

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**BASIC FINANCIAL STATEMENTS AND  
REQUIRED SUPPLEMENTARY INFORMATION**

**SEPTEMBER 30, 2019 AND 2018**

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**BASIC FINANCIAL STATEMENTS AND  
REQUIRED SUPPLEMENTARY INFORMATION**

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**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**September 30, 2019**

Our discussion and analysis of El Paso County Emergency Services District #2's ("the District") financial performance provides a narrative overview of the District's financial activities for the fiscal years ended September 30, 2019 and 2018. We encourage readers to consider this information in conjunction with the basic financial statements, which begin on Page 19.

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

**FINANCIAL HIGHLIGHTS 2019**

- Total assets decreased by approximately 2% due primarily to the use of cash reserves for the purchase of a new District Headquarters building and the payment of long-term debt.
- Total liabilities decreased by 15% due primarily to the payment of long-term debt.
- Total net position of \$12,819,373 increased by \$1,114,201, which represents an increase of 9% for the year ended September 30, 2019 as a result of general revenues from sales taxes and property taxes exceeding public safety expenses. The excess of revenues was used to purchase equipment and the new District Headquarters.
- Amounts invested in capital assets, net of related debt amounted to \$9,278,737. This represents an increase of 43% for the year ended September 30, 2019. The District budgeted general revenues and cash reserves to be used for the purchase of the new Headquarters. There was no long-term debt issued for the purchase of the new building.
- Unrestricted net position, available to meet the District's on-going obligations, totaled \$3,540,636. This represents a decrease of 32% for the year ended September 30, 2019, as a result of investing in capital assets.
- At September 30, 2019, the District's governmental fund statements show an ending fund balance of \$3,153,952, a decrease of \$1,676,936 or 35% as a result of investing in capital assets.
- Program revenues amounted to \$133,749, a decrease of 34% from the prior year.
- General revenues amounted to \$6,758,581, an increase of 2% from the prior year.
- Total revenues amounted to \$6,892,330, an increase of 1% from the prior year.
- The District expended \$2,765,569 in capital expenditures for land, vehicles, and other equipment.
- The District had \$5,644,380 in net program expenses related to governmental activities. This represents a 3% increase from prior year.
- Total expenses amounted to \$5,778,129, an increase of 2% from the prior year.
- The District uses the general fund to maintain its financial records.
- Total deferred outflows amounted to \$160,450, an increase of 33% from the prior year.
- Total deferred inflows amounted to \$26,085, an increase of 61% from the prior year.
- Net pension liability was \$1,882, which represents an increase of 112% from the previous year.
- The total revenue from general fund amounted to \$6,934,540. The final budgeted revenue included reserve funds appropriated for capital outlays totaling, \$2,388,822, which are not included as revenues in the general fund. Therefore, total budgeted revenues exceeded actual revenues for the general fund by 26%. Total expenditures from the general fund amounted to \$8,611,476, which were less than the final budgeted appropriations by 6%.

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## OVERVIEW OF THE FINANCIAL STATEMENTS

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

- Government-wide financial statements on Pages 19-21.
- Fund financial statements on Pages 22-29
- Notes to the financial statements on Pages 30-65.

This report also contains required supplementary information and related notes on pages 66 through 74.

## GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the financial position of the District, and are similar to private sector financial statements. The government-wide financial statements include Statements of Net Position and Statements of Activities. These statements appear on pages 19 through 21 of this report. One of the most important questions asked about the District is whether its finances as a whole, are better off or worse as a result of the year's activities. The Statements of Net Position and the Statements of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These two statements report the District's *net position* and changes in assets and liabilities. The District's net position can be interpreted as the difference between assets, what the District owns, and liabilities, what the District owes, as one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position are indicators of whether its *financial health* is improving or deteriorating. Net position is shown in two categories: 1) invested in capital assets, net of related debt, and 2) unrestricted. To assess the *overall health* of the District other non-financial factors need to be considered. These include but are not limited to changes in the District's jurisdiction, the availability of funds to pursue capital projects, changes in local and regional demographics, macroeconomic factors, and continuing local government support.

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## **GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)**

The Statements of Activities present information showing how the District's net position changed during the fiscal years ended September 30, 2019 and 2018. They provide a breakdown of revenues and expenses by function. All changes in net position are reported as soon as the underlying event which contributes to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in these statements for some items that will only affect cash flows in future fiscal periods. Examples of such items include revenues earned and expenses incurred but not yet paid, all of which will produce changes in cash in a future fiscal period.

The Statements of Net Position and the Statements of Activities attempt to distinguish functions of the District that are principally supported by taxes (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees (*business-type activities*). The governmental activities function of the District includes public safety (fire protection). The District does not engage in any business-type activities. The District's government-wide statements also intend to present information about the District's long-term liabilities resulting from employee benefit plans. The District participated in the Texas County and District Retirement System (TCDR) during the years ended September 30, 2019 and 2018.

## **FUND FINANCIAL STATEMENTS**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District only has governmental funds. The governmental funds financial statements are on Pages 22 through 29.

## **GOVERNMENTAL FUNDS**

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

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## **GOVERNMENTAL FUNDS (CONTINUED)**

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

The District maintains its activities in the general fund.

The District has no proprietary funds or fiduciary funds.

## **NOTES TO THE FINANCIAL STATEMENTS**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in both the government-wide and governmental fund financial statements. The notes to the financial statements can be found on Pages 30 through 65 of this report.

## **OTHER INFORMATION**

In addition to the basic financial statements and the accompanying notes, this reporting package also presents certain required supplementary information concerning the District's budgetary comparison schedules for its General Fund, Summary of Net Pension Liability Changes, and Summary of Employer Pension Contributions. The required supplementary information can be found on Pages 66 through 74.

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**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 3,970.9	\$ 5,752.7	\$ 5,410.3
Capital assets	<u>16,989.5</u>	<u>15,637.1</u>	<u>15,143.5</u>
Total assets	<u>20,960.4</u>	<u>21,389.8</u>	<u>20,553.8</u>
Deferred outflows of resources	<u>160.6</u>	<u>120.6</u>	<u>89.3</u>
Long-term obligations	(7,712.7)	(9,115.3)	(9,518.0)
Other liabilities	<u>(562.8)</u>	<u>(673.7)</u>	<u>(579.1)</u>
Total liabilities	<u>(8,275.5)</u>	<u>(9,789.0)</u>	<u>(10,097.1)</u>
Deferred inflows of resources	<u>(26.2)</u>	<u>(16.2)</u>	<u>(4.8)</u>
Net position:			
Investment in capital assets, net	9,278.7	6,506.3	5,610.0
Unrestricted	<u>3,540.6</u>	<u>5,198.9</u>	<u>4,931.2</u>
Total net position	<u>\$12,819.3</u>	<u>\$11,705.2</u>	<u>\$10,541.2</u>

For the year ended September 30, 2019, net position of the District's activities increased 9% or \$1,114,201. Unrestricted net assets, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, decreased from \$5,198,888 to \$3,540,636 at the end of fiscal year 2019. The decrease can be attributed to the payment of long-term debt and the investment in capital assets.

For the year ended September 30, 2018, net position of the District's activities increased 11% or \$1,163,953. Unrestricted net assets, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, increased from \$4,931,179 to \$5,198,888 at the end of fiscal year 2018. The increase can be attributed to the District's increase in general revenues.

(Continued)



**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

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

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

	<b><u>Year Ended September 30,</u></b>		
	<b><u>2019</u></b>	<b><u>2018</u></b>	<b><u>Change</u></b>
Program revenues:			
Operating grants	\$ 15.9	\$ 97.7	\$ (81.8)
Charges for services	117.8	103.9	13.9
General revenues:			
Property taxes	3,310.7	3,119.8	190.9
Sales taxes	3,403.1	3,488.7	(85.6)
Other	<u>44.7</u>	<u>42.2</u>	<u>2.5</u>
Total revenues	<u>6,892.2</u>	<u>6,852.3</u>	<u>39.9</u>
Program expenses:			
Public safety	5,390.8	5,217.9	172.9
Interest on long-term debt	<u>387.3</u>	<u>470.4</u>	<u>(83.1)</u>
Total expenses	<u>5,778.1</u>	<u>5,688.3</u>	<u>89.8</u>
Change in net position	<u>\$1,114.1</u>	<u>\$1,164.0</u>	<u>\$ (49.9)</u>

	<b><u>Year Ended September 30,</u></b>		
	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>Change</u></b>
Program revenues:			
Operating grants	\$ 97.7	\$ 60.1	\$ 37.6
Charges for services	103.9	102.4	1.5
General revenues:			
Property taxes	3,119.8	2,964.5	155.3
Sales taxes	3,488.7	3,727.6	(238.9)
Other	<u>42.2</u>	<u>115.8</u>	<u>(73.6)</u>
Total revenues	<u>6,852.3</u>	<u>6,970.4</u>	<u>(118.10)</u>

(Continued)

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

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

	<b><u>Year Ended September 30,</u></b>		
	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>Change</u></b>
Program expenses:			
Public safety	\$5,217.9	\$5,388.2	\$(170.3)
Interest on long-term debt	<u>470.4</u>	<u>485.9</u>	<u>(15.5)</u>
Total expenses	<u>5,688.3</u>	<u>5,874.1</u>	<u>(185.8)</u>
Change in net position	<u>\$1,164.0</u>	<u>\$1,096.3</u>	<u>\$ 67.7</u>

For the year ended September 30, 2019, property taxes increased due to an increase in assessed value of properties and commercialization in the area. However, sales taxes decreased due to a decrease in sales within the District. The increase in public safety expenses is attributed to cost-of-living adjustments for the salaries of District employees, as well as increases in building and vehicle repair and maintenance, insurance, and depreciation of acquired buildings.

For the year ended September 30, 2018, property taxes increased due to an increase in assessed value of properties and commercialization in the area. However, sales taxes decreased due to a decrease in sales within the District and the collection of telecommunication sales tax. The decrease in public safety expenses is attributed to savings in vehicle maintenance, uniforms and gear, fire-fighting supplies, and interest expense.

(Continued)

## GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

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

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

	<u>Total Cost of Services</u>			<u>Net Cost of Services</u>		
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
General government	\$5,390.8	\$5,217.9	\$5,388.2	\$5,257.0	\$5,016.2	\$5,225.6
Interest on long-term debt	<u>387.3</u>	<u>470.4</u>	<u>485.9</u>	<u>387.3</u>	<u>470.4</u>	<u>485.9</u>
Total expenses	<u>\$5,778.1</u>	<u>\$5,688.3</u>	<u>\$5,874.1</u>	<u>\$5,644.3</u>	<u>\$5,486.6</u>	<u>\$5,711.5</u>

The increase in general government expenses for 2019 resulted from cost-of-living adjustments for the salaries of District employees, as well as increases in building and vehicle repair and maintenance, insurance, and depreciation of acquired buildings. The purchase of the new District headquarters resulted in increases in property insurance, as well as increases in renovations, small equipment and repairs that did not individually exceed the District's capitalization threshold.

