

COMAL COUNTY EMERGENCY  
SERVICES DISTRICT NO. 4  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2019

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 4  
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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. 4  
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. 4 (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 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.

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 in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of Comal County Emergency Services District No. 4 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 through 6 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 7, 2020

## **COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 4 MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of Comal County Emergency Services District No. 4 ("ESD #4" "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 \$7,214,562.
- The District had expenses of \$1,833,978. Of this total, approximately 96% was expended for public safety and the remaining 4% was general government and interest expense. Depreciation expense was \$172,615 and was charged to public safety.
- General revenues consisted of \$3,131,292 and exceeded total expenses by \$1,297,314.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The District'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 #4'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 and sales tax revenues which are collected monthly by the State Comptroller's Office on behalf of the District. ESD #4 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 #4'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. 4 MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **Fund Financial Statements**

Fund financial statements provide a detailed short-term view of ESD #4's operations, focusing on its most significant or "major" fund, emergency service operations.

Governmental Fund - The accounting for ESD #4'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 10 and 12.

### **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 on page 20.

### **FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

At December 31, 2019 the District's net position is \$7,214,562. This is a \$1,297,314 increase over last year's net position of \$5,917,248.

The District's fund balance as of December 31, 2019 is \$3,228,917. This is a decrease of \$730,338 from last year's fund balance of \$3,959,255.

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

# **COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 4 MANAGEMENT'S DISCUSSION AND ANALYSIS**

A schedule of ESD #4's net position is summarized as follows:

	<u>2019</u>	<u>2018</u>
<b>Assets</b>		
Current assets	\$ 4,961,323	\$ 5,571,072
Capital assets, net	4,382,436	1,492,139
Other assets	2,084,553	447,524
<b>Total assets</b>	<u><u>\$ 11,428,312</u></u>	<u><u>\$ 7,510,735</u></u>
<b>Liabilities</b>		
Current liabilities	\$ 132,818	\$ 92,489
<b>Noncurrent liabilities:</b>		
Long term debt - due in more than one year	2,372,244	-
<b>Total liabilities</b>	<u><u>2,505,062</u></u>	<u><u>92,489</u></u>
<b>Deferred inflows of resources</b>	<u><u>1,708,688</u></u>	<u><u>1,500,998</u></u>
<b>Net position</b>		
Net investment in Capital Assets	3,966,989	1,939,663
Unrestricted	3,247,573	3,977,585
<b>Total net position</b>	<u><u>\$ 7,214,562</u></u>	<u><u>\$ 5,917,248</u></u>

The District's total general fund revenues were \$3,131,292 in 2019, of which, 48% of the revenue came from ad valorem property taxes, 52% of revenue came from sales tax, and .06% was from interest income.

For the year ended December 31, 2019, the total expenses were \$6,361,304 including \$1,585,682 of public safety, \$75,669 of general government expenses, \$4,699,941 in capital outlay, and \$12 in debt service payments.

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 #4 make monthly payments of \$156,000 to BSB ES for providing services to the District for the year 2020, versus \$131,400 per month for 2019. The details of the agreement are explained in Note G in the notes to the financial statements.

## **CAPITAL ASSETS ADMINISTRATION**

Net investments in capital assets, net of accumulated depreciation, was \$3,966,989 at December 31, 2019. Capital assets include land, building & improvements, equipment, and rolling apparatus valued at \$5,628,808. The District has made deposits totaling \$2,084,553 on two rolling apparatus in 2019, both are expected to be received and placed in service at the end of 2020.

## COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 4 MANAGEMENT'S DISCUSSION AND ANALYSIS

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
<b>Revenues:</b>		
General Revenues	\$ 3,131,292	\$ 2,671,217
<b>Total revenues</b>	<b>3,131,292</b>	<b>2,671,217</b>
<b>Expenditures</b>		
General and Administration	75,669	40,439
Public Safety	1,758,297	1,633,661
Interest	12	1,413
<b>Total expenses</b>	<b>1,833,978</b>	<b>1,675,513</b>
<b>Increase (Decrease) in net position</b>	<b>1,297,314</b>	<b>995,704</b>
Beginning net position	5,917,248	4,921,544
<b>Ending net position</b>	<b>\$ 7,214,562</b>	<b>\$ 5,917,248</b>

### LONG-TERM DEBT

As of March 2019, the District secured a loan of \$2,500,000 for the construction of the new fire station and purchase of equipment in connection with the fire station. See Note E on pages 17 & 18.

### BUDGETARY HIGHLIGHTS

The Statement of Revenues, Expenditures and Changes in Fund Balances on page 11 indicates General Fund expenditures exceeded revenues by \$730,338 and the fund balance at the end of the year was \$3,228,917.

