioners Board of Commissioners. The commissioners are appointed by the Bexar County Commissioners. For financial reporting purposes, the District includes all funds that are controlled by, or dependent upon, actions of the Board of Commissioners. Control by, or dependence upon, the Board was determined on the basis of the Board's full control of budget adoption and taxing authority.

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 operation; thus data from these units would be combined with data of the primary government. Discretely presented component units, on the other hand, would be reported in separate organizations that meet the aforementioned criteria; therefore, none are included in the accompanying general-purpose financial statements.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Bexar County Emergency Services District #3 (the District) conform to generally accepted accounting principles (GAAP) in the United States of America applicable to state and local governments. 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 policies are described below.

**Government-Wide Financial and Fund Financial Statements**

The District is considered a special purpose government under GASB Statement No. 34. This allows the district to present the required fund and government-wide statements in a single schedule. The requirement for fund financial statements to be prepared on the modified accrual basis of accounting is met with the "General Fund" column. An adjustment column includes those entries needed to convert to the full accrual basis government-wide statements. The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the District's activities. The District services are supported primarily by ad valorem taxes. The Statement of Activities demonstrates how the District used revenue.

**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. Property taxes are recognized as revenues in the year for which they are levied. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within thirty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

### **Cash and Cash Equivalents**

Cash and cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and so near maturity that there is no significant risk of changes in value due to changes in interest rates.

### **Net Position**

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt 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. Net position are 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. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first and then unrestricted resources as they are needed. When both unassigned and committed or assigned funds are available for expenditure, committed or assigned funds are used first.

### **Estimates**

The preparation of financial statements in conformity with GAAP 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 may differ from those estimates.

### **Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The District reported unavailable revenue in the form of property taxes as Deferred Inflows of Resources in the Statement of Net Position. Deferred Inflows arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In general, monies received within thirty-one days after year-end are considered to have been for prior year services.

### **NOTE 3 – DEPOSITS**

The District's deposits exposed to concentrations of credit risk consist of cash, which is deposited in two major financial institutions. At September 30, 2018, the carrying amount of the District's cash deposits was \$3,449,865 and the bank balance was \$3,450,227.

**Interest Rate Risk.** The District's cash and cash equivalents are currently invested in short-term instruments such as a checking account and interest bearing money market account and Certificates of Deposit. At September 30, 2018 the District was not exposed to interest rate risk and the Bank of San Antonio maintains

pledged securities to collateralize the deposits. Two separate investment accounts that are Certificates of Deposit had balances in excess of \$250,000. The excess amounts are \$1,260 and \$2,311, which may not be covered by FDIC.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The District does have a formal Investment Policy in place and is therefore in compliance with Government Code Chapter 2256, The Public Funds Investment Act. Investment practices of the District were in accordance with local policies.

**NOTE 4 – PROPERTY TAXES**

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied on October 1 and are payable in full by the following January 31. The District employs the services of the Bexar County Appraisal District for assessing and billing its property taxes and employs the services of the Bexar County Tax Assessor/Collectors for the collection of its taxes. Revenues are recognized when received by the District. The tax rate was \$0.047967 per \$100 of assessed valuation.

**NOTE 5 – CONCENTRATION OF EXPENDITURES**

For the current audit period, the District paid the Bexar-Bulverde Volunteer Fire Department \$5,009,965 for providing emergency services to the District.

**NOTE 6 – RISK MANAGEMENT**

The District is exposed to various risks and losses related to theft of assets, damage and destruction of assets, error and omissions, injuries to firefighters, lawsuits and natural disasters. Insurance coverage is provided by VFIS for property and casualty. Premiums paid for insurance during the year were \$1,721.

**NOTE 7 – ADJUSTMENTS TO CONVERT FUND STATEMENTS TO GOVERNMENT-WIDE**

Unrestricted fund balance - governmental fund	\$ 3,449,865
Taxes receivables deferred in the fund financial statements and in the government-wide financial statements	38,574
Net assets - governmental activities	<u>\$ 3,488,439</u>
Net change in fund balance - governmental fund	526,259
Net increase in tax receivable deferred in the fund financial statements and not in the government-wide financial statements	<u>(751)</u>
Change in net assets - governmental activities	<u>\$ 525,508</u>

**NOTE 8 – BUDGET VARIANCES**

The District adopts an annual budget for the General Fund. The District amends the budget as needed during the year. There were current year amendments. Certain revenue and expenses were different than budgeted, resulting in a higher than budgeted fund balance.

**NOTE 9 – SUBSEQUENT EVENTS**

The District has evaluated subsequent events as of April 30, 2019, the date the financial statements were issued and determined there are no items that would affect the financial statements.

**NOTE 10 – OTHER MATTERS**

The Bexar Bulverde Volunteer Fire Department purchased a new Fire Engine for \$884,436.00 in February of 2018 which was paid for in cash with funds supplied by the District. Additionally, the District provided funding in the amount of \$106,590 to renovate Station No. 103 on Borgfeld Road and \$230,562 for the start-up of a new temporary station No. 106 on Evans Road.

BEXAR COUNTY EMERGENCY SERVICES DISTRICT #3  
 Budgetary Comparison Schedule  
 General Fund  
 For the Year ended September 30, 2018

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>				
Ad Valorem Tax Revenues	\$ 3,300,844	\$ 3,316,844	\$ 3,284,814	\$ (32,030)
Sales Tax Revenues	1,413,000	2,200,000	2,195,665	(4,335)
Interest Income	10,000	26,000	29,232	3,232
Other Income	80,000	251,000	249,709	(1,291)
Total General Revenue	<u>4,803,844</u>	<u>5,793,844</u>	<u>5,759,420</u>	<u>(34,424)</u>
<b>Expenditures:</b>				
Firefighting Operations	3,783,500	5,253,798	5,009,965	243,833
Administrative	182,960	69,960	81,816	(11,856)
Contingency	682,384	329,086	-	329,086
Tax Services	155,000	141,000	141,380	(380)
	<u>4,803,844</u>	<u>5,793,844</u>	<u>5,233,161</u>	<u>560,683</u>
Excess of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>526,259</u>	<u>526,259</u>
Fund Balances - Beginning	<u>2,923,606</u>	<u>2,923,606</u>	<u>2,923,606</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 2,923,606</u>	<u>\$ 2,923,606</u>	<u>\$ 3,449,865</u>	<u>\$ 526,259</u>