

COMAL COUNTY EMERGENCY SERVICES
DISTRICT NO. 1
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2019

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 1
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DECEMBER 31, 2019

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Rick C. Reed & Company, PLLC
Certified Public Accountants

Member of the American Institute of Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Comal County Emergency Services District No. 1
Spring Branch, TX

We have audited the accompanying financial statements of the governmental activities and the general fund of Comal County Emergency Services District No. 1 (the District) as of and for the year ended December 31, 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.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the District as of December 31, 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 Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-7 and page 20 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.

Rick C. Reed + Company, PLLC

Rick C. Reed & Company, PLLC

May 18, 2020

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 1 MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Comal County Emergency Services District No. 1 ("ESD #1" "the District") annual financial report presents management's discussion and analysis of the District's financial performance during the fiscal year ended December 31, 2019. The MD&A should be read in conjunction with the accompanying financial statements.

FINANCIAL HIGHLIGHTS

- As of December 31, 2019, the District's total net position was \$5,050,169.
- The District had expenses of \$2,603,703. Of this total, approximately 96% was expended for public safety and the remaining 4% was general government and interest expense. Depreciation expense was \$235,699 and was charged to public safety.
- General revenues consisted of \$3,445,437 and exceeded total expenses by \$841,734.

OVERVIEW OF THE FINANCIAL STATEMENTS

ESD #1's Annual Financial Report consists of a series of financial statements and accompanying notes, with the primary focus being on the District as a whole. The Statement of Net Position and the Statement of Activities are government-wide financial statements that provide both short-term and long-term information about the District's overall financial status. The fund financial statements report ESD #1's operations in more detail by providing information as to how services are financed in the short-term, as well as the remaining available resources for future spending. Additionally, the fund financial statements focus on major funds rather than fund types. The District has one fund type, which is the General Fund. This fund accounts for property tax revenues which are collected monthly by Comal County on behalf of the District. ESD #1 was formed in January 1988 as a subdivision of the State of Texas as an emergency services district under Health and Safety Code 776. Effective June 17, 2011, Senate Bill repealed Chapter 776 of the Texas Health & Safety Code and converted all of the emergency services districts operating under Chapter 776 to districts operating under Chapter 775.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities - Emergency services operating activities are reported in these statements.

The Statement of Net Position and the Statement of Activities present a view of the District's financial operations as a whole, reflect all financial transactions, and provide information helpful in determining whether the District's financial health or position has improved or deteriorated as a result of the current year's activities. Both of these statements are prepared using the full accrual basis of accounting similar to that used by most private-sector companies. The Statement of Net Position includes all assets and liabilities, both short and long term. The Statement of Activities reports all of the current year's revenues and expenses regardless of when cash is received or paid.

The two government-wide statements report ESD #1's net position, which represent the difference between assets, deferred outflows, liabilities, and deferred inflows. Over time, the increases or decreases in the District's net position is an indicator of whether its financial health is improving or deteriorating. Additionally, the District's financial operating results are determined by the difference between the revenues and expenses. To assess the overall health of the District, consideration should be given to additional non-financial factors, such as changes in the District's tax base.

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 1 MANAGEMENT'S DISCUSSION AND ANALYSIS

Fund Financial Statements

Fund financial statements provide a detailed short-term view of ESD #1's operations, focusing on its most significant or "major" fund, emergency service operations. The District has one fund – a General Fund.

Governmental Funds - The accounting for ESD #1's basic services is included in the governmental fund. The measurement focus and basis of accounting used for reporting continues to be the modified accrual basis, which measures inflows and outflows of current financial resources and the remaining balances at year-end that are available for spending. Furthermore, under this basis of accounting, changes in net spendable assets are normally recognized only to the extent that they are expected to have a near-term impact, while inflows are recognized only if they are available to liquidate liabilities of the current period. Similarly, future outflows are typically recognized only if they represent a depletion of current financial resources. The District's governmental fund is the General Fund. The differences in the amounts reported between the fund statements and the government-wide statements are explained in the reconciliations provided on pages 11 and 13.

Notes to Financial Statements

The notes provide disclosures and additional information that are essential to a full understanding of the financial information presented in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also provides certain required supplementary information beginning on page 20.

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 1 MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

At December 31, 2019 the District's net position is \$5,050,169. This is a \$841,734 increase over last year's net position of \$4,208,436. Revenues increased by \$214,374 primarily due to increased property tax appraisals and collections.

The District's fund balance as of December 31, 2019 is \$2,199,594. This is an increase of \$346,371 from last year's fund balance of \$1,853,224. The main cause of the increase was due to the rise in property tax revenue, and total expenses were less than budgeted.