The decrease in general government expenses for 2018 was attributed to savings in vehicle maintenance, uniforms and gear, fire-fighting supplies and interest expense.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

### Governmental Funds

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

As mentioned earlier, the General Fund is the chief operating fund of the District. The District's governmental fund statements show an ending fund balance of \$3,153,952 and \$4,830,888 for the years ended September 30, 2019 and 2018, respectively. The change represents a decrease of 35% or \$1,676,936 for 2019 and an increase of 6% or \$257,281 for 2018, in comparison with the preceding year's fund balance. Included in ending fund balance, \$3,097,712 and \$4,780,840 constitutes unassigned, undesignated fund balance, which is available for spending at the District's discretion at September 30, 2019 and 2018, respectively.

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

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

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

	<u>2019</u>	<u>2018</u>	<b><u>Percent Change</u></b>
General Fund	<u>\$3,154.0</u>	<u>\$4,830.9</u>	<u>(35)%</u>
	<u>2018</u>	<u>2017</u>	<b><u>Percent Change</u></b>
General Fund	<u>\$4,830.9</u>	<u>\$4,573.6</u>	<u>6%</u>

The 35% decrease in fund balance observed in fiscal year 2019 can be primarily attributed to the purchase of a new District Headquarters building. There were also increases in salary expense, repairs, maintenance and insurance expenses. Debt service expenditures also increased as a result of long-term debt issued in 2018.

The increase of 6% noted in 2018 is explained by additional long-term debt borrowings that were used to purchase \$996,478 of capital outlays. In addition, there were savings in vehicle maintenance, uniforms and gear, fire-fighting supplies and interest expense, when compared to the previous fiscal year.

**Revenue Source**

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

(Continued)

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

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

	<b><u>2019 Amount</u></b>	<b><u>Percent of Total</u></b>	<b><u>Increase (Decrease) Over 2018</u></b>	<b><u>Increase (Decrease)</u></b>
Sales taxes	\$3,403,122	49.07%	\$(85,569)	(2.5)%
Property taxes	3,352,925	48.35%	222,800	7.1%
Changes for services	117,845	1.7%	13,921	13.4%
Contributions		0.00%	(75,000)	(100.0)%
Interest income	422	0.01%	(53)	(11.2)%
Grant income	15,904	0.23%	(6,822)	(30.0)%
Miscellaneous	<u>44,322</u>	<u>0.64%</u>	<u>2,672</u>	<u>6.4%</u>
Total	<u>\$6,934,540</u>	<u>100.0%</u>	<u>\$ 71,949</u>	<u>1.0%</u>

  

	<b><u>2018 Amount</u></b>	<b><u>Percent of Total</u></b>	<b><u>Increase (Decrease) Over 2017</u></b>	<b><u>Increase (Decrease)</u></b>
Sales taxes	\$3,488,691	50.84%	\$(238,890)	(6.4)%
Property taxes	3,130,125	45.61%	167,110	5.6%
Changes for services	103,924	1.51%	1,500	1.5%
Contributions	75,000	1.09%	75,000	100.0%
Interest income	475	0.01%	101	27.0%
Grant income	22,726	0.33%	(37,387)	(62.2)%
Miscellaneous	<u>41,650</u>	<u>0.61%</u>	<u>(73,747)</u>	<u>(63.9)%</u>
Total	<u>\$6,862,591</u>	<u>100.0%</u>	<u>\$(106,313)</u>	<u>(1.5)%</u>

For 2019, the increase in property taxes is due to increased value of property. The decrease in sales taxes is due to decreasing sales and commercial activity in the District's jurisdiction. The decrease in contributions is due to an equipment grant received in 2018 from El Paso County 9-1-1 District, which is not a recurring item every year.

For 2018, the increase in property taxes is due to increased value of property. The decrease in sales taxes is due to decreasing sales in the District's jurisdiction as well as collection of telecommunication sales tax. The increase in contributions is due to an equipment grant received in 2018 from El Paso County 9-1-1 District, which is not a recurring item every year. The decrease in miscellaneous income is due to sales of fully depreciated equipment made in the previous year.

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## GENERAL FUND BUDGETARY HIGHLIGHTS

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

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

<b><u>2019</u></b>				
	<b><u>Original</u></b>	<b><u>Final</u></b>	<b><u>Actual</u></b>	<b><u>Variance</u></b>
	<b><u>Budget</u></b>	<b><u>Budget</u></b>		
Revenues:				
Sales taxes	\$3,531.0	\$3,531.0	\$3,403.1	\$ (127.9)
Property taxes	3,201.2	3,276.6	3,352.9	76.3
Reserve funds		2,388.8		(2,388.8)
Charges for services	100.0	117.8	117.8	
Interest income			0.4	0.4
Grant income		15.9	15.9	
Other income	_____	9.8	44.3	34.5
	<u>\$6,832.2</u>	<u>\$9,339.9</u>	<u>\$6,934.4</u>	<u>\$(2,405.5)</u>
Expenditures:				
Total general government	<u>\$3,044.3</u>	<u>\$9,205.0</u>	<u>\$8,611.5</u>	<u>\$ 593.5</u>
<b><u>2018</u></b>				
	<b><u>Original</u></b>	<b><u>Final</u></b>	<b><u>Actual</u></b>	<b><u>Variance</u></b>
	<b><u>Budget</u></b>	<b><u>Budget</u></b>		
Revenues:				
Sales taxes	\$3,799.0	\$3,580.6	\$3,488.7	\$ (91.9)
Property taxes	2,991.2	3,109.9	3,130.1	20.2
Reserve funds	270.70	270.7		(270.7)
Contributions		75.0	75.0	
Charges for services	57.30	103.9	103.9	
Interest income			0.5	0.5
Grant income	5.0	22.7	22.7	
Other income	_____	3.5	41.7	38.2
	<u>\$7,123.2</u>	<u>\$7,166.3</u>	<u>\$6,862.6</u>	<u>\$(303.7)</u>
Expenditures:				
Total general government	<u>\$7,123.2</u>	<u>\$7,123.2</u>	<u>\$7,601.8</u>	<u>\$(478.6)</u>

(Continued)

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

The District's financial statements present capital assets in two categories: those assets subject to depreciation (such as buildings and equipment) and those not subject to depreciation (such as land). At September 30, 2019 and 2018, the District had \$16,989,507 and \$15,637,059 invested in capital assets, net of depreciation, respectively. These amounts represent a net increase (including additions and depreciation) of \$1,352,448 or 9% compared to the previous year for 2019, and a net increase of \$493,551, or 3% compared to the previous year for 2018. The net increase observed in 2019 is due to the purchase of a new District Headquarters building. The increase observed in 2018 is due to the purchase of fire-fighting equipment and office equipment.

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

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

	<u>Governmental Activities</u>		
	<u>2019</u>	<u>2018</u>	<u>2017</u>
Land	\$ 1,401,906	\$ 1,207,359	\$ 1,207,359
Buildings and improvements	10,767,546	8,593,462	8,855,015
Transportation equipment	2,296,574	3,056,212	3,405,569
Other equipment	<u>2,523,481</u>	<u>2,780,026</u>	<u>1,675,565</u>
Total capital assets, net	<u>\$16,989,507</u>	<u>\$15,637,059</u>	<u>\$15,143,508</u>

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

(Continued)

## CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

### Debt Administration

At September 30, 2019 and 2018, the District had \$7,712,652 and \$9,115,304 in outstanding long-term debt, respectively. Long-term debt decreased 15% and 4% for the years ended September 30, 2019 and 2018, respectively, from the preceding year. In 2019, long-term debt in 2019 decreased due to principal payments made to reduce notes payable and capital leases, as required by the respective debt agreements. While long-term debt also decreased in 2018 due to principal payments made, there was a new note payable issued in the amount of \$996,478 to purchase radio equipment. Long-term debt held by the District at the end of the current year and the two preceding years is summarized in Table 8 as follows:

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

	<u>Governmental Activities</u>		
	<u>2019</u>	<u>2018</u>	<u>2017</u>
Notes payable	\$7,444,433	\$8,780,418	\$9,101,364
Capital leases	266,337	350,357	432,104
Net pension liability (asset)	<u>1,882</u>	<u>(15,471)</u>	<u>(15,485)</u>
Total long-term debt	<u>\$7,712,652</u>	<u>\$9,115,304</u>	<u>\$9,517,983</u>

The District's policy is to recognize deferred compensation expense for its employees when paid. More detailed information about the District's long-term liabilities is presented on Pages 42 through 48 of this report.

(Continued)



## **ECONOMIC FACTORS**

The District's taxing jurisdiction consists of the surrounding areas of El Paso County, Texas, including the communities of Anthony, Canutillo, Clint, Fabens, Montana Vista, San Elizario, Socorro, Tornillo and Vinton. The total jurisdiction of the District spans over 600 square miles with an estimated population of 105,000. The largest growing areas of the District include Montana Vista, Canutillo, and Socorro.

The District consists of 5 members serving as the Board of Commissioners and 28 paid employees. The District normally maintains operating agreements with six volunteer fire departments: Fabens Fire Department, Socorro Fire Department, Clint Fire Department, Montana Vista Fire and Rescue, San Elizario Fire Rescue, and West Valley Fire Department. The agreements are renewed on an annual basis, or each time a department elects a Fire Chief. Each Volunteer Fire Department independently appoints a Fire Chief and maintains its own by-laws and tax-exempt status. Each department is responsible to:

- 1) Provide, procure, and maintain volunteer personnel, supplies, and material necessary for the operation of each fire station,
- 2) Provide necessary training to fire prevention, firefighting and medical assistance personnel,
- 3) Conduct annual workshops,
- 4) Submit required financial reports to the District Administrator, and
- 5) Safeguard and maintain District property.

The District utilizes 24/7 dispatching services in conjunction with Horizon City Police Department. This Dispatching system utilizes the CAD system. On average, the Dispatching Center is staffed with three to four paid Dispatchers every shift by the Horizon Police Department.

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

During 2019, the District has purchased and rehabilitated a building to be used as the District's Headquarters in Fabens, Texas. The new headquarters building is expected to assist in centralizing many functions previously carried out at various locations, including vehicle fleet maintenance, equipment storage, trainings, and Council meetings. The new headquarters will help the District in meeting the growing needs and population increase of its taxing jurisdictions.

(Continued)

## ECONOMIC FACTORS (Continued)

The number of calls for the years ended September 30, 2019 and 2018 amounted to 7,502 and 7,953, respectively, and were comprised of the following:

	<u>2019</u>			
	<u>Fire</u>	<u>Rescue and Medical</u>	<u>Other</u>	<u>Total</u>
Socorro	72	1,575	454	2,101
West Valley	77	1,220	238	1,535
Fabens	72	871	207	1,150
Montana Vista	95	782	219	1,096
San Elizario	47	824	138	1,009
Clint	<u>64</u>	<u>422</u>	<u>125</u>	<u>611</u>
	<u>427</u>	<u>5,694</u>	<u>1,381</u>	<u>7,502</u>

	<u>2018</u>			
	<u>Fire</u>	<u>Rescue and Medical</u>	<u>Other</u>	<u>Total</u>
Socorro	99	1,492	369	1,960
West Valley	101	1,231	270	1,602
Fabens	68	945	143	1,156
Montana Vista	134	776	224	1,134
San Elizario	65	1,081	183	1,329
Clint	<u>48</u>	<u>574</u>	<u>150</u>	<u>772</u>
	<u>515</u>	<u>6,099</u>	<u>1,339</u>	<u>7,953</u>

Total calls for 2019 decreased by 6% in relation to the previous year, while total calls for 2018 increased by 14% from 2017.