Actual revenues in 2019 were more than budgeted amounts by \$223,766. The favorable variance in revenues was primarily due to property tax and revenues received were higher than anticipated. Expenditures were under budget in 2019 by \$222,962 due to less expenditures in General Government Expenditures. Capital and Construction Expenditures were under budget in 2019 by \$300,059 and the District budgeted \$2.7M towards the new station building. Total building project is expected to be at a total cost of \$3,000,000.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The ad valorem property tax rate increases to \$.065 per \$100 property valuation in 2019. The property tax rate for 2020 is expected to decrease slightly to \$.06498 per \$100 property valuation. The sales tax rate for 2019 is 1.00% and is expected to remain the same in 2020.

### 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 office at 830-625-7522, or at P.O. Box 601, Spring Branch, Texas 78070.



**BASIC FINANCIAL STATEMENTS**

**COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 4**  
**STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES**  
**DECEMBER 31, 2019**

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 3,103,724
Cash with fiscal agent	858,543
Property tax receivable	
Current	724,340
Delinquent	18,656
Due from other governments	256,060
Deposit on rolling apparatus	2,084,553
Land	766,650
Equipment	248,228
Rolling apparatus	489,766
Buildings and Improvements	2,877,792
Total capital assets, net	<u>4,382,436</u>
<b>Total assets</b>	<b><u>\$ 11,428,312</u></b>
<b>Liabilities</b>	
Accounts payable	\$ 5,062
Long-term debt	
Due within one year	127,756
Due in more than one year	<u>2,372,244</u>
<b>Total liabilities</b>	<b><u>2,505,062</u></b>
<b>Deferred Inflow of Resources</b>	<b><u>1,708,688</u></b>
<b>Net Position</b>	
Net investment in capital assets	3,966,989
Unrestricted	<u>3,247,573</u>
<b>Total net position</b>	<b><u>7,214,562</u></b>
<b>Total liabilities, deferred inflow of resources, and net position</b>	<b><u>\$ 11,428,312</u></b>

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

**COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 4  
STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2019**

<b>Emergency Services Function,</b>	<b>Governmental Activities</b>
<b>Expenses:</b>	
General and administrative	\$ 75,669
Public safety	1,758,297
Interest	12
<b>Total expenses</b>	<b>1,833,978</b>
<b>General revenues:</b>	
Property tax	1,514,530
Sales tax	1,614,781
Interest income	1,981
<b>Total general revenues</b>	<b>3,131,292</b>
<b>Change in net position</b>	<b>1,297,314</b>
<b>Net position, beginning of year</b>	<b>5,917,248</b>
<b>Net position, end of year</b>	<b>\$ 7,214,562</b>

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

**COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 4**  
**BALANCE SHEET - GOVERNMENTAL FUND**  
**DECEMBER 31, 2019**

	<u>General Fund</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 3,103,724
Cash with fiscal agent	858,543
Property tax receivable	
Current	724,340
Delinquent	18,656
Due from other governments	<u>256,060</u>
<b>Total assets</b>	<b><u>\$ 4,961,323</u></b>
<b>Liabilities</b>	
Accounts payable	<u>\$ 5,062</u>
<b>Total liabilities</b>	<b><u>5,062</u></b>
<b>Deferred Inflow of Resources</b>	
Current property taxes levied for subsequent period	1,708,688
Delinquent property taxes	<u>18,656</u>
<b>Total deferred inflows of resources</b>	<b><u>1,727,344</u></b>
<b>Fund balances</b>	
Committed	600,000
Unassigned	<u>2,628,917</u>
<b>Total fund balances</b>	<b><u>3,228,917</u></b>
<b>Total liabilities, deferred inflow of resources     and fund balances</b>	<b><u>\$ 4,961,323</u></b>

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

**COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 4  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUND  
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:

<b>Fund balances of all governmental funds (Page 9)</b>	<b>\$ 3,228,917</b>
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	18,656
Notes payable are not due and payable in the current period and, therefore, not reported in the funds.	(2,500,000)
Deposits for purchase order of capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds	2,084,553
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>4,382,436</u>
<b>Net position of governmental activities (Page 7)</b>	<b><u><u>\$ 7,214,562</u></u></b>

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

**COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 4  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUND  
FOR THE YEARS ENDED DECEMBER 31, 2019**

