

MEDINA COUNTY EMERGENCY SERVICES DISTRICT #1
ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED
SEPTEMBER 30, 2022

**MEDINA COUNTY EMERGENCY SERVICES DISTRICT #1
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

TABLE OF CONTENTS

| <u>Exhibit</u> | | <u>Page</u> |
|-----------------------|---|--------------------|
| | Table of Contents | 1 |
| | Independent Auditor's Report | 2-3 |
| | Management's Discussion and Analysis | 4-7 |
| | <u>Basic Financial Statements</u> | |
| | Government Wide Statements: | |
| A-1 | Statement of Net Position | 8 |
| B-1 | Statement of Activities | 9 |
| | Governmental Fund Financial Statements: | |
| C-1 | Balance Sheet | 10 |
| C-2 | Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position | 11 |
| C-3 | Statement of Revenues, Expenditures, and Changes in Fund Balance | 12 |
| C-4 | Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities | 13 |
| | Notes to the Financial Statements | 14-22 |
| | <u>Required Supplementary Information</u> | |
| D-1 | Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund | 23 |

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Medina County Emergency Services District #1
P.O. Box 1037
Castroville, Texas 78009

Members of the Board:

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Medina County Emergency Services District #1, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Medina County Emergency Services District #1's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Medina County Emergency Services District #1, as of September 30, 2022, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Medina County Emergency Services District #1 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Medina County Emergency Services District #1's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with Generally Accepted Auditing Standards (GAAS) will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- * Exercise professional judgement and maintain professional skepticism throughout the audit.
- * Identify and assess the risks of material misstatements of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- * Obtain an understanding of internal control relevant to the audit 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 Medina County Emergency Services District #1's internal controls. Accordingly, no such opinion is expressed.
- * Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- * Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Medina County Emergency Services District #1's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund, on pages 4-7 and 23 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 (GASB), 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.

Coleman, Horton and Company, LLP

Uvalde, Texas
July 24, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

The annual financial report of the Medina County Emergency Services District #1 (the District) is presented in three sections, Management's Discussion and Analysis (this part), Basic Financial Statements, and Required Supplementary Information. This section of the District's annual financial report presents our discussion and analysis of the financial performance during the fiscal year ending September 30, 2022. Please read it in conjunction with the District's financial section, which follows.

Overview of the Basic Financial Statements

The basic financial statements include two kinds of statements that present different views of the District:

- * The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's *overall* financial status.
- * The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in *more detail* than the government-wide statements.
- * The *governmental funds* statement tells how *general government* services were financed in the *short-term* as well as what remains for future spending.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes *all* the government's assets and liabilities. All the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's *net position* and how it has changed. Net position, the difference between the District's assets less the liabilities, is one way to measure the District's financial health or *position*.

- * Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- * To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's tax base.

The government-wide financial statements of the District include the *Governmental activities*. Most of the District's basic services are included here, such as fire protection and general administration. Property and sales taxes finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant *funds*, not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- * Some funds are required by law or regulatory covenants.
- * The District establishes other funds to control and manage money for particular purposes, or to show that it is properly using certain taxes and grants.

The District has one type of fund:

- * *Governmental funds* – The District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you 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 government-wide statements, we provide additional information on the subsequent page, that explains the relationship (or differences) between them.

Financial Highlights

- * The District's combined net position was \$12,557,032 at September 30, 2022, an increase of \$1,688,968 from the prior year.
- * During the year, the District's revenues were \$4,319,591 as reflected below:

| | <u>Governmental Activities</u> | | |
|-----------------------------|--------------------------------|---------------------|-------------------|
| | <u>Current Year</u> | <u>Prior Year</u> | <u>Change</u> |
| a) Property Taxes | \$ 1,773,232 | \$ 1,619,740 | \$ 153,492 |
| b) Sales Taxes | 2,351,493 | 1,833,341 | 518,152 |
| c) Grants and Contributions | 168,500 | 149,711 | 18,789 |
| d) Investment Earnings | 24,398 | 97,613 | (73,215) |
| e) Other Income | 1,968 | 81,235 | (79,267) |
| Total Revenue | <u>\$ 4,319,591</u> | <u>\$ 3,781,640</u> | <u>\$ 537,951</u> |

During the year, the District's expenses were \$2,630,623 as reflected below:

| Governmental Activities | | | |
|--|---------------------|---------------------|---------------------|
| | Current Year | Prior Year | Change |
| a) General Government | \$ 1,608,747 | \$ 795,257 | \$ 813,490 |
| b) Other Debt Interest | 87,978 | 55,751 | 32,227 |
| c) Allegiance Mobile Health | 762,917 | 575,000 | 187,917 |
| d) Bandera County Emergency Medical Services | 40,840 | 29,838 | 11,002 |
| e) Medina Lake Volunteer Fire Department | 40,840 | 29,838 | 11,002 |
| f) Castroville Volunteer Fire Department | 44,891 | 56,200 | (11,309) |
| g) La Coste Lions Volunteer Fire Company | 24,341 | 35,541 | (11,200) |
| h) Mico Volunteer Fire Department | 20,069 | 40,138 | (20,069) |
| Total Expenses | <u>\$ 2,630,623</u> | <u>\$ 1,617,563</u> | <u>\$ 1,013,060</u> |

- * The General Fund reported a fund balance this year of \$7,352,706, a decrease of \$624,638 from the prior year.
- * The Debt Service Fund reported a fund balance this year of \$10,143, an increase of \$519 from the prior year.
- * Revenues were \$567,491 above budget and expenditures were \$93,000 below budget.

The District's combined net position was \$12,557,032 at September 30, 2022, as reflected below:

| Governmental Activities | | | |
|----------------------------------|----------------------|----------------------|---------------------|
| | Current Year | Prior Year | Change |
| Current and other assets | \$ 7,428,639 | \$ 8,035,632 | \$ (606,993) |
| Capital and non-current assets | 8,327,026 | 6,133,029 | 2,193,997 |
| Total Assets | <u>\$ 15,755,665</u> | <u>\$ 14,168,661</u> | <u>\$ 1,587,004</u> |
| Current liabilities | \$ 56,741 | \$ 41,299 | \$ 15,442 |
| Non-current Liabilities | 3,141,892 | 3,259,298 | (117,406) |
| Total Liabilities | <u>\$ 3,198,633</u> | <u>\$ 3,300,597</u> | <u>\$ (101,964)</u> |
| Net position: | | | |
| Net investment in capital assets | \$ 5,185,134 | \$ 2,873,731 | \$