### Request for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Board of Commissioners, President, 16001 Socorro Road, Fabens, Texas 79838.

Adrian Santana  
Board of Commissioners, President

**INDEPENDENT AUDITORS' REPORT**

To the Board of Commissioners  
El Paso County Emergency Services District # 2  
Fabens, Texas

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities of El Paso County Emergency Services District # 2 ("the District"), a discrete component unit of the County of El Paso, Texas, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

**Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

**Auditors' Responsibility (Continued)**

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of El Paso County Emergency Services District # 2 as of September 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the District's changes in the net pension liability and related ratios and the schedule of the District's employer contributions, as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Prior Period Financial Statements*

The financial statements of El Paso County Emergency Services District # 2, as of September 30, 2018, were audited by other auditors whose report was dated February 19, 2019 and expressed an unmodified opinion.

(Continued)

To the Board of Commissioners  
El Paso County Emergency Services District # 2  
Page 3

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2020, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing on internal control over financial reporting and compliance and the results of testing, and not to provide an opinion on internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

SBNG, PC

El Paso, Texas  
January 21, 2020

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**STATEMENTS OF NET POSITION**

**September 30, 2019 and 2018**

<u>ASSETS</u>	<b>Governmental Activities</b>	
	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 2,665,861	\$ 4,454,193
Taxes receivable, net	1,248,765	1,230,798
Other receivables		17,615
Prepaid expenses	51,615	45,423
Other current assets	4,625	4,625
Non-depreciable capital assets	1,401,906	1,207,359
Depreciable capital assets, net of accumulated depreciation	<u>15,587,601</u>	<u>14,429,700</u>
 Total assets	 <u>20,960,373</u>	 <u>21,389,713</u>
 Deferred outflows of resources related to pensions	 <u>160,450</u>	 <u>120,648</u>
 <u>LIABILITIES</u>		
Accounts payable	324,685	375,600
Accrued liabilities	36,400	48,127
Accrued interest	201,628	249,992
Due within one year:		
Notes payable	1,298,336	1,335,986
Capital lease	86,356	84,020
Due after one year:		
Notes payable	6,146,097	7,444,432
Capital lease	179,981	266,337
Net pension liability (asset)	<u>1,882</u>	<u>(15,471)</u>
 Total liabilities	 <u>8,275,365</u>	 <u>9,789,023</u>
 Deferred inflows of resources related to pensions	 <u>26,085</u>	 <u>16,166</u>
 <u>NET POSITION</u>		
Investment in capital assets, net of related debt	9,278,737	6,506,284
Unrestricted	<u>3,540,636</u>	<u>5,198,888</u>
 Total net position	 <u>\$12,819,373</u>	 <u>\$11,705,172</u>

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

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**STATEMENT OF ACTIVITIES**

**Year Ended September 30, 2019**

<u><b>FUNCTIONS/PROGRAMS</b></u>	<u><b>Expenses</b></u>	<u><b>Program Revenues</b></u>			<u><b>Net Revenue (Expense) and Change in Net Position</b></u>
		<u><b>Charges for Services and Fees</b></u>	<u><b>Capital Grants and Contributions</b></u>	<u><b>Operating Grants and Contributions</b></u>	<u><b>Governmental Activities</b></u>
Primary government:					
Governmental activities:					
Public safety	\$ 5,390,767	\$ 117,845	\$	\$ 15,904	\$ (5,257,018)
Interest on long-term debt	<u>387,362</u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>(387,362)</u>
Total primary government	<u>\$ 5,778,129</u>	<u>\$ 117,845</u>	<u>\$</u>	<u>\$ 15,904</u>	<u>(5,644,380)</u>
		General revenues:			
		Taxes:			
					3,403,122
					3,310,715
					422
					<u>44,322</u>
				Total general revenues	<u>6,758,581</u>
				Change in net position	1,114,201
				Net position at beginning of year	<u>11,705,172</u>
				Net position at end of year	<u>\$ 12,819,373</u>

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

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**STATEMENT OF ACTIVITIES**

**Year Ended September 30, 2018**

<u><b>FUNCTIONS/PROGRAMS</b></u>	<u><b>Expenses</b></u>	<u><b>Program Revenues</b></u>			<u><b>Net Revenue (Expense) and Change in Net Position</b></u>
		<u><b>Charges for Services and Fees</b></u>	<u><b>Capital Grants and Contributions</b></u>	<u><b>Operating Grants and Contributions</b></u>	<u><b>Governmental Activities</b></u>
Primary government:					
Governmental activities:					
Public safety	\$ 5,217,885	\$ 103,924	\$ 75,000	\$ 22,726	\$ (5,016,235)
Interest on long-term debt	<u>470,437</u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>(470,437)</u>
Total primary government	<u>\$ 5,688,322</u>	<u>\$ 103,924</u>	<u>\$ 75,000</u>	<u>\$ 22,726</u>	<u>(5,486,672)</u>
		General revenues:			
		Taxes:			
					3,488,691
					3,119,809
					475
					<u>41,650</u>
				Total general revenues	<u>6,650,625</u>
				Change in net position	1,163,953
				Net position at beginning of year	<u>10,541,219</u>
				Net position at end of year	<u>\$ 11,705,172</u>

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



**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**September 30, 2019**

<u>ASSETS</u>	<u>General Fund</u>
Cash and cash equivalents	\$2,665,861
Taxes receivable, net	1,248,765
Prepaid expenses	51,615
Other current assets	<u>4,625</u>
Total assets	<u>\$3,970,866</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>	
Liabilities:	
Accounts payable	\$ 324,685
Accrued liabilities	<u>36,400</u>
Total liabilities	<u>361,085</u>
Deferred inflows of resources:	
Deferred revenue - Property taxes	<u>455,829</u>
Total deferred inflows of resources	<u>455,829</u>
Fund balances:	
Non-spendable	56,240
Unassigned	<u>3,097,712</u>
Total fund balances	<u>3,153,952</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$3,970,866</u>

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

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

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

**September 30, 2019**

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

Total fund balances of governmental funds in the balance sheet		\$ 3,153,952
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds:		
Governmental capital assets	41,472,042	
Less accumulated depreciation	<u>(24,482,535)</u>	16,989,507
Certain liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Net pension liability	(1,882)	
Notes payable	(7,444,433)	
Capital leases	(266,337)	
Accrued interest	<u>(201,628)</u>	(7,914,280)
Tax receivables not collected within 60 days of the end of the fiscal year are not considered available resources under the modified accrual basis and are reported as deferred inflows of resources in the government funds. Unavailable tax receivables are reported in the statement of net position on the full accrual basis.		455,829
Pension related deferred inflows and outflows are not due and payable in the current period, and are not available to pay current period expenditures, therefore are not reported in the governmental funds:		
Deferred outflows of resources related to pensions	160,450	
Deferred inflows of resources related to pensions	<u>(26,085)</u>	<u>134,365</u>
NET POSITION, GOVERNMENTAL ACTIVITIES		<u>\$12,819,373</u>

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

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**September 30, 2018**

<u>ASSETS</u>	<u>General Fund</u>
Cash and cash equivalents	\$ 4,454,193
Taxes receivable, net	1,230,798
Other receivables, net	17,615
Prepaid expenses	45,423
Other current assets	<u>4,625</u>
 Total assets	 <u>\$ 5,752,654</u>
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>	
Liabilities:	
Accounts payable	\$ 375,600
Accrued liabilities	<u>48,127</u>
 Total liabilities	 <u>423,727</u>
Deferred inflows of resources:	
Deferred revenue - Property taxes	<u>498,039</u>
 Total deferred inflows of resources	 <u>498,039</u>
Fund balances:	
Non-spendable	50,048
Unassigned	<u>4,780,840</u>
 Total fund balances	 <u>4,830,888</u>
 Total liabilities, deferred inflows of resources and fund balances	 <u>\$ 5,752,654</u>

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

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

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

**September 30, 2018**

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

Total fund balances of governmental funds in the balance sheet		\$ 4,830,888
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds:		
Governmental capital assets	38,706,473	
Less accumulated depreciation	<u>(23,069,414)</u>	15,637,059
Certain liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Notes payable	(8,780,418)	
Capital leases	(350,357)	
Accrued interest	<u>(249,992)</u>	(9,380,767)
Tax receivables not collected within 60 days of the end of the fiscal year are not considered available resources under the modified accrual basis and are reported as deferred inflows of resources in the government funds. Unavailable tax receivables are reported in the statement of net position on the full accrual basis.		498,039
Net pension asset represents pension assets in excess of total pension liabilities, which are not available to pay current period expenditures and therefore excluded from the governmental funds:		
Net pension asset		15,471
Pension related deferred inflows and outflows are not due and payable in the current period, and are not available to pay current period expenditures, therefore are not reported in the governmental funds:		
Deferred outflows of resources related to pensions	120,648	
Deferred inflows of resources related to pensions	<u>(16,166)</u>	<u>104,482</u>
NET POSITION, GOVERNMENTAL ACTIVITIES		<u>\$11,705,172</u>

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

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

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

**Year Ended September 30, 2019**

	<b><u>General Fund</u></b>
Revenues:	
Sales taxes	\$ 3,403,122
Property taxes	3,352,925
Charges for services	117,845
Grant income	15,904
Interest income	422
Other income	<u>44,322</u>
Total revenues	<u>6,934,540</u>
Expenditures:	
Public safety	3,990,176
Capital outlay	2,765,569
Debt service:	
Principal	1,420,005
Interest	<u>435,726</u>
Total expenditures	<u>8,611,476</u>
Net change in fund balance	(1,676,936)
Fund balance at beginning of year	<u>4,830,888</u>
Fund balance at end of year	<u><b>\$ 3,153,952</b></u>

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

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

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

**Year Ended September 30, 2019**

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

Net change in fund balance - total governmental funds		\$(1,676,936)
Governmental funds report capital outlays as expenditures. However, in the government-wide statements, the cost of those assets are depreciated over their estimated useful lives:		
Expenditure for capital assets	2,765,569	
Less current year provision for depreciation	<u>(1,413,121)</u>	1,352,448
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position		1,420,005
Accrued interest expense is reported as an expense in the governmental funds on the modified accrual basis, but is reported as a liability in the statement of net position on the full accrual basis:		
Change in accrued interest expense		48,364
Certain property tax revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred on the modified accrual basis in governmental funds:		
Change in unavailable property taxes		(42,210)
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in the governmental funds:		
Change in pension liability, deferred inflows, and outflows		<u>12,530</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ 1,114,201</u>

