

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 5
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2020

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 5
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DECEMBER 31, 2020

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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. 5
Bulverde, TX

We have audited the accompanying financial statements of the governmental activities and the general fund of Comal County Emergency Services District No. 5 (the District) as of and for the year ended December 31, 2020, 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 Comal County Emergency Services District No. 5 as of December 31, 2020, 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 21 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

New Braunfels, Texas
May 16, 2021

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 5 MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

This section of Comal County Emergency Services District No. 5 ("ESD #5" "the District") annual financial report presents management's discussion and analysis of the District's financial performance during the fiscal year ended December 31, 2020. The MD&A should be read in conjunction with the accompanying financial statements.

FINANCIAL HIGHLIGHTS

- At the end of the fiscal year, unassigned fund balance for general fund was \$2,836,556 or 132.43% of 2020 general fund expenditures. The unassigned fund balance increased by \$719,058 from the 2019 calendar year.
- As of December 31, 2020, the District's total net position was \$3,812,356.
- The District had program expenses of \$1,906,875. Of this total, approximately 96% was expended for public safety and the remaining 4% was general government and interest expense. Depreciation expense was \$207,997 and was charged to public safety.
- General revenues consisted of \$2,853,368 and exceeded total expenses by \$946,493.

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 #5'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 #5 was formed in February 2005 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 #5'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. The District's basic services (general and administration and public safety) are paid for by property and sales tax revenues. 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. 5 MANAGEMENT'S DISCUSSION AND ANALYSIS

Fund Financial Statements

Fund financial statements provide a detailed short-term view of ESD #5's operations, focusing on its most significant or "major" fund, emergency service operations. The District has one fund – a general fund.

The general fund is a governmental fund, which focuses on how cash, and other financial assets that can readily be converted to cash, flow in and out; and the balances left at year end that are available for spending.

This fund is reported using an accounting method identified as the modified accrual bases of accounting, which measures cash and all other financial assets that can readily be converted into cash. The governmental funds statements provide a short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided on schedules immediately following the governmental funds statements that explain the relationship (or differences) between them.

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 21.

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 5 **MANAGEMENT'S DISCUSSION AND ANALYSIS**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

At December 31, 2020, the District's net position is \$3,812,356. This is a \$946,493 increase over last year's net position of \$2,865,863. Revenues increased by \$684,308 primarily due to the sale of land in the current year.

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 #5's net position is summarized as follows:

	<u>2020</u>	<u>2019</u>
Assets		
Current Assets	\$ 5,023,538	\$ 4,033,046
Capital assets, net	1,612,727	1,547,734
Total assets	<u><u>6,636,265</u></u>	<u><u>5,580,780</u></u>
Liabilities		
Current Liabilities	192,933	122,952
Long-Term Liabilities	534,371	719,747
Total liabilities	<u><u>727,304</u></u>	<u><u>842,699</u></u>
Deferred inflows of resources	<u><u>2,096,605</u></u>	<u><u>1,872,218</u></u>
Net position		
Net investment in Capital Assets	937,540	725,329
Unrestricted	2,874,816	2,140,534
Total net position	<u><u>\$ 3,812,356</u></u>	<u><u>\$ 2,865,863</u></u>

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 5 MANAGEMENT'S DISCUSSION AND ANALYSIS

The District's total general fund revenues were \$2,860,984 in 2020, of which 65.56% of the revenue came from ad valorem property taxes, 18.88% of revenue came from sales tax, 15.39% of revenue came from the sale of assets, and 0.17% was from interest income.

For the year ended December 31, 2020, the total expenses were \$2,141,926, including \$1,631,763 of public safety, \$52,912 of general government expenses, \$286,269 in capital expenditures, \$147,218 in debt service payments, and \$23,764 of interest expense on debt service.