	<u>General Fund</u>
<b>Revenues:</b>	
Property tax revenue	\$ 1,514,204
Sales tax revenue	1,614,781
Interest income	<u>1,981</u>
<b>Total revenues</b>	<u><b>3,130,966</b></u>
<b>Expenditures:</b>	
General and administrative	75,669
Public safety	1,585,682
Capital outlay	4,699,941
Debt Service: Principal	-
Interest	<u>12</u>
<b>Total expenditures</b>	<u><b>6,361,304</b></u>
<b>Excess revenues over expenditures</b>	<u><b>(3,230,338)</b></u>
<b>Other Financing Sources (Uses):</b>	
Issuance of debt	<u>2,500,000</u>
<b>Net change in fund balance</b>	<b>(730,338)</b>
<b>Fund balance, beginning of year</b>	<u><b>3,959,255</b></u>
<b>Fund balance, end of year</b>	<u><u><b>\$ 3,228,917</b></u></u>

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

**COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 4  
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 11)	\$	(730,338)
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are not reported as expenses in the statement of activities.		4,699,941
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Depreciation of capital assets is not reported in the governmental funds		(172,615)
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Delinquent property tax revenues are deferred in the fund. This is the change in these amounts this year.		326
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Proceeds from the issuance of long-term debt are not reported as revenue in the statement of activities		(2,500,000)
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Change in net position of governmental activities (Page 8)	\$	<u>1,297,314</u>
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The accompanying notes are an integral part of the financial statements.

**COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**A. Summary of Significant Accounting Policies**

The financial statements of Comal County Emergency Services District No. 4 (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 fire emergency 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 and state 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 and sales 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) fees, fines and charges paid for goods and services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including property tax, sales tax, and interest income are presented 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. The government-wide financial statements are reported using 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. Non-exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, sales taxes, grants and contributions. On an accrual basis, revenue from property taxes and sales taxes are recognized in the fiscal year for which the taxes are levied. Revenue from grants and contributions is recognized in the fiscal year in which all eligibility requirements have been satisfied.



**COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 4**  
**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

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected, except that property tax revenue is recognized in the year for which taxes have been levied. Revenues from local sources consist primarily of property taxes and sales taxes. Property tax and sales tax revenue is recognized when received. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred. General capital asset acquisitions are reported as expenditures in governmental funds.

3. Property Taxes

Property taxes are levied October 1 on the assessed value listed as of the prior January 1 for all real and business personal business property in conformity with Subtitle E of the Texas Property Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 each year, a tax lien attaches to the property to secure the payment of all taxes, penalties, and interest ultimately imposed. 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 is considered unearned until the subsequent calendar year. The remaining receivable on unpaid levies are reported as deferred inflows of resources at year-end. No allowance for doubtful accounts is considered necessary at this time.

4. 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.

5. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

6. Capital Assets

Capital assets, which include land, buildings and equipment are reported in the applicable governmental activities' column in the government-wide financial statements. Capital assets such as equipment are defined as assets with a cost of \$5,000 or more. Capital assets are recorded at historical costs if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Capital assets are depreciated using the straight-line method over the following estimated useful lives: Equipment, 3-10 years, Rolling Apparatus, 5-8 years, and Buildings, 39 years.

**COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**A. Summary of Significant Accounting Policies – continued**

**7. 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 \$1,708,688 in deferred inflows of resources on the statement of net position, related to ad valorem taxes that were received or reported as a receivable before the period for which property taxes are available.

**8. 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. As of December 31, 2019, cash balances were fully collateralized with FDIC coverage and security pledged in the District's name.

**1. Cash Deposits and Cash Equivalents:**

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 \$3,103,724 and the bank balance was \$3,141,109.

**2. Investments:**

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.

**3. 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.

**4. 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.

**COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**B. Deposits and Investments – continued**

5. 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.

6. Credit Risk

The District is not exposed to credit 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 District's funds may be invested; and the maximum allowable stated maturity of any individual investment owned by the District.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area, conducted as a part of the audit of the general purpose financial statements, disclosed no areas of non-compliance.

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 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.

**COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**D. Capital Assets**

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

	Beginning Balance	Additions	Disposals	Ending Balance
<u>Capital assets not being depreciated:</u>				
Land	\$ 766,650	\$ -	\$ -	\$ 766,650
<u>Capital assets being depreciated:</u>				
Equipment	441,191	127,475	-	568,666
Rolling Apparatus	1,358,055	51,483	-	1,409,538
Building & Improvements	-	2,883,954	-	2,883,954
Total capital assets being depreciated	1,799,246	3,062,912	-	4,862,158
Less accumulated depreciation for:				
Buildings & Improvements	-	(6,162)	-	(6,162)
Equipment	(283,466)	(36,972)	-	(320,438)
Rolling apparatus	(790,291)	(129,481)	-	(919,772)
Total accumulated depreciation	(1,073,757)	(172,615)	-	(1,246,372)
Net assets being depreciated	725,489	2,890,297	-	3,615,786
Total capital assets, net	<u>\$ 1,492,139</u>	<u>\$ 2,890,297</u>	<u>\$ -</u>	<u>\$ 4,382,436</u>

Depreciation expense in the amount of \$172,615 was charged to the public safety function.