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

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

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

**Year Ended September 30, 2018**

	<u><b>General Fund</b></u>
Revenues:	
Sales taxes	\$3,488,691
Property taxes	3,130,125
Charges for services	103,924
Donations	75,000
Grant income	22,726
Interest income	475
Other income	<u>41,650</u>
Total revenues	<u>6,862,591</u>
Expenditures:	
Public safety	3,906,316
Capital outlay	1,825,026
Debt service:	
Principal	1,399,171
Interest	<u>471,275</u>
Total expenditures	<u>7,601,788</u>
Excess of expenditures over revenues	<u>(739,197)</u>
Other financing sources:	
Proceeds from long-term debt	<u>996,478</u>
Total other financing sources	<u>996,478</u>
Net change in fund balance	257,281
Fund balance at beginning of year	<u>4,573,607</u>
Fund balance at end of year	<u>\$4,830,888</u>

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

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

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

**Year Ended September 30, 2018**

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

Net change in fund balance - total governmental funds		\$ 257,281
Governmental funds report capital outlays as expenditures. However, in the government-wide statements, the cost of those assets are depreciated over their estimated useful lives:		
Expenditure for capital assets	1,825,026	
Less current year provision for depreciation	<u>(1,331,475)</u>	493,551
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
		1,399,171
Accrued interest expense is reported as an expense in the governmental funds on the modified accrual basis, but is reported as a liability in the statement of net position on the full accrual basis:		
Change in accrued interest expense		838
Certain property tax revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred on the modified accrual basis in governmental funds:		
Change in deferred property taxes		(10,316)
The proceeds from notes payable provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.		
		(996,478)
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in the governmental funds:		
Change in pension asset, deferred inflows, and outflows		<u>19,906</u>
<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>		<b><u>\$ 1,163,953</u></b>

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



**NOTES TO FINANCIAL STATEMENTS**

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO FINANCIAL STATEMENTS**

**ORGANIZATION AND OPERATIONS**

El Paso County Emergency Services District # 2 (“the District”) was created for the purpose of saving lives, the protection of property endangered by fires and other emergencies, and to promote the teaching and practices of fire and accident prevention. The District is a taxing entity and is a political subdivision of the State of Texas. The District was formed as provided by Article III, Section 48-e of the Texas Constitution. The District is administered by a Board of Commissioners (“Commissioners”), appointed by the Commissioners of the County of El Paso, Texas, that acts as the authoritative and legislative body of the entity.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

Blended component units, although legally separate entities are, in substance, part of the District’s operations. Accordingly, data from these units are combined with data of the primary government. The discretely presented component unit, on the other hand, is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

Based on the application of these criteria, the District does not have any component units required to be reported under GASB Statements No. 14, as amended by GASB Statement No. 39, GASB Statement No. 61 and No. 80.

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

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

Reporting Entity (Continued) –

**Relationships with Other Governmental Entities**

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

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes and other items not properly included among program revenues are reported instead as general revenue. The District only has one governmental fund.

Measurement Focus, Basis of Accounting, and Financial Presentation – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

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

Measurement Focus, Basis of Accounting, and Financial Presentation (Continued) – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

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

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

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

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

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

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

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

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

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

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

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

Cash and Cash Equivalents and Investments – For presentation in the financial statements, investments with an original maturity of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an original maturity of more than three months are reported as investments.

Property Tax Calendar – The District is responsible for the assessment, collection, and apportionment of property taxes. The Board of Commissioners levies property taxes on October 1. The certified tax roll from the El Paso Central Appraisal District reflected taxable values of \$3,559,936,846 and \$3,265,405,843 for the years ended September 30, 2019 and 2018, respectively. Taxes are due upon receipt of the tax bill and are delinquent if not paid by February 1, of the year following in which levied. On January 1, of each year, a tax lien attaches to property to secure the payment of tax revenues, penalties and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable in the current period.

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

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

Property Tax Calendar (Continued) – The District’s 2018-2019 effective tax rate was \$.090858 per \$100 of assessed valuation. The effective tax rate for 2017-2018 was \$.092349, per \$100 of assessed valuation. The District incurred expenditures of \$72,701 and \$40,114 for the services provided by El Paso Central Appraisal District for the years ended September 30, 2019 and 2018, respectively.

Allowance for Delinquent Taxes Receivable – Delinquent taxes receivable are evaluated by management throughout the year. The District performs ongoing evaluations and maintains allowances for uncollectible delinquent taxes based on factors surrounding the credit risk, historical trends and other information of the outstanding amount for each tax levy. The allowance for uncollectible delinquent taxes was \$53,112 for each of the years ended September 30, 2019 and 2018.

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

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

Buildings and improvements	40 years
Transportation equipment	5-10 years
Equipment	5-10 years

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

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

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

Deferred Outflows of Resources and Deferred Inflows of Resources – In addition to assets and liabilities, the statement of net position and the governmental fund balance sheet may report separate sections of deferred outflows of resources and deferred inflows of resources.

Deferred outflows of resources represent a consumption of net position (or fund balance) that applies to a future period which will not be recognized as an outflow of resources until that time. The District recognized deferred outflows of resources related to pensions on its statement of net position.

Deferred inflows of resources represent an acquisition of net position (or fund balance) that applies to a future period which will not be recognized as an inflow of resources until that time. The District has two types of items that qualify for reporting in this category. Unearned revenue - property taxes arises only under the modified accrual basis of accounting and is only reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District also recognizes deferred inflows of resources related to pensions on its statement of net position.

Reservations of Fund Balance – Unassigned fund balances are available for any purpose; these amounts can be reported only in the District's general fund.

Assigned fund balance includes amounts that are intended to be used for specific purposes but are neither considered restricted nor committed. Fund balance may be assigned by formal action of the Board of Commissioners. At September 30, 2019 and 2018, there were no assigned balances.

Committed fund balances include amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to ordinances passed by the Board of Commissioners, the District's highest level of decision-making authority. Commitments may be modified or rescinded only through ordinances approved by the Board of Commissioners. At September 30, 2019 and 2018, there were no committed balances.

The non-spendable fund balance includes amounts that cannot be spent because it is not in spendable form or is not expected to be converted into cash. Non-spendable fund balance at September 30, 2019 and 2018 includes \$56,240 and \$50,048, respectively, of prepaid expenses and other current assets to be consumed in future periods.

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

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

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

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

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

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

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

(Continued)



**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**DEPOSITS AND INVESTMENTS**

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

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

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

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

- 1) Commercial paper;
- 2) Bankers’ acceptances;
- 3) Repurchase agreements;
- 4) Certificates of deposit; and
- 5) Obligation of, or Guaranteed by Governmental Agencies, such as letters of credit or direct obligations.

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

Investment categories are as follows:

Category 1 Insured or registered, with securities held by the District or its agent in the District’s name.

Category 2 Uninsured and unregistered, with securities held by the counter party’s trust department or agent in the District’s name.

Category 3 Uninsured and unregistered, with securities held by the counter party or by its trust department or agent, but not in the District’s name.

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**DEPOSITS AND INVESTMENTS (Continued)**

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

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

*Concentration of Credit Risk* – The District places no limit on the amount the District may invest in any one issuer.

*Custodial Credit Risk - Deposits* – Management evaluates the exposure to custodial credit risk for deposits exceeding the amount insured by the FDIC by comparing the amounts of cash on-hand to collateral funds. At September 30, 2019, pledged collateral funds securing the District’s deposits had a fair market value of \$3,471,000, which exceeded the District’s bank balances totaling \$2,926,468. At September 30, 2018, pledged collateral funds securing the District’s deposits had a fair market value of \$5,646,114, which exceeded the District’s bank balances totaling \$4,690,837. Management does not believe the District is exposed to any significant credit risk.

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**PROPERTY TAX AND OTHER RECEIVABLES**

Property tax and other receivables consist of the following at September 30, 2019 and 2018:

	<b>2019</b>		
	<b><u>Gross</u></b>	<b><u>Allowance for Uncollectible Accounts</u></b>	<b><u>Net</u></b>
Governmental activities:			
Sales taxes	\$ 554,740	\$	\$ 554,740
Property taxes, current	149,231		149,231
Property taxes, delinquent	<u>597,906</u>	<u>(53,112)</u>	<u>544,794</u>
Taxes receivable, net	<u>1,301,877</u>	<u>(53,112)</u>	<u>1,248,765</u>
Total governmental activities	<u>\$1,301,877</u>	<u>\$(53,112)</u>	<u>\$1,248,765</u>
		<b>2018</b>	
	<b><u>Gross</u></b>	<b><u>Allowance for Uncollectible Accounts</u></b>	<b><u>Net</u></b>
Governmental activities:			
Sales taxes	\$ 570,415	\$	\$ 570,415
Property taxes, current	135,621		135,621
Property taxes, delinquent	<u>577,874</u>	<u>(53,112)</u>	<u>524,762</u>
Taxes receivable, net	1,283,910	<u>(53,112)</u>	1,230,798
Other receivables, net	<u>17,615</u>	<u>          </u>	<u>17,615</u>
Total governmental activities	<u>\$1,301,525</u>	<u>\$(53,112)</u>	<u>\$1,248,413</u>

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**CAPITAL ASSETS**

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

	<u>September 30, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>September 30, 2019</u>
Non-depreciable capital assets:				
Land	\$ <u>1,207,359</u>	\$ <u>194,547</u>	\$ _____	\$ <u>1,401,906</u>
Total non-depreciable capital Assets	\$ <u>1,207,359</u>	\$ <u>194,547</u>	\$ _____	\$ <u>1,401,906</u>
Depreciable capital assets:				
Building and improvements	\$12,913,076	\$2,523,017	\$	\$15,436,093
Transportation equipment	18,442,551			18,442,551
Other equipment	<u>6,143,487</u>	<u>48,005</u>	_____	<u>6,191,492</u>
	<u>37,499,114</u>	<u>2,571,022</u>	_____	<u>40,070,136</u>
Less accumulated depreciation:				
Building and improvements	4,319,614	348,933		4,668,547
Transportation equipment	15,386,339	759,638		16,145,977
Other equipment	<u>3,363,461</u>	<u>304,550</u>	_____	<u>3,668,011</u>
Total accumulated depreciation	<u>23,069,414</u>	<u>1,413,121</u>	_____	<u>24,482,535</u>
Depreciable capital assets, net	\$ <u>14,429,700</u>	\$ <u>1,157,901</u>	\$ _____	\$ <u>15,587,601</u>

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**CAPITAL ASSETS (Continued)**

	<b><u>September 30, 2017</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>September 30, 2018</u></b>
Non-depreciable capital assets:				
Land	\$ <u>1,207,359</u>	\$ _____	\$ _____	\$ <u>1,207,359</u>
 Total non-depreciable capital Assets:	 \$ <u>1,207,359</u>	 \$ _____	 \$ _____	 \$ <u>1,207,359</u>
Depreciable capital assets:				
Building and improvements	\$12,850,848	\$ 62,228	\$ _____	\$12,913,076
Transportation equipment	18,445,058	627,493	(630,000)	18,442,551
Other equipment	<u>5,008,182</u>	<u>1,135,305</u>	_____	<u>6,143,487</u>
	<u>36,304,088</u>	<u>1,825,026</u>	<u>(630,000)</u>	<u>37,499,114</u>
Less accumulated depreciation:				
Building and improvements	3,995,833	323,781	_____	4,319,614
Transportation equipment	15,039,489	976,850	(630,000)	15,386,339
Other equipment	<u>3,332,617</u>	<u>30,844</u>	_____	<u>3,363,461</u>
Total accumulated depreciation	<u>22,367,939</u>	<u>1,331,475</u>	<u>(630,000)</u>	<u>23,069,414</u>
Depreciable capital assets, net	<u>\$13,936,149</u>	<u>\$ 493,551</u>	\$ _____	<u>\$14,429,700</u>

Total provision for depreciation of \$1,413,121 and \$1,331,475 was charged to public safety of the primary government in 2019 and 2018, respectively. Capital assets pledged as security for long-term debt had a cost of \$14,239,644 as of September 30, 2019 and 2018.