The District contracts with Bulverde-Spring Branch Emergency Services (BSB ES) to provide fire protection emergency services for the district as a service provider. The contract was initiated on March 29, 2014 and expired December 31, 2020. The interlocal service agreement with BSB ES will require that ESD #5 make monthly payments of \$160,701 to BSB ES for providing services to the District for the year 2021, versus \$135,500 per month for 2020. The agreement was extended for an additional 10 years starting January 1, 2021, the details of the agreement are explained in Note E in the notes to the financial statements. Funds are distributed to the service provider monthly in amounts agreed to be adequate to provide the fire protection emergency services. The details of the agreement are explained in Note E in the notes to the financial statements.

The following table summarizes the negotiated payments to the service provider:

<u>Calendar Year</u>	<u>Monthly Payments</u>	<u>Total Annual Payments</u>
2016	95,000	1,140,000
2017	95,000	1,140,000
2018	108,000	1,296,000
2019	114,183	1,370,196
2020	135,500	1,626,000
2021	160,701	1,928,412

The following table summarizes the changes in the District's net position from its activities for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Revenues:		
General Revenues		
Property Taxes	\$ 1,881,324	\$ 1,664,385
Assets Sold	426,977	-
Sales tax	540,291	480,680
Interest	4,776	23,995
Total revenues	2,853,368	2,169,060
Expenditures		
General and Administration	52,912	37,915
Public Safety	1,839,760	1,522,106
Interest	14,203	30,305
Total expenses	1,906,875	1,590,326
Increase (Decrease) in net position	946,493	578,734
Beginning net position	2,865,863	2,287,129
Ending net position	\$ 3,812,356	\$ 2,865,863

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 5 MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental activities realized benefits from both property and sales taxes. The increase in change in net position caused the District's overall financial position to improve during the year 2020

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

For the year ended December 31, 2020, the District's governmental funds reflect an unassigned fund balance of \$2,836,556. This year's increase in fund balance of \$719,058 is primarily due to the sale of land.

Actual revenues were more than budgeted revenues by \$315,939, primarily due to the sale of land. In addition, actual expenditures were less than budgeted expenditures by \$330,799. Resources available were \$646,738 more than the final budgeted amount.

CAPITAL ASSETS ADMINISTRATION

Investments in capital assets, net of accumulated depreciation, was \$937,540 at December 31, 2020. Capital assets include vehicles, buildings, and equipment valued at \$3,335,472.

LONG-TERM DEBT

At the end of 2020, the District had total outstanding debt of \$680,748 for the purchase of various equipment and vehicles.

BUDGETARY HIGHLIGHTS

The Statement of Revenues, Expenditures and Changes in Fund Balances on page 12 indicates General Fund revenues exceeded expenditures by \$719,058 and the fund balance at the end of the year was \$2,836,556.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The ad valorem property tax rate was \$0.10 per \$100 property valuation in 2020. The property tax rate for 2020 remains \$0.10 per \$100 property tax valuation. The sales tax rate for 2020 was 1.00% and will remain the same for 2021.

The Districts outlook for 2021 is promising. Ad valorem taxes are projected to increase due to property appraisals, and sales taxes are projected to increase due to additional consumer traffic caused by the growth in the area. Expenditures are also expected to increase as a result of operational cost adjustments related to the joint service agreement with Bulverde-Spring Branch Emergency Services.

CONTACTING THE DISTRICT'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 830-228-4501, or at 353 Rodeo Drive, Spring Branch, Texas 78070.

BASIC FINANCIAL STATEMENTS

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 5
STATEMENT OF NET POSITION
DECEMBER 31, 2020