Construction in progress at December 31, 2018 was capitalized to the new Station #4 as of December 2019, at which the building was placed in service. Total cost of construction as of December 31, 2019 was \$2,883,954.

**E. Long-Term Liabilities**

The District entered into a promissory note with Capital One Public Funding, LLC for the construction of a new fire station (Station# 4) and the purchase of equipment in connection with the station. The note will be paid annually in the amount of \$220,006 with the first payment due as of April 2020. The note is secured with the land and building at an interest rate of 3.690%. The note matures as of April 2034.

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

	Original Amount	Interest Rate	Balance Outstandin g January 1, 2019	Issued	Retired	Balance Outstanding December 31, 2019
Capital One Public Funding	\$ 2,500,000	3.69%	\$ -	\$ 2,500,000	\$ -	\$ 2,500,000
			<u>\$ -</u>	<u>\$ 2,500,000</u>	<u>\$ -</u>	<u>\$ 2,500,000</u>

**COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**E. Long-Term Liabilities – Continued**

Future payments on the promissory note is as follows:

	Principal	Interest	Total
2020	\$ 127,756	\$ 92,250	\$ 220,006
2021	132,470	87,536	220,006
2022	137,358	82,648	220,006
2023	142,427	77,579	220,006
2024	147,683	72,324	220,007
Thereafter	1,812,306	387,755	2,200,061
	<u>\$ 2,500,000</u>	<u>\$ 800,092</u>	<u>\$3,300,092</u>

The District incurred \$12 of interest expense for the year ended December 31, 2019. No interest was capitalized for the year.

**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 that 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 Board, such as an administrator or finance 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 an expenditure is 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.

**COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**F. Fund Balance – Continued**

At December 31, 2019 the District's Board established the following classifications of fund balances:

	<u>General</u>
Committed	
Equipment	\$ 300,000
Building	300,000
Unassigned	<u>2,628,917</u>
	<u><u>\$3,228,917</u></u>

**G. Related Party Transactions**

The District entered into a joint agreement with Bulverde-Spring Branch Emergency Services (a non-profit organization) to provide emergency fire 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 \$1,576,800 to Bulverde-Spring Branch Emergency Services in accordance with the joint agreement for the fiscal year ended December 31, 2019.

**H. Subsequent Events**

The District has evaluated subsequent events through May 7, 2020, the date which the financial statements were available to be issued. There are no subsequent events to be reported.

**I. Commitment for Purchase of Capital Assets**

As of December 31, 2019 deposits were made on two rolling apparatus'. As of the audit report date, one of the assets had been received, while the other asset is currently under construction. Since the apparatus purchases have not been finalized, a deposit was reported on the statement of net position.

**REQUIRED SUPPLEMENTARY INFORMATION**

**COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 4**  
**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 Basis Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Property tax revenue	\$ 1,409,600	\$ 1,409,600	\$ 1,514,204	\$ 104,604
Sales tax revenue	1,497,100	1,497,100	1,614,781	117,681
Interest earnings	500	500	1,981	1,481
<b>Total revenues</b>	<b>2,907,200</b>	<b>2,907,200</b>	<b>3,130,966</b>	<b>223,766</b>
<b>Expenditures:</b>				
General government	87,200	87,200	75,669	11,531
Public safety	1,576,800	1,576,800	1,585,682	(8,882)
Capital outlay	4,950,000	4,950,000	4,699,941	250,059
Debt service				
Principal	220,325	220,325	-	220,325
Interest	-	-	12	(12)
Contingency (Operating)	50,000	50,000	-	50,000
Contingency (Capital)	50,000	50,000	-	50,000
<b>Total expenditures</b>	<b>6,934,325</b>	<b>6,934,325</b>	<b>6,361,304</b>	<b>573,021</b>
<b>Excess revenue over (under) expenditures</b>	<b>(4,027,125)</b>	<b>(4,027,125)</b>	<b>(3,230,338)</b>	<b>796,787</b>
<b>Fund balances, beginning of year</b>	<b>3,959,255</b>	<b>3,959,255</b>	<b>3,959,255</b>	<b>-</b>
<b>Fund balances, end of year - budgetary basis</b>	<b>\$ (67,870)</b>	<b>\$ (67,870)</b>	<b>\$ 728,917</b>	<b>\$ 796,787</b>
Adjustments to reconcile budget basis to GAAP basis:				
<b>Other financing sources:</b>				
Issuance of long-term debt			2,500,000	
<b>Fund balances, end of year - Generally Accepted Accounting Principles (GAAP) Basis</b>			<b>\$ 3,228,917</b>	