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**DEFERRED REVENUE**

Deferred revenue in the amount of \$455,829 and \$498,039 at September 30, 2019 and 2018, respectively, consisted of property tax revenue received more than 60 days following year-end (unavailable to pay liabilities of the current period). Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Deferred revenue received after 60 days is fully recognized as revenue on the government-wide statements. Deferred revenue at the government-wide level arises only when the District receives resources before it has a legal claim to them.

**LONG-TERM DEBT**

The following is a summary of changes in governmental activities long-term debt for the year ended September 30, 2019 and 2018:

	<b><u>Balance at September 30, 2018</u></b>	<b><u>Additions</u></b>	<b><u>Reductions</u></b>	<b><u>Balance at September 30, 2019</u></b>	<b><u>Due Within One Year</u></b>
Notes payable	\$8,780,418	\$	\$(1,335,985)	\$7,444,433	\$1,298,336
Capital leases	350,357		(84,020)	266,337	86,356
Net pension liability (asset)	<u>(15,471)</u>	<u>17,353</u>	<u>          </u>	<u>1,882</u>	<u>          </u>
	<b><u>\$9,115,304</u></b>	<b><u>\$17,353</u></b>	<b><u>\$(1,420,005)</u></b>	<b><u>\$7,712,652</u></b>	<b><u>\$1,384,692</u></b>
	<b><u>Balance at September 30, 2017</u></b>	<b><u>Additions</u></b>	<b><u>Reductions</u></b>	<b><u>Balance at September 30, 2018</u></b>	<b><u>Due Within One Year</u></b>
Notes payable	\$9,101,364	\$996,478	\$(1,317,424)	\$8,780,418	\$1,335,986
Capital leases	432,104		(81,747)	350,357	84,020
Net pension liability (asset)	<u>(15,485)</u>	<u>14</u>	<u>          </u>	<u>(15,471)</u>	<u>          </u>
	<b><u>\$9,517,983</u></b>	<b><u>\$996,492</u></b>	<b><u>\$(1,399,171)</u></b>	<b><u>\$9,115,304</u></b>	<b><u>\$1,420,006</u></b>

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**LONG-TERM DEBT (Continued)**

*Notes Payable*

	<u>2019</u>	<u>2018</u>
<p>The District entered into a \$1,635,784 note agreement with Southside Bank to finance Socorro Fire Station property and to renovate the Station. Interest is at 5.755% per annum, payable in annual installments which are specified in the contract. The note matures in March 2029 and is secured by ad valorem taxes levied and equipment.</p>	\$1,008,348	\$1,081,524
<p>The District entered into a \$996,478 note agreement with Southside Bank to finance the purchase of radio equipment. Interest is at 2.87% per annum, payable in annual installments which are specified in the contract. The note matures in March 2027 and is secured by ad valorem taxes levied and assessed on the proceeds of taxable property in the District.</p>	800,670	888,603
<p>The District entered into a \$1,585,600 note agreement with Southside Bank to finance San Elizario Fire Station. Interest is at 5.731% per annum, payable in annual installments which are specified in the contract. The note matures in March 2025 and is secured by ad valorem taxes levied and assessed on the proceeds of taxable property in the District.</p>	785,870	893,152
<p>The District entered into a \$1,283,473 note agreement with Southside Bank to refinance real estate and for improvements and repairs. Interest is at 5.793% per annum, payable in annual installments which are specified in the contract. The note matures in March 2028 and is secured by ad valorem taxes levied and real estate.</p>	728,849	789,317
<p>The District entered into a \$1,318,751 note agreement with Southside Bank to refinance fire stations. Interest is at 5.593% per annum, payable in annual installments which are specified in the contract. The note matures in March 2024 and is secured by ad valorem taxes levied and assessed and real estate.</p>	538,384	629,571

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**LONG-TERM DEBT (Continued)**

*Notes Payable*

	<u>2019</u>	<u>2018</u>
The District entered into a \$1,257,481 note agreement with Southside Bank to refinance real estate and for improvements and repairs. Interest is at 5.593% per annum, payable in annual installments which are specified in the contract. The note matures in March 2024 and is secured by ad valorem taxes levied and real estate.	\$513,370	\$600,320
The District entered into a \$1,507,216 note agreement with Southside Bank to finance vehicles and heavy equipment. Interest is at 5.555% per annum, payable in annual installments which are specified in the contract. The note matures in March 2023 and is secured by ad valorem taxes, vehicles and equipment.	504,520	614,504
The District entered into a \$868,567 note agreement with Southside Bank to refinance two buildings. Interest is at 5.793% per annum, payable in annual installments which are specified in the contract. The note matures in March 2028 and is secured by ad valorem taxes levied and real estate.	483,229	523,698
The District entered into a \$1,360,000 note agreement with Trust Bank, formerly known as Branch Banking and Trust, to finance vehicles and construction. Interest is at 2.330% per annum, payable in annual installments which are specified in the contract. The note matures in March 2022 and is secured by real estate.	443,114	584,068
The District entered into a \$721,989 note agreement with Southside Bank to refinance vehicles and equipment. Interest is at 5.555% per annum, payable in annual installments which are specified in the contract. The note matures in March 2023 and is secured by ad valorem taxes levied and vehicles.	245,039	298,457

(Continued)



**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**LONG-TERM DEBT (Continued)**

*Notes Payable*

	<u>2019</u>	<u>2018</u>
The District entered into a \$624,211 note agreement with Trust Bank, formerly known as Branch Banking and Trust, to refinance vehicles. Interest is at 2.25% per annum, payable in annual installments which are specified in the contract. The note matures in March 2022 and is secured by vehicles.	\$222,157	\$292,975
The District entered into a \$375,000 note agreement with Southside Bank to finance a vehicle and equipment. Interest is at 5.382% per annum, payable in annual installments which are specified in the contract. The note matures in April 2028 and is secured by ad valorem taxes levied and a vehicle.	212,345	230,334
The District entered into a \$350,000 note agreement with Southside Bank to finance vehicles and equipment. Interest is at 5.597% per annum, payable in annual installments which are specified in the contract. The note matures in March 2028 and is secured by ad valorem taxes levied and a vehicle.	198,120	214,722
The District entered into a \$480,479 note agreement with Southside Bank to refinance the Tornillo Fire Station. Interest is at 5.593% per annum, payable in annual installments which are specified in the contract. The note matures in March 2024 and is secured by ad valorem taxes levied and real estate.	196,158	229,381
The District entered into a \$331,500 note agreement with Trust Bank, formerly known as Branch Banking and Trust, to finance radio equipment. Interest is at 2.23% per annum, payable in annual installments which are specified in the contract. The note matures in February 2023 and is secured by equipment.	139,549	173,049

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**LONG-TERM DEBT (Continued)**

*Notes Payable*

	<b><u>2019</u></b>	<b><u>2018</u></b>
The District entered into a \$555,750 note agreement with Trust Bank, formerly known as Branch Banking and Trust, to finance a vehicle fleet. Interest is at 1.64% per annum, payable in annual installments, which are specified in the contract. The note matures in March 2020 and is secured by vehicles.	\$114,672	\$227,493
The District entered into a \$300,000 note agreement with Southside Bank to finance the construction of a radio tower. Interest is at 5.392% per annum, payable in annual installments, which are specified in the contract. The note matures in April 2023 and is secured by ad valorem taxes, and equipment.	101,960	124,275
The District entered into a \$250,000 note agreement with Southside Bank to finance a vehicle. Interest is at 5.589% per annum, payable in annual installments which are specified in the contract. The note matures in March 2023 and is secured by ad valorem taxes, and vehicle.	84,958	103,463
The District entered into a \$187,365 note agreement with Southside Bank to finance vehicles. Interest is at 5.797% per annum, payable in annual installments which are specified in the contract. The note matures in March 2023 and is secured by ad valorem taxes, and vehicles.	69,295	84,312
The District entered into a \$433,835 note agreement with Southside Bank to finance vehicles and heavy equipment. Interest is at 5.226% per annum, payable in annual installments, which are specified in the contract. The note matures in March 2020 and is secured by ad valorem taxes, vehicles and equipment.	53,826	104,956

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**LONG-TERM DEBT (Continued)**

*Notes Payable*

	<u>2019</u>	<u>2018</u>
The District entered into a \$749,870 note agreement with Southside Bank to finance vehicles and heavy equipment. Interest is at 5.755% per annum, payable in annual installments, which are specified in the contract. The note matured in March 2019 and is secured by ad valorem taxes, vehicles and equipment.	\$ _____	\$ <u>92,244</u>
Total notes payable	7,444,433	8,780,418
Less amount due within one year	<u>1,298,336</u>	<u>1,335,986</u>
Amount due after one year	<u>\$6,146,097</u>	<u>\$7,444,432</u>

Annual debt service for the outstanding notes is as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$1,298,336	\$ 379,492	\$1,677,828
2021	1,182,952	316,889	1,499,841
2022	1,238,767	256,133	1,494,900
2023	1,062,849	196,001	1,258,850
2024	796,250	140,315	936,565
2025-2029	<u>1,865,279</u>	<u>251,085</u>	<u>2,116,364</u>
Total	<u>\$7,444,433</u>	<u>\$1,539,915</u>	<u>\$8,984,348</u>

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**LONG-TERM DEBT (Continued)**

***Capital Lease Obligation***

Capital lease obligation of the governmental activities at September 30, 2019 and 2018 consists of the following obligation under capital lease entered into for the acquisition of rolling stock:

	<u>2019</u>	<u>2018</u>
The District entered into a \$810,368 lease agreement with Sun Trust to finance vehicles and equipment. Interest is at 2.78% per annum, payable in annual installments which are specified in the contract. The lease matures in January 2022 and is secured by equipment and vehicles.	\$266,337	\$350,357
Less amount due within one year	<u>86,356</u>	<u>84,020</u>
Amount due after one year	<u>\$179,981</u>	<u>\$266,337</u>

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

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 86,356	\$ 7,404	\$ 93,760
2021	88,757	5,003	93,760
2022	<u>91,224</u>	<u>2,536</u>	<u>93,760</u>
	<u>\$266,337</u>	<u>\$14,943</u>	<u>\$281,280</u>

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

Equipment under capital leases totals \$909,818 and had accumulated depreciation of \$697,527 and \$606,545 as of September 30, 2019 and 2018, respectively. Amortization of leased equipment under capital lease is included in depreciation expense.