		<u>Governmental Activities</u>
Assets		
Cash and cash equivalents		\$ 3,048,240
Cash with fiscal agent		1,039,833
Property tax receivable		
Current		886,473
Delinquent		43,431
Deposit on equipment		5,561
Capital assets, not depreciated:		
Predevelopment costs		165,998
Capital assets, net of accumulated depreciation:		
Vehicles	2,993,929	
Buildings	24,527	
Equipment	317,016	
Less: Accumulated Depreciation	<u>(1,888,743)</u>	
Total capital assets		<u>1,446,729</u>
Total assets		<u>\$ 6,636,265</u>
Liabilities		
Accounts payable		41,385
Accrued interest		5,171
Long-term debt		
Due within one year		146,377
Due in more than one year		<u>534,371</u>
Total liabilities		<u>727,304</u>
Deferred Inflow of Resources		2,096,605
Net Position		
Net investment in capital assets		937,540
Unrestricted		<u>2,874,816</u>
Total net position		<u>3,812,356</u>
Total liabilities, deferred inflows of resources, and net position		<u>\$ 6,636,265</u>

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

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 5
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

Emergency Services Function,	Governmental	Capital Grants &	Net (Expense)
Expenses:	Activities	Contributions	& Changes In Net Position
General and administrative	\$ 52,912	\$ -	\$ (52,912)
Public safety	1,839,760	-	(1,839,760)
Interest	14,203	-	(14,203)
Total expenses	1,906,875	-	(1,906,875)
General revenues:			
Property tax			1,881,324
Sales tax			540,291
Assets Sold			426,977
Interest income			4,776
Total general revenues			2,853,368
Change in net position			946,493
Net position, beginning of year			2,865,863
Net position, end of year			\$ 3,812,356

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

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 5
BALANCE SHEET
DECEMBER 31, 2020

	<u>General Fund</u>
Assets	
Cash and cash equivalents	\$ 3,048,240
Cash with fiscal agent	1,039,833
Property tax receivable	
Current	886,473
Delinquent	<u>43,431</u>
Total assets	<u>\$ 5,017,977</u>
Liabilities :	
Accounts payable	\$ 41,385
Total liabilities	<u>41,385</u>
Deferred Inflow of Resources	
Current property taxes levied for subsequent period	2,096,605
Delinquent property taxes	<u>43,431</u>
Total Deferred Inflows of Resources	<u>2,140,036</u>
Fund balances:	
Unassigned	<u>2,836,556</u>
Total fund balances	<u>2,836,556</u>
Total liabilities, deferred inflow of resources and fund balances	<u>\$ 5,017,977</u>

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

**COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 5
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2020**

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

Fund balances of all governmental funds (Page 10)	\$ 2,836,556
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	43,431
Notes payable are not due and payable in the current period and, therefore, not reported in the funds	(680,748)
Accruals on notes payable interests are not payable in the current period and, therefore, not reported in the funds	(5,171)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,612,727
Deposits for purchase order of capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	<u>5,561</u>
Net position of governmental activities (Page 8)	<u><u>\$ 3,812,356</u></u>

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

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 5
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2020

	2020
	<u>General Fund</u>
Revenues:	
Property tax revenue	\$ 1,875,660
Sales Tax Revenue	540,291
Assets Sold	440,257
Interest	4,776
Total revenues	<u>2,860,984</u>
Expenditures:	
General and administrative	52,912
Public safety	1,631,763
Capital outlay	286,269
Debt Service: Principal	147,218
Interest	23,764
Total expenditures	<u>2,141,926</u>
Excess revenues over expenditures	<u>719,058</u>
Net change in fund balance	719,058
Fund balances, beginning of year	<u>2,117,498</u>
Fund balances, end of year	<u><u>\$ 2,836,556</u></u>

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

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 5
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
DECEMBER 31, 2020

Net change in fund balances for all governmental funds (Page 12)	\$	719,058
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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.		286,269
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Depreciation of capital assets is not reported in the governmental funds		(207,997)
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Delinquent property tax revenues are deferred in the fund. This is the change in these amounts this year.		5,664
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Payment on long-term debt is not reported as an expenditure on the statement of activities		147,218
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Accrued interest		9,561

The book value of assets sold is offset to the revenue from sale of assets reported on the statement of activities		(13,280)
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Change in net position of governmental activities (Page 9)	\$	<u>946,493</u>
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The accompanying notes are an integral part of the financial statements.