In accordance with GASB Statement No. 34, comparative analysis of government-wide information from prior year to current year is presented.

A schedule of ESD #1's net position is summarized as follows:

	2019	2018
Assets		
Current Assets	\$ 6,324,214	\$ 5,284,478
Capital assets, net	4,120,354	3,908,217
Total assets	<u>10,444,568</u>	<u>9,192,695</u>
Liabilities		
Current liabilities	298,359	292,396
Long-Term Liabilities	1,027,585	1,314,055
Total liabilities	<u>1,325,944</u>	<u>1,606,451</u>
Deferred inflows of resources	<u>4,068,454</u>	<u>3,377,808</u>
Net position		
Net investment in Capital Assets	2,806,299	2,318,288
Unrestricted	2,243,871	1,890,148
Total net position	<u>\$ 5,050,170</u>	<u>\$ 4,208,436</u>

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 1 MANAGEMENT'S DISCUSSION AND ANALYSIS

The District's total revenues were \$3,445,437 in 2019. Virtually all revenue came from ad valorem property taxes.

For the year ended December 31, 2019, the total expenses were \$2,603,703 including \$58,664 of general government expenses. The District contracts their emergency services with Bulverde-Spring Branch Emergency Services (BSB ES) as a service provider. The contract was entered into on March 29, 2014 through December 31, 2020. Funds are distributed to the BSB ES on a monthly basis. The interlocal service agreement with BSB ES will require that ESD #1 make monthly payments of \$208,500 to BSB ES for providing services to the District for the year 2020, versus \$187,763 per month for 2019. The details of the agreement are explained in Note D in the notes to the financial statements.

The following table summarizes the changes in the District's net position from its activities for the years ended December 31, 2019 and 2018:

	2019	2018
Revenues:		
General Revenues	\$ 3,445,437	\$ 3,231,063
Total revenues	3,445,437	3,231,063
Expenditures		
General and Administrative	58,664	50,020
Public Safety	2,496,767	2,419,162
Interest	48,272	58,675
Total expenses	2,603,703	2,527,857
Increase (Decrease) in net position	841,734	703,206
Beginning net position	4,208,436	3,505,230
Ending net position	\$ 5,050,170	\$ 4,208,436

CAPITAL ASSETS ADMINISTRATION

Net investment in capital assets, was \$2,806,299 at December 31, 2019. The District purchased \$447,836 of equipment in 2019. Capital assets include land, emergency vehicles and equipment valued at \$4,120,354 net of depreciation. If more information is desired on the District's capital asset activity, please refer to the notes to the financial statements.

LONG-TERM DEBT

At the end of 2019, the District had total outstanding debt of \$1,314,055 to finance the purchase of facilities. More detailed information can be found in the notes to the financial statements.

BUDGETARY HIGHLIGHTS

The Statement of Revenues, Expenditures and Changes in Fund Balances on page 12 indicates General Fund revenues exceeded expenditures by \$346,371 and the fund balance at the end of the year was \$2,199,594.

Actual revenues in 2019 were more than budgeted amounts by \$138,764. Expenditures were over budget in 2019 by \$17,346, however there were some reserves from 2018 that were used for 2019 expenditures. The District reserved an additional \$150,000 during the year for potential purchases.

**COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The ad valorem property tax rate was \$0.085100 per \$100 property valuation in 2019. The property tax rate for 2020 was adjusted to \$0.09000 per \$100 property tax valuation.

CONTACTING THE ESD's FINANCIAL MANAGEMENT

This financial report is designed to provide our taxpayers, patrons and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Commissioners at 830-228-4501, or at P.O. Box 126, Spring Branch, Texas 78070.

BASIC FINANCIAL STATEMENTS

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 1
STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2019

Assets

Current Assets

Cash and cash equivalents	\$ 2,483,999
Cash with fiscal agent	2,065,914
Property tax receivable	
Current	1,718,135
Delinquent	56,166
Total Current Assets	<u>6,324,214</u>

Capital Assets, net of accumulated depreciation:

Land	510,291	
Station buildings	3,284,222	
Ambulances	1,599,240	
Emergency Service Equipment	249,980	
Less: Accumulated Depreciation	<u>(1,523,379)</u>	
Total capital assets		<u>4,120,354</u>

Total assets	\$ <u>10,444,568</u>
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Liabilities

Accrued interest	\$ 11,889
Long-term debt	
Due within one year	286,470
Due in more than one year	<u>1,027,585</u>
Total liabilities	<u>1,325,944</u>

Deferred Inflow of Resources	<u>4,068,454</u>
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Net Position

Net investment in capital assets	2,806,299
Unrestricted	<u>2,243,871</u>
Total net position	<u>5,050,170</u>

Total liabilities, deferred inflows of resources, and net position	\$ <u>10,444,568</u>
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The accompanying notes are an integral part of the financial statements.

**COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 1
STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019**

Emergency Services Function

Expenses:

General and administrative	\$ 58,664
Public safety	2,496,767
Interest	<u>48,272</u>

Total expenses	<u>2,603,703</u>
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General revenues:

Property tax	3,407,561
Interest income	<u>37,876</u>

Total general revenues	<u>3,445,437</u>
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Change in net position	841,734
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Net position, beginning of year	<u>4,208,436</u>
Net position, end of year	<u>\$ 5,050,170</u>

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

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 1
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2019

	<u>General Fund</u>
Assets	
Cash and cash equivalents	\$ 2,483,999
Cash with fiscal agent	2,065,914
Property tax receivable	
Current	1,718,135
Delinquent	<u>56,166</u>
Total assets	<u>\$ 6,324,214</u>
Deferred Inflow of Resources	
Current property taxes levied for subsequent period	\$ 4,068,454
Delinquent property taxes	<u>56,166</u>
Total Deferred Inflows of Resources	<u>4,124,620</u>
Fund balances:	
Unassigned	<u>2,199,594</u>
Total fund balances	<u>2,199,594</u>
Total liabilities, deferred inflow of resources and fund balances	<u>\$ 6,324,214</u>

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

**COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 1
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2019**

Amounts reported for governmental activities in the statement of net position are different because:

Fund balances of all governmental funds (Page 10)	\$ 2,199,594
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	56,166
Accrued interest payable is not due and payable in the current period and, therefore, not reported in the funds.	(11,889)
Notes payable are not due and payable in the current period and, therefore, not reported in the funds.	(1,314,055)
Capital assets used in governmental activities are not spendable current financial resources and, therefore, are not reported in the balance sheet of governmental funds.	<u>4,120,354</u>
Net position of governmental activities (Page 8)	<u>\$ 5,050,170</u>

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

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 1
STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>General Fund</u>
Revenues:	
Property tax revenue	\$ 3,404,841
Interest income	<u>37,876</u>
Total revenues	<u>3,442,717</u>
Expenditures:	
General and administrative	58,664
Public safety	2,261,068
Capital outlay	447,836
Debt Service:	
Principal	275,874
Interest	<u>52,904</u>
Total expenditures	<u>3,096,346</u>
Excess revenues over expenditures	<u>346,371</u>
Net change in fund balance	346,371
Fund balances, beginning of year	<u>1,853,223</u>
Fund balances, end of year	<u><u>\$ 2,199,594</u></u>

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

**COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 1
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2019**

Net change in fund balances for all governmental funds (Page 12)		\$ 346,371
Amounts reported for governmental activities in the statement of activities are different because:		
Delinquent property tax revenues are deferred in the fund. This is the change in these amounts this year.		2,720
The repayment of the principal of long-term debt consumes the current financial resources of the governmental funds.		275,874
Interest is not accrued in the governmental funds and is expensed in the governmental activities.		4,632
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are depreciated over their useful lives.		
Expenditures for capital assets	447,836	
Current year's depreciation	<u>(235,699)</u>	
		<u>212,137</u>
Change in net position of governmental activities (Page 9)		<u>\$ 841,734</u>

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

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

A. Summary of Significant Accounting Policies

The financial statements of Comal County Emergency Services District #1 (the "District") have been prepared in conformity with generally accepted accounting principles applicable to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

The Board of Commissioners ("Board"), a five-member group, has governance responsibilities over all activities related to emergency medical service operations within the jurisdiction of the District. The Board is appointed by the County of Comal, Texas and has the exclusive power and duty to govern. The District receives funding from local government sources and must comply with the requirements of those funding entities. However, the District is included in the County of Comal, Texas' financial statements as a component unit and there are no component units included within the reporting entity.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government. Governmental activities generally are financed through property tax revenue, which is all recorded as general revenue.

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

Fund Financial Statements: The fund financial statements provide information about the District's major governmental fund.

General Fund: This is the District's operating fund. It accounts for all financial resources of the District.

b. Measurement Focus, Basis of Accounting

Government-wide Financial Statements: These 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 at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenues in the year for 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.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are considered to be available when they are collectible within the current period or soon 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 generally are recorded when a liability is incurred, as under accrual accounting.

Amounts reported as program revenues include: charges to customers or applications for goods, services, or privileges provided; operating grants and contributions; and capital grants and contributions. General revenues include all taxes.