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**EMPLOYEE PENSION PLAN**

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

A brief description of the benefit terms includes the following:

- 1) All full- and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year. Employees in a temporary position are not eligible for membership.
- 2) The plan provides retirement, disability and survivor benefits.
- 3) TCDRS is a savings-based plan. For the District's plan, 7% of each employee's pay is deposited into his or her TCDRS account. By law, employee accounts earn 7% interest on beginning of year balances annually. At retirement, the account is matched at an employer set percentage (current match is 250%) and is then converted to an annuity.
- 4) There are no automatic cost of living adjustments ("COLAs"). Each year, the District may elect an ad hoc COLA for its retirees (if any). There are two COLA types, each limited by actual inflation.
- 5) Benefit terms are established under the TCDRS Act. The terms may be amended as of January 1 each year but remain in conformity with the Act.

The District's contribution rate is calculated annually on an actuarial basis, although the employer may elect to contribute at a higher rate. The District contribution rate is based on the TCDRS funding policy adopted by the TCDRS Board of Trustees and must conform with the TCDRS Act. The employee contribution rates are set by the District and are currently 7%. The most recent comprehensive annual financial report for TCDRS can be found at [www.tcdrs.org](http://www.tcdrs.org). Membership information is shown in the charts below.

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**EMPLOYEE PENSION PLAN (Continued)**

Plan Description (Continued) -

	<b><u>December 31, 2018</u></b>
Members:	
Inactive employees entitled but not yet receiving benefits:	5
Number of active employees	29
Average monthly salary:	\$3,043
Average age:	38.32
Average length of service in years*;	3.32
*Averages reported for active employees	
Inactive employees (or their beneficiaries) receiving benefits:	
Number of benefit recipients:	0
Average monthly benefit:	\$0
	<b><u>December 31, 2017</u></b>
Members:	
Inactive employees entitled but not yet receiving benefits:	4
Number of active employees	29
Average monthly salary:	\$2,994
Average age:	37.05
Average length of service in years*;	2.74
*Averages reported for active employees	
Inactive employees (or their beneficiaries) receiving benefits:	
Number of benefit recipients:	0
Average monthly benefit:	\$0

Total contributions payable to the plan at September 30, 2019 and 2018 were \$14,212 and \$17,646, respectively.

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**EMPLOYEE PENSION PLAN (Continued)**

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

<u>Net Pension Liability/ (Asset)</u>	<u>December 31, 2018</u>
Total pension liability	\$629,799
Fiduciary net position	<u>627,917</u>
Net pension liability/(asset)	\$ <u>1,882</u>
Fiduciary net position as a percentage of total pension liability	99.70%
Pensionable covered payroll	\$1,056,299
Net pension liability as a percentage of covered payroll	0.18%
Discount rate (1)	8.10%
Long-term expected rate of return, net of investment expense	8.10%
Municipal bond rate	Does not apply

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**EMPLOYEE PENSION PLAN (Continued)**

Net Pension Liability (Continued) –

<u>Net Pension Liability/ (Asset)</u>	<u>December 31, 2017</u>
Total pension liability	\$449,975
Fiduciary net position	<u>465,446</u>
Net pension liability/(asset)	\$ <u>(15,471)</u>
Fiduciary net position as a percentage of total pension liability	103.44%
Pensionable covered payroll	\$995,368
Net pension liability as a percentage of covered payroll	(1.55)%
Discount rate (1)	8.10%
Long-term expected rate of return, net of investment expense	8.10%
Municipal bond rate	Does not apply

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

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

Actuarial methods and Assumptions Used for GASB Calculations – All actuarial methods and assumptions used for this GASB analysis were the same as those used in the December 31, 2018 and 2017 funding valuations, except as noted below and throughout this report.

The following are key assumptions and methods used:

(Continued)



**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**EMPLOYEE PENSION PLAN (Continued)**

Actuarial methods and Assumptions Used for GASB Calculations (Continued)–

<b>Valuation Timing</b>	Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
<b>Actuarial Cost Method</b>	Entry Age Normal (1)
<b>Amortization Method</b>	
Recognition of economic/demographic gains or losses	Straight-line amortization over expected working life
Recognition of assumptions changes or inputs	Straight-line amortization over expected working life
<b>Asset Valuation Method</b>	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
<b>Inflation</b>	2.75%

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**EMPLOYEE PENSION PLAN (Continued)**

Other Actuarial Assumptions (Continued) –

<b>Salary Increases</b>	The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.25% (made up of 2.75% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.6% per year for a career employee.
<b>Investment Rate of Return</b>	8.10% (Gross of administrative expenses)
<b>Cost-of-Living Adjustments</b>	Cost-of-living adjustments for El Paso County Emergency Services District #2 are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost of living adjustments is included in the funding valuation.
<b>Retirement Age</b>	Average age 61.
<b>Turnover</b>	New employees are assumed to replace any terminated members and have similar entry ages.

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**EMPLOYEE PENSION PLAN (Continued)**

Other Actuarial Assumptions (Continued) –

**Mortality**

Depositing members	90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate scale after 2014
Service Retirees, beneficiaries and non-depositing members	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Disabled retirees	130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

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

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**EMPLOYEE PENSION PLAN (Continued)**

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

	<b><u>Total Pension Liability (a)</u></b>	<b><u>Increase (Decrease) Fiduciary Net Position (b)</u></b>	<b><u>Net Pension Liability/ (Asset) (a)-(b)</u></b>
Balance as of December 31, 2017	\$449,975	\$465,446	\$ (15,471)
Changes for the year:			
Service cost	161,666		161,666
Interest on total pension liability	49,084		49,084
Effect of economic/demographic gains or losses	(19,372)		(19,372)
Refund of contributions	(11,554)	(11,554)	
Administrative expenses		(504)	504
Member contributions		73,941	(73,941)
Net investment income		(6,830)	6,830
Employer contributions		102,461	(102,461)
Other	<u>          </u>	<u>4,957</u>	<u>(4,957)</u>
Balance as of December 31, 2018	<u>\$629,799</u>	<u>\$627,917</u>	<u>\$ 1,882</u>

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**EMPLOYEE PENSION PLAN (Continued)**

Schedule of Changes in Net Pension Liability/(Asset) (Continued) –

	<b>Total Pension Liability (a)</b>	<b>Increase (Decrease) Fiduciary Net Position (b)</b>	<b>Net Pension Liability/ (Asset) (a)-(b)</b>
Balance as of December 31, 2016	\$239,740	\$255,225	\$ (15,485)
Changes for the year:			
Service cost	145,296		145,296
Interest on total pension liability	31,188		31,188
Effect of economic/demographic gains or losses	40,311		40,311
Effect of assumption changes or inputs	(6,560)		(6,560)
Administrative expenses		(310)	310
Member contributions		69,676	(69,676)
Net investment income		39,961	(39,961)
Employer contributions		98,641	(98,641)
Other	<u>          </u>	<u>2,253</u>	<u>(2,253)</u>
Balance as of December 31, 2017	<u>\$449,975</u>	<u>\$465,446</u>	<u>\$ (15,471)</u>

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

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**EMPLOYEE PENSION PLAN (Continued)**

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

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

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

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

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**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**EMPLOYEE PENSION PLAN (Continued)**

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

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

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

1. TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability (UAAL) shall be amortized as a level percent of pay over 20-year closed layered periods.
2. Under TCDRS Act, the employer is legally required to make the contribution specified in the funding policy.
3. The employer's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.
4. Any increased cost due to the adoption of a COLA is required to be funded over a period of 15 years, if applicable.

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

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**EMPLOYEE PENSION PLAN (Continued)**

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

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

	<b><u>December 31, 2018</u></b>		
	<b>1% Decrease</b>	<b>Current</b>	<b>1% Increase</b>
	<b><u>7.10%</u></b>	<b><u>8.10%</u></b>	<b><u>9.1%</u></b>
Total pension liability	\$770,704	\$629,799	\$ 519,064
Less fiduciary net position	<u>627,918</u>	<u>627,917</u>	<u>627,918</u>
Net pension liability/(asset)	\$ <u>142,786</u>	\$ <u>1,882</u>	\$( <u>108,854</u> )

	<b><u>December 31, 2017</u></b>		
	<b>1% Decrease</b>	<b>Current</b>	<b>1% Increase</b>
	<b><u>7.10%</u></b>	<b><u>8.10%</u></b>	<b><u>9.1%</u></b>
Total pension liability	\$553,267	\$449,975	\$ 368,816
Less fiduciary net position	<u>465,446</u>	<u>465,446</u>	<u>465,446</u>
Net pension liability/(asset)	\$ <u>87,821</u>	\$ ( <u>15,471</u> )	\$ ( <u>96,630</u> )

(Continued)



**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**EMPLOYEE PENSION PLAN (Continued)**

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

<b><u>Pension Expense/(Income)</u></b>	<b><u>January to December 31, 2018</u></b>	<b><u>January to December 31, 2017</u></b>
Service cost	\$161,666	\$145,296
Interest on total pension liability	49,084	31,188
Administrative expenses	504	310
Member contributions	(73,941)	(69,676)
Expected investment on return, net of investment expenses	(44,424)	(27,434)
Recognition of deferred inflows/outflows of resources:		
Recognition of economic/demographic gains and losses	2,081	4,018
Recognition of assumption changes or inputs	(501)	(501)
Recognition of investment gains or losses	9,996	(256)
Other	<u>(4,958)</u>	<u>(2,253)</u>
Net Pension expense	<u>\$ 99,507</u>	<u>\$ 80,692</u>

As of September 31, 2019 and 2018, the deferred inflows and outflows of resources were as follows:

	<b><u>September 30, 2019</u></b>	
	<b><u>Deferred Inflows of Resources</u></b>	<b><u>Deferred Outflows of Resources</u></b>
Differences between expected and actual experience	\$20,717	\$ 38,738
Changes of assumptions	5,368	668
Net difference between projected and actual earnings		36,990
Contributions made subsequent to measurement date	<u>          </u>	<u>84,054</u>
	<u>\$26,085</u>	<u>\$160,450</u>

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**EMPLOYEE PENSION PLAN (Continued)**

Net Pension Expense (Continued) -

	<b><u>September 30, 2018</u></b>	
	<b><u>Deferred Inflows of Resources</u></b>	<b><u>Deferred Outflows of Resources</u></b>
Differences between expected and actual experience	\$ 3,282	\$ 38,738
Changes of assumptions	5,368	668
Net difference between projected and actual earnings	7,516	3,503
Contributions subsequent to measurement date <sup>(1)</sup>	<u>      </u>	<u>77,739</u>
	<b><u>\$16,166</u></b>	<b><u>\$120,648</u></b>

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

**Year Ended December 31,**

2019	\$ 95,630
2020	10,579
2021	9,325
2022	11,830
2023	1,580
Thereafter (2)	<u>5,421</u>
	<b><u>\$134,365</u></b>

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

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; damage to, and theft or destruction of assets; errors and omissions; injuries to volunteer firefighters and natural disaster, for which commercial insurance is carried. Claims expenditures and liabilities are reported when it is probable that a loss has occurred, and the amounts of loss can be reasonably estimated.