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 5
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

A. Summary of Significant Accounting Policies

The Comal County Emergency Services District No. 5 (the "District") is a political subdivision of the State of Texas and was created by the Comal County Commissioner's Court after a public election on February 2, 2002. The District was created to provide emergency services and promote public safety, welfare, health and convenience for persons residing in the District. On January 1, 2011 the District assumed the operations of the Bulverde Area Volunteer Fire Department. All of the Departments assets and liabilities were transferred to the District. The financial statements of 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 commissioner's Court of Comal County, 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: charges of customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and 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 reported instead as general revenues.

The general fund meets the criteria of a major governmental fund. The District has no other governmental funds.

b. Measurement Focus, Basis of Accounting

Government-wide Financial Statements: These financial statements are reported using the economic resources measurement focus and 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 #5
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

A. Summary of Significant Accounting Policies – 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 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 services include: charges to customers or applicants for goods, services, or privileges provided; operating grants and contributions; and capital grants and contributions. General revenues include all taxes and other miscellaneous receipts.

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, public safety, and debt service.

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. 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.

5. Capital Assets

Capital assets, which include vehicles, 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, and an estimated useful life in excess of one year. 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:

<u>Assets</u>	<u>Years</u>
Vehicles	7 - 10
Buildings	20 - 39
Equipment	3 - 10

COMAL COUNTY EMERGENCY SERVICES DISTRICT #5
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

A. Summary of Significant Accounting Policies – continued

6. 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, 2020, the District has \$2,096,605 in deferred inflows of resources on the statement of net position, related to ad valorem taxes that were reported as a receivable before the period for which property taxes are available.

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.

7. 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 2020 ad valorem taxes is levied on October 1, 2019, 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 to the District's operations. The collections of the October 1, 2020 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.

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.

1. Cash Deposits and Cash Equivalents

At December 31, 2020, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in cash and cash equivalents) was \$3,048,240 and the bank balance was \$3,048,240.

2. Investments

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

COMAL COUNTY EMERGENCY SERVICES DISTRICT #5
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

B. Deposits and Investments – continued

3. Custodial Credit Risk

Custodial Credit Risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned to it. At December 31, 2020, the District maintained \$3,048,240 of cash deposits at two financial institutions. The deposits were fully collateralized.

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.

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 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.

COMAL COUNTY EMERGENCY SERVICES DISTRICT #5
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

C. Capital Assets

Capital asset activity for the year ended December 31, 2020, was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets being depreciated				
Vehicles	\$ 2,939,405	\$ 54,524	\$ -	\$ 2,993,929
Buildings	54,192	-	(29,665)	24,527
Equipment	245,558	71,458	-	317,016
Total capital assets being depreciated	3,239,155	125,982	(29,665)	3,335,472
Less accumulated depreciation for:				
Vehicles	(1,568,568)	(184,777)	-	(1,753,345)
Buildings	(10,585)	(1,315)	10,674	(1,226)
Equipment	(112,267)	(21,905)	-	(134,172)
Total accumulated depreciation	(1,691,420)	(207,997)	10,674	(1,888,743)
Total capital assets, net	\$ 1,547,735	\$ (82,015)	\$ (18,991)	\$ 1,446,729
Capital assets not being depreciated	\$ -	\$ 165,998	\$ -	\$ 165,998

Capital assets not being depreciated represent cumulative predevelopment costs associated with the future construction of a new fire station. Depreciation expense in the amount of \$207,997 was charged to the public safety function.

D. Capital Lease

On January 1, 2017, the District entered into a capital lease agreement with Bulverde-Spring Branch Emergency Services (BSB ES) for the purchase of the Cougar Bend Station. The lease calls for three annual payments of \$1 with an imputed interest rate of 0%. The lease is collateralized by the land and building. The District has the option to purchase the station for \$10 at the end of the lease, which the District purchased and sold in the year ended December 31, 2020.