COMAL COUNTY EMERGENCY SERVICES DISTRICT #1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

A. Summary of Significant Accounting Policies – continued

2. Basis of Presentation, Basis of Accounting – continued

b. Measurement Focus, Basis of Accounting – continued

The District reports the following major governmental fund:

The General Fund is the operating fund of the District and is always classified as a major fund. The General Fund is used to account for all financial resources. Primary expenditures are for general and administrative, and public safety.

3. Cash and Cash Equivalents

The District considers cash and cash equivalents to be cash in demand accounts, certificates of deposit, savings accounts, and other investments with an original maturity of 3 months or less.

4. Accounts Receivable – Property Taxes

Property taxes are levied each October 1 on the taxable value as of the preceding January 1, the date a lien attaches, for all taxable real and personal property located in the District. Taxes are due by January 31 following the October 1 assessment date and become delinquent on February 1, at which time they begin accruing penalty and interest. Although the District's 2019 ad valorem taxes are levied on October 1, 2018, it is the District's policy to recognize revenues from the October 1 tax levy in the calendar year when the proceeds of this levy are budgeted and made available for the District's operations. The collections on the October 1, 2019 levy and the remaining receivable are reported as deferred inflows of resources at year-end. No allowance for doubtful accounts is considered necessary at this time.

5. Fund Equity

In the fund financial statements, governmental funds report unassigned fund balance for amounts that are available for appropriation.

6. Net Position

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restriction imposed by creditors, grantors, or laws and regulations of other governments.

7. Capital Assets

Capital assets, which include land, vehicles, buildings, and equipment, are reported in the District's financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. When capital assets are purchased, they are capitalized and depreciated in the financial statements over their useful lives on a straight-line basis.

Capital assets are valued at cost where historical records are available and at an estimated cost where no records exist. Donated capital assets are valued at their estimated fair market value at date of donation. Improvements to capital assets that materially extend the life of the asset or add to the value are capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Capital assets are depreciated over their useful lives on a straight-line basis as follows:

<u>Assets</u>	<u>Years</u>
Buildings	40
Emergency Service Equipment	7-10
Office Equipment	10

COMAL COUNTY EMERGENCY SERVICES DISTRICT #1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

A. Summary of Significant Accounting Policies – continued

8. Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheets. 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.

At December 31, 2019, the District has \$4,068,454 in deferred inflows of resources on the statement of net position, relating to ad valorem taxes that are received or reported as a receivable before the period for which property taxes are available.

9. Management's Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the District to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

B. Deposits and Investments

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. The District has not experienced any loss in such accounts.

At December 31, 2019, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in cash and cash equivalents) was \$2,483,999 and the bank balance was \$2,495,814. The deposits held at December 31, 2019 were fully collateralized.

GASB Statement No. 40 "Deposits and Investment Risk Disclosures" addresses custodial credit risk as noted above, but other common areas of investment risk as well, such as interest rate risk and credit risk.

Custodial Credit Risk

The District's investments are not categorized by level of risk assumed by the District because the District invests in money market accounts.

Interest Rate Risk

The District manages its interest rate risk by using certificates of deposit, but by policy other investments purchased may not have a maturity longer than one year from date of purchase.

Concentration of Credit Risk

The District diversifies its investments in terms of investment instruments, maturity scheduling, and financial institutions to reduce risk of loss resulting from over concentration of assets in a specific class of investments, specific maturity or specific issuer.

Credit Risk

The District is not exposed to credit risk.

COMAL COUNTY EMERGENCY SERVICES DISTRICT #1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

B. Deposits and Investments – continued

Foreign Currency Risk

The District is not exposed to foreign currency risk.

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, and maturity and the quality and capability of investment management; and include a list of the types of authorized investments in which the investing entity's funds may be invested; and the maximum allowable stated maturity of any individual investment owned by the entity.

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

C. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During the fiscal year 2019, the District obtained general liability coverage through a commercial insurer. The District continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

D. Related Party Transactions

The District entered into a joint agreement with Bulverde-Spring Branch Emergency Services (a non-profit organization) to provide emergency medical services for the response area of the District. Two (2) members of the Board also serve as voting members of the board of the Bulverde-Spring Branch Emergency Services. The District paid \$2,253,156 to Bulverde-Spring Branch Emergency Services in accordance with the joint agreement for the fiscal year ended December 31, 2019.