During fiscal year ended 2019, the District contracted with the VFIS of Texas, Inc. for liability, property, and crime damage. Coverages provided by the Company are as follows:

Business Auto Coverage Liability Combined (Each Accident)	\$1,000,000
Commercial General Liability (Per Occurrence)	\$1,000,000
Commercial Property	\$20,923,511

The District's insurance coverage changed from the prior year to increase commercial property coverage for its new District Headquarters. There were no settlements that exceeded insurance coverage in the last three years.

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

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**COMMITMENTS AND CONTINGENCIES**

***Volunteer Fire Departments***

The District normally maintains operating agreements with six volunteer fire departments: Fabens Fire Department, Socorro Fire Department, Clint Fire Department, Montana Vista Fire and Rescue, San Elizario Fire and Rescue, and West Valley Fire Department. The agreements are renewed on an annual basis, or each time a department elects a Fire Chief. Each Volunteer Fire Department independently appoints a Fire Chief and maintains its own by-laws and tax-exempt status.

The purpose of the operating agreements are so each volunteer fire department can operate a fire prevention, protection and fighting operation, as well as an emergency medical first responder program in the geographic areas of the communities identified by the ESD map. Each department is responsible to:

- 1) Provide, procure, and maintain volunteer personnel, supplies, and material necessary for the operation of each fire station,
- 2) Provide necessary training to fire prevention, firefighting and medical assistance personnel,
- 3) Conduct annual workshops,
- 4) Submit required financial reports to the District Administrator, and
- 5) Safeguard and maintain District property.

The contract amount for each department is based on ESD's annually approved budget. Department costs are annually reimbursed by ESD up to the budgeted amount. The Departments may have other sources of funds to assist with the financing of its operations.

Charges are submitted to the District for reimbursement on a monthly basis and no more than three months subsequent to the date the expenditures were incurred.

As of September 30, 2019, the District's contract included a provision to provide each department with an annual sum of \$25,000 to be used by each Department as discretionary funds. The amount is to be approved for payment at the District's Commissioners' meeting by September of each year.

Effective October 1, 2019, the District modified its operating agreement with each Department, which eliminates the annual \$25,000 discretionary funds payments and replace it with a pre-approved budgeted amount for each Department. In addition, further procurement, reporting, auditing, and equipment safeguarding guidelines were incorporated into each contract.

The Departments are required to provide monthly and quarterly financial reports to the District's Administrator, maintain an inventory of all controlled assets within the Department and provide a list on August 1<sup>st</sup> of each year. Any excess payment made by the District to the Department should be refunded within fifteen days.

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**COMMITMENTS AND CONTINGENCIES**

***Town of Horizon Police Department – Dispatching Services***

The District entered into an interlocal agreement with the Town of Horizon City, Texas (“the Town”) in which the Town’s public safety department will provide dispatching services to the District, including but not limited to providing staff 24 hours a day, 7 days a week, to answer emergency services and dispatch responses for District personnel. The original period of the contract began on March 1, 2015 and ended on September 30, 2015. At the end of the term, the contract is renewed every year unless both parties agree to terminate the agreement. Total compensation for the services provided by the Town during the year ended September 30, 2019 was \$343,888. The agreement requires the annual contract amount to be revisited every year and approved by both parties. The contract amount for fiscal year 2019-2020 is \$341,040.

**SUBSEQUENT EVENTS**

Subsequent events were evaluated through January 21, 2020, which is the date the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

**Year Ended September 30, 2019**

	<u>Budgeted Amounts</u>		<b>Actual Amounts Budgetary</b>	<b>Variance</b>
	<u>Original</u>	<u>Final</u>	<u>Basis</u>	<u></u>
Revenues:				
Taxes:				
Sales taxes	\$ 3,531,000	\$ 3,531,000	\$ 3,403,122	\$ (127,878)
Property taxes	3,201,181	3,276,614	3,352,925	76,311
Reserve funds		2,388,822		(2,388,822)
Charges for services	100,000	117,845	117,845	
Grant income		15,904	15,904	
Interest income			422	422
Other income		9,759	44,322	34,563
	<u>6,832,181</u>	<u>9,339,944</u>	<u>6,934,540</u>	<u>(2,405,404)</u>
Total revenues				
Expenditures:				
Public safety:				
Salaries and benefits	1,441,028	1,252,603	1,228,806	23,797
Material and services	2,951,003	3,137,635	2,761,370	376,265
Capital outlay	584,422	2,957,290	2,765,569	191,721
Debt service:				
Principal payments	1,415,406	1,415,406	1,420,005	(4,599)
Interest payments	440,322	442,109	435,726	6,383
	<u>6,832,181</u>	<u>9,205,043</u>	<u>8,611,476</u>	<u>593,567</u>
Total expenditures				
Surplus of revenues over expenditures (excess of expenditures over revenue)		134,901	(1,676,936)	(1,811,837)
Fund balance, beginning of year	4,830,888	4,830,888	4,830,888	
Fund balance, end of year	<u>\$ 4,830,888</u>	<u>\$ 4,965,789</u>	<u>\$ 3,153,952</u>	<u>\$(1,811,837)</u>

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

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

**Year Ended September 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
GAAP basis excess (deficit)			\$(1,676,936)	
Fund balance, beginning of year			<u>4,830,888</u>	
Fund balance, end of the year			<u><u>\$ 3,153,952</u></u>	

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



**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

**Year Ended September 30, 2018**

	<u>Budgeted Amounts</u>		<b>Actual Amounts Budgetary</b>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Basis</u>	
Revenues:				
Taxes:				
Sales taxes	\$ 3,799,000	\$ 3,580,609	\$ 3,488,691	\$ (91,918)
Property taxes	2,991,206	3,109,858	3,130,125	20,267
Reserve funds	270,728	270,728		(270,728)
Charges for services	57,298	103,924	103,924	
Donations		75,000	75,000	
Grant income	5,000	22,726	22,726	
Interest income			475	475
Other income		3,466	41,650	38,184
	<u>7,123,232</u>	<u>7,166,311</u>	<u>6,862,591</u>	<u>(303,720)</u>
Total revenues				
Expenditures:				
Public safety:				
Salaries and benefits	1,432,767	1,432,767	1,220,532	212,235
Material and services	2,738,083	2,738,083	2,685,784	52,299
Capital outlay	1,159,146	1,159,146	1,825,026	(665,880)
Debt service:				
Principal payments	1,273,665	1,273,665	1,399,171	(125,506)
Interest payments	519,571	519,571	471,275	48,296
	<u>7,123,232</u>	<u>7,123,232</u>	<u>7,601,788</u>	<u>(478,556)</u>
Total expenditures				
Surplus of revenues over expenditures (excess of expenditures over revenue)		43,079	(739,197)	(782,276)
Fund balance, beginning of year		<u>4,573,607</u>	<u>4,573,607</u>	
Fund balance, end of year	<u>\$</u>	<u>\$ 4,616,686</u>	<u>\$ 3,834,410</u>	<u>\$ (782,276)</u>

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

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

**Year Ended September 30, 2018**

	<b>Budgeted Amounts</b>		<b>Actual Amounts Budgetary Basis</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>		
Budget basis deficit			\$ (739,197)	
Other financing sources:				
Proceeds from note payable			996,478	
GAAP basis excess			257,281	
Fund balance, beginning of year			4,573,607	
Fund balance, end of the year			\$ 4,830,888	

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

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND**

**SIGNIFICANT ACCOUNTING POLICIES**

Budgetary Basis of Accounting – The District's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (“GAAP”). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenses are recognized on the cash and encumbrances basis. Revenues are budgeted in the year that receipt is expected, and expenditures are budgeted in the year that the applicable purchase orders are expected to be issued. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting on the governmental fund statements and on the full accrual basis on the government-wide statements.

**BUDGET PROCESS AND CALENDAR**

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

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

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

Estimated Resources – As part of the District's budgetary process, the Board approves the official estimated resources. The official estimated resources states the projected revenue of the General Fund. Prior to September 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the official estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about October 1, the estimated resources is amended to include any unencumbered balances from the preceding year. The estimated resources may be further amended during the year if the Board determines that an estimate needs to be either increased or decreased. The amounts reported on the budgetary statements reflect the amounts in the final amended official certificate of estimated resources issued during fiscal year ended 2019.

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
(CONTINUED)**

**BUDGET PROCESS AND CALENDAR (Continued)**

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

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

**EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the year ended September 30, 2019, the only expenditure category that exceeds its corresponding budgeted appropriation amount was debt principal payments. Total budgeted appropriations exceed total expenditures by \$593,567. These excess appropriations were rolled forward to the following fiscal year.

For the year ended September 30, 2018, the expenditure categories that exceeded its corresponding budgeted appropriation amounts were capital outlay and debt principal payments. Total expenditures exceed budgeted appropriations by \$478,556. To cover the excess of expenditures over appropriations, the District's Board of Commissioners approved the issuance of long-term debt totaling \$996,478.

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
FOR THE YEARS ENDED DECEMBER 31, 2009 THROUGH 2018**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>Years 2009 - 2014</u>
<b>Total Pension Liability</b>					
Service cost	\$ 161,666	\$ 145,296	\$ 127,824	\$ 99,145	N/A
Interest on total pension liability	49,084	31,188	13,433	3,595	N/A
Effect of plan changes				(9,664)	N/A
Effect of assumption changes or inputs		(6,560)		1,049	N/A
Effect of economic/demographic (gains) or losses	(19,372)	40,311	(4,688)	9,046	N/A
Benefit payments/refund of contributions	(11,554)				N/A
Net change in total pension liability	179,824	210,235	136,569	103,171	N/A
Total pension liability, beginning	449,975	239,740	103,171		N/A
Total pension liability, ending	629,799	449,975	239,740	103,171	N/A
<b>Fiduciary Net Position</b>					
Employer contributions	102,461	98,641	86,150	62,894	N/A
Member contributions	73,941	69,676	54,427	39,735	N/A
Investment income net of investment expenses	(6,830)	39,961	7,762	(872)	N/A
Benefit payments/refund of contributions	(11,554)				N/A
Administrative expenses	(504)	(310)	(84)	(38)	N/A
Other	4,957	2,253	5,255	(4)	N/A
Net change in fiduciary net position	162,471	210,221	153,510	101,715	N/A
Fiduciary net position, beginning	465,446	255,225	101,715		N/A
Fiduciary net position, ending	627,917	465,446	255,225	101,715	N/A
Net pension liability (asset)	\$ 1,882	\$ (15,471)	\$ (15,485)	\$ 1,456	N/A
Fiduciary net position as a percentage of total pension liability	99.70%	103.44%	106.46%	98.59%	N/A
Pensionable covered payroll	\$ 1,056,299	\$ 995,368	\$ 777,533	\$ 567,640	N/A
Net pension liability (asset) as a percentage of covered payroll	0.18%	-1.55%	-1.99%	0.26%	N/A

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

See independent auditor's report.