E. Related Party Transactions

The District entered into a joint agreement with BSB ES (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 BSB ES. The District paid \$1,626,000 to BSB ES in accordance with the joint agreement for the fiscal year ended December 31, 2020.

F. Long-Term Liabilities

A summary of notes payable at December 31, 2020, is as follows:

	Original Amount	Interest Rate	Balance Outstanding January 1, 2020	Issued	Retired	Balance Outstanding December 31, 2020
Frost Bank	\$ 355,203	2.75%	\$ 260,586	\$ -	\$ (49,294)	\$ 211,292
Broadway National Bank	\$ 900,000	2.99%	567,380	-	(97,924)	469,456
			\$ 827,966	\$ -	\$ (147,218)	\$ 680,748

COMAL COUNTY EMERGENCY SERVICES DISTRICT #5
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

F. Long-Term Liabilities – continued

The District incurred \$14,203 of interest expense for the year ended December 31, 2020. No interest was capitalized for the year.

Future payments on the promissory notes are as follows:

	Principal	Interest	Total
2021	\$ 146,377	\$ 21,961	\$ 168,338
2022	150,689	17,687	168,376
2023	155,129	13,286	168,415
2024	159,699	8,756	168,455
2025	68,854	4,092	72,946
	<u>\$ 680,748</u>	<u>\$ 65,782</u>	<u>\$ 746,530</u>

G. 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.

H. Commitment for Purchase of Capital Assets

A deposit was made on some equipment, but the equipment purchase has not been finalized nor the equipment received as of the asset date, thus the short-term deposit on equipment was reported on the statement of net position.

COMAL COUNTY EMERGENCY SERVICES DISTRICT #5
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

I. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During the fiscal year 2020, the District obtained general liability coverage through a commercial insurer. The District continues to carry commercial insurance for other risks of loss as well. There was no significant reduction 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 (3) fiscal years.

J. COVID-19

In December 2019, a novel strain of coronavirus ("COVID-19") was reported to have surfaced in China. The World Health Organization has declared COVID-19 to constitute a "Public Health Emergency of International Concern" and characterized COVID-19 as a pandemic. The U.S. government has also implemented enhanced screenings, quarantine requirements, and travel restrictions in connection with the COVID-19 outbreak. The spread of this virus began causing business disruptions domestically beginning in January 2020 and are anticipated to continue for the foreseeable future. While the District operates in an industry that has been identified as an essential business, the District does expect this matter to have an impact on its results. The extent of the impact of the COVID-19 on the District's operational and financial performance will depend on future developments, including the duration and spread of the outbreak and related restrictions and the impact of the COVID-19 on overall demand for the District's services, all of which are highly uncertain and cannot be predicted.

K. Subsequent Events

The District has evaluated subsequent events through May 16, 2021, 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. 5
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

	Budgeted Amounts		GAAP Basis Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property tax revenue	\$ 1,812,845	\$ 1,812,845	\$ 1,875,660	\$ 62,815
Sales tax revenue	450,000	450,000	540,291	90,291
Assets Sold	254,200	254,200	440,257	186,057
Interest	28,000	28,000	4,776	(23,224)
Total revenues	2,545,045	2,545,045	2,860,984	315,939
Expenditures:				
General government	54,005	54,005	52,912	1,093
Public safety	1,815,700	1,815,700	1,631,763	183,937
Miscellaneous	25,000	25,000	-	25,000
Capital outlay	381,400	381,400	286,269	95,131
Debt service				
Principal	166,670	166,670	147,218	19,452
Interest	29,950	29,950	23,764	6,186
Total expenditures	2,472,725	2,472,725	2,141,926	330,799
Excess revenue over (under) expenditures before other financing (uses)	72,320	72,320	719,058	646,738
Fund balances, beginning of year	2,117,498	2,117,498	2,117,498	-
Fund balances, end of year, - budgetary basis	\$ 2,189,818	\$ 2,189,818	\$ 2,836,556	\$ 646,738