E. Capital Assets

Capital asset activity for the year ended December 31, 2019, was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets not being depreciated:				
Land	\$ 510,291	\$ -	\$ -	\$ 510,291
Capital assets being depreciated:				
Station Building	3,236,554	47,668	-	3,284,222
Ambulances	1,362,470	236,770	-	1,599,240
Emergency Service Equipment	86,582	163,398	-	249,980
Total capital assets being depreciated	4,685,606	447,836	-	5,133,442
Less:				
Accumulated Depreciation	(1,287,680)	(235,699)	-	(1,523,379)
Net assets being depreciated	3,397,926	212,137	-	3,610,063
Total capital assets, net	\$ 3,908,217	\$ 212,137	\$ -	\$ 4,120,354

COMAL COUNTY EMERGENCY SERVICES DISTRICT #1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

E. Capital Assets – continued

Depreciation expense was charged to the public safety function for December 31, 2019 in the amount of \$235,699.

F. Fund Balance

GASB Statement No. 54 (GASB 54), Fund Balance Reporting and Governmental Fund Type Definitions, provides guidance for fund balance categories and classifications and governmental fund type definitions and requires reporting cash balances, by major governmental fund type, and availability for public purposes.

Five categories of cash balances were created and defined by GASB 54. These five categories are as follows:

- Non-spendable – These funds are not available for expenditures based on legal or contractual requirements. An example might be inventories and prepaid expenditures.
- Restricted – These funds are governed by externally enforceable restrictions.
- Committed – Fund balances in this category are limited by the government's highest level of decision making (in this case the board). Any changes of this designation must be done in the same manner as it was implemented. For example, if funds are committed by resolution, the commitment could only be released with another resolution.
- Assigned – For funds to be assigned, there must be an intended use which can be established by the board or an official delegated by the council, such as an administrator or financial director. For example, during the budget process, the board decided to use some existing fund balance to support activities in the upcoming year.
- Unassigned – This classification is the default for all funds that do not fit into the other categories.

Restricted amounts are considered to have been spent when expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available. The District's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year.

G. Long-Term Debt

The District entered into a promissory note with Southside Bank for construction of a substation in Indian Hills Estate. The note calls for annual payments of \$98,078, with an interest rate of 5.378%. The note is collateralized by the land and building.

The District entered into a promissory note with Broadway National Bank for construction of the South Station 3. The note calls for annual payments of \$230,700, with an interest rate of 3.125%. The note is collateralized by the building.

A summary of notes payable at December 31, 2019 is as follows:

	Original Amount	Balance Outstanding January 1, 2019	Issued	Retired	Balance Outstanding December 31, 2019	Amount Due Within One Year
Southside Bank	\$ 750,000	\$ 265,210	\$ -	\$ (83,815)	\$ 181,395	\$ 88,322
Broadway Bank	1,979,126	1,324,719	-	(192,059)	1,132,660	198,148
		<u>\$ 1,589,929</u>	<u>\$ -</u>	<u>\$ (275,874)</u>	<u>\$ 1,314,055</u>	<u>\$ 286,470</u>

COMAL COUNTY EMERGENCY SERVICES DISTRICT #1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

G. Long-Term Debt – continued

Future payments on the promissory notes are as follows:

	Principal	Interest	Total
2020	\$ 286,470	\$ 42,307	\$ 328,777
2021	297,502	31,276	328,778
2022	210,910	19,790	230,700
2023	217,596	13,104	230,700
2024	224,494	6,206	230,700
Thereafter	77,083	498	77,581
	<u>\$ 1,314,055</u>	<u>\$ 113,181</u>	<u>\$ 1,427,236</u>

H. Subsequent Events

The District has evaluated subsequent events through May 18, 2020, the date which the financial statements were available to be issued. There are no subsequent events to be reported.

REQUIRED SUPPLEMENTARY INFORMATION

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 1
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL ON A BUDGETARY BASIS - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	Budgeted Amounts		GAAP Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property tax revenue	\$ 3,279,953	\$ 3,279,953	\$ 3,404,841	\$ 124,888
Interest income	24,000	24,000	37,876	13,876
Total revenues	3,303,953	3,303,953	3,442,717	138,764
Expenditures:				
General government	55,000	55,000	58,664	(3,664)
Public safety	2,250,000	2,250,000	2,261,068	(11,068)
Capital outlay	295,000	295,000	447,836	(152,836)
Debt service	329,000	329,000	328,778	222
Reserves	150,000	150,000	-	150,000
Total expenditures	3,079,000	3,079,000	3,096,346	(17,346)
Excess revenue over (under) expenditures	224,953	224,953	346,371	121,418
Fund balances, beginning of year	1,853,223	1,853,223	1,853,223	-
Fund balances, end of year - budgetary basis	\$ 2,078,176	\$ 2,078,176	\$ 2,199,594	\$ 121,418