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS  
FOR THE YEARS ENDED DECEMBER 31, 2009 THROUGH 2018**

<b>Year Ended December 31,</b>	<b>Actuarially Determined Contribution (1)</b>	<b>Actual Employer Contribution (1)</b>	<b>Contribution Deficiency (Excess)</b>	<b>Pensionable Covered Payroll (2)</b>	<b>Actual Contributions as a % Covered Payroll</b>
2009	\$	\$	\$	\$	
2010					
2011					
2012					
2013					
2014					
2015	62,894	62,894		567,640	11.1%
2016	86,150	86,150		777,533	11.1%
2017	98,641	98,641		995,368	9.9%
2018	102,461	102,461		1,056,299	9.7%

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

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

See independent auditor's report.

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Valuation Date	Actuarially determined contribution rates are calculated on a calendar basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
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**Methods and Assumptions Used to Determine Contribution Ratios -**

Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	7.4 years (based on contribution rate calculated in 12/31/2018 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 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: New Annuity Purchase Rates were reflected for benefits earned after 2017. 2018: No changes in plan provisions were reflected in the Schedule.

\* Only changes that affect the benefit amount and that are effective 2015 and thereafter are shown in the notes to the Schedule.

**AUDITORS' SECTION**



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

To the Board of Commissioners  
El Paso County Emergency Services District #2

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities of El Paso County Emergency Services District #2 ("the District"), a discrete component unit of The County of El Paso, Texas, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 21, 2020.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2019-001, 2019-002 and 2019-003 that we consider to be significant deficiencies.

To the Board of Commissioners  
El Paso County Emergency Services District #2

**Compliance and Other Matters**

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

**El Paso County Emergency Services District #2's Response to Findings**

El Paso County Emergency Services District #2's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. El Paso County Emergency Services District #2's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

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

SBNG, PC

El Paso, Texas  
January 21, 2020

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Year Ended September 30, 2019**

**I. SUMMARY OF AUDITORS' RESULTS**

1. The auditors' report expresses an unmodified opinion on the financial statements of El Paso County Emergency Services District # 2.
2. There are significant deficiencies disclosed by the audit of the financial statements of El Paso County Emergency Services District # 2 as reported in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. There are no instances of non-compliance material to the financial statements of El Paso County Emergency Services District # 2, which would be required to be reported in accordance with *Government Auditing Standards*.

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(CONTINUED)**

**Year Ended September 30, 2019**

**II. AUDIT FINDINGS RELATING TO THE FINANCIAL STATEMENTS  
WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH  
“GOVERNMENT AUDITING STANDARDS”**

**Finding No. 2019-001 - Incorrect set up of chart of accounts**

**Criteria:** The District’s chart of accounts should be established in a manner consistent with the budget annually approved by its Board of Commissioners. All expense categories and accounts within the accounting software should be assigned its own account number. In addition, account numbers should be used to track capital outlay projects, equipment purchases in excess of capitalization threshold, and debt principal payments. The chart of accounts should allow for a method of generating accounting reports directly from the accounting software so they can be compared against the approved budget.

**Condition:** During our audit, we noted that the current chart of accounts implemented by the District does not allow for an efficient and clear tracking of capital outlay, equipment purchases and debt service. Expenses incurred during each fiscal period under these categories are tracked on accounts that have been set up as “balance sheet” items, rather than period expenses. In addition, the budget does not assign discrete expense account numbers for capital outlay or debt service, and the account numbers used for these items in the accounting system do not follow a systematic order.

**Cause:** The District’s chart of accounts was originally established in a manner consistent with an enterprise fund. However, the District maintains a governmental general fund.

**Effect:** Prior to the audit, and in the absence of audit adjustments provided each year, the District’s general fund does not follow the modified accrual basis of accounting, which is the method of accounting required for governmental funds under Generally Accepted Accounting Principles in the United States of America. In addition, adjustments provided to management as a result of previous audits are not efficiently translated into the general fund. The result is that audit adjustments are required every year to clear remaining activity in capital outlay and debt service accounts and reconcile the opening fund balance. In addition, the accounting system does not provide accurate information that allows management to compare its debt service and capital outlay expenses to approved budgets.

**Recommendation:** We recommend that the District review its current chart of accounts and adopt a systematic numbering system to track all expenditures, including debt service and capital outlay. The chart of accounts should mirror the expense categories approved in the annual fiscal budget. We recommend that management review the software settings for each of these accounts to ensure they are properly set up in the accounting system as expenditures rather than balance sheet items.

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(CONTINUED)**

**Year Ended September 30, 2019**

**II. AUDIT FINDINGS RELATING TO THE FINANCIAL STATEMENTS  
WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH  
“GOVERNMENT AUDITING STANDARDS” (Continued)**

**Finding No. 2019-001 - Incorrect set up of chart of accounts (Continued)**

**Management’s Response:** We agree with the findings and will work with an external public accounting firm to make the necessary changes to insure efficient and clear tracking of debt service and capital outlay through our current accounting software.

**Proposed Corrective Action:** At the request of ESD # 2 we will work with an external public accounting firm to establish a date and time to assist the Administrator in updating its current chart of accounts to reflect systematic number for debt service and capital outlay to mirror the expense categories approved in the annual fiscal budget.

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(CONTINUED)**

**Year Ended September 30, 2019**

**II. AUDIT FINDINGS RELATING TO THE FINANCIAL STATEMENTS  
WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH  
“GOVERNMENT AUDITING STANDARDS” (Continued)**

**Finding No. 2019-002 - Written Equipment and Inventory Control Policy is Needed**

**Criteria:** The District’s largest assets consist of firefighting equipment, medical equipment, vehicles, furniture, building improvements, and computer equipment. In order to ensure that these assets are properly safeguarded, the District must implement a strong system of internal control to track high value assets and ensure that equipment is only replaced when needed. Due to the complexity of tracking these items, written guidelines should be adopted, and the controls should be monitored throughout the entire fiscal year.

**Condition:** The District has adopted a combination of written requirements and informal guidelines to track its equipment, furniture, computer equipment, and vehicles. The District requires each of its contracted volunteer fire departments to provide inventories of equipment and vehicles assigned to each fire station every year. In addition, District management keeps its own listing of equipment. However, during our audit, we noted that inventory is moved between fire stations, that the inventory listing maintained by the District is not regularly updated, and that the listing of inventory does not identify assets with enough detail to differentiate them from one another.

**Cause:** The District’s equipment and inventory control procedures are still under development.

**Effect:** The current control procedures are not likely to detect or prevent a misappropriation or misuse of equipment in a reasonably timely manner.

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(CONTINUED)**

**Year Ended September 30, 2019**

**II. AUDIT FINDINGS RELATING TO THE FINANCIAL STATEMENTS  
WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH  
“GOVERNMENT AUDITING STANDARDS” (Continued)**

**Finding No. 2019-002 - Written Equipment and Inventory Control Policy is Needed (Continued)**

**Recommendation:** We recommend that the District prioritize the establishment of a written equipment and inventory control plan, as well as a written policy establishing the requirements for safeguarding equipment and inventory. At a minimum, we recommend that the written policy includes the following:

- 1) Provide guidelines for tracking different categories of assets: vehicles, fire equipment, medical equipment, garage equipment, consumables, computer equipment, furniture.
- 2) Define a replacement value or actual cost value limit for tracking each category of items.
- 3) Define which types of inventory may be moved between stations, and which ones must remain within each station.
- 4) Track and authorize movements of high value equipment between stations.
- 5) Track high value equipment assigned to each vehicle.
- 6) Perform an internal audit of the inventory listings provided by each volunteer fire department at the end of each fiscal year.
- 7) Perform cycle counts or spot counts on each fire station and within the District Headquarters regularly.
- 8) Adopt written guidelines for disposing of equipment.
- 9) Require that the District’s master inventory list be updated at least annually and be cross-referenced to the inventory listings provided by each department.
- 10) Define data to be tracked for each category of equipment, such as brand, serial number, and location.
- 11) Assign staff to maintain inventory list and perform spot counts throughout the year.
- 12) Impose corrective actions for any misuse of assets identified.
- 13) Consider establishing a committee within the Board of Commissioners and assign responsibility for monitoring and enforcing equipment control policy.
- 14) Report results of cycle counts and annual inventory to Commissioners on a regular basis.
- 15) Retain workpapers documenting what items were counted, and have such workpapers available for external auditors at the end of every fiscal year.

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(CONTINUED)**

**Year Ended September 30, 2019**

**II. AUDIT FINDINGS RELATING TO THE FINANCIAL STATEMENTS  
WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH  
“GOVERNMENT AUDITING STANDARDS” (Continued)**

**Finding No. 2019-002 - Written Equipment and Inventory Control Policy is Needed (Continued)**

**Management’s Response:** As El Paso County ESD#2 moves forward with its outlined changes on how our service providers user equipment and where our equipment may go, we will look into a better monthly spot check.

**Proposed Corrective Action:** El Paso County ESD#2 will create a policy on how the service providers will notify us of any changes.

(Continued)



**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(CONTINUED)**

**Year Ended September 30, 2019**

**II. AUDIT FINDINGS RELATING TO THE FINANCIAL STATEMENTS  
WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH  
“GOVERNMENT AUDITING STANDARDS” (Continued)**

**Finding No. 2019-003 - Implement Written Procurement Policy**

**Criteria:** During the fiscal year ended September 30, 2019, the District’s Board of Commissioners approved the implementation of a new procurement policy for computer equipment and furniture. The policy requires that all purchases of computer equipment and furniture made by Volunteer Fire Departments be approved by the District prior to being reimbursed.

**Condition:** While the new policy has been communicated verbally to all volunteer fire departments and referred to in the operating agreement with each department, the District has not established a written policy that defines all the recently adopted guidelines.

**Cause:** The existing procurement guidelines for the District have not been revised and presented to the District’s Board of Commissioners for approval.

**Effect:** There are no current written guidelines or policies for which the volunteer fire departments can be held accountable when procuring materials and equipment on behalf of the District.

**Recommendation:** We recommend the District Administrator review the existing procurement policies and incorporate the changes that have been communicated to each volunteer fire department, including that all purchases of computer equipment and furniture be approved by the District prior to being purchased. In addition, we recommend that at a minimum, the written policy be expanded to include all equipment in excess of \$5,000, improvements to fire station facilities, and improvements or upgrades to vehicles.

**Management’s Response:** As El Paso County ESD#2 moves forward with the outlined changes to its way of procuring items and services, we do see the need to implement a policy that will outline state laws and safeguard taxpayers’ dollars.

**Proposed Corrective Action:** A procurement policy will be presented at the next meeting for approval by the Board of Commissioners.

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2  
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**SCHEDULE OF PRIOR YEAR FINDINGS**

**September 30, 2019**

**I. AUDIT FINDINGS RELATING TO THE FINANCIAL STATEMENTS WHICH ARE  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH “GOVERNMENT  
AUDITING STANDARDS”**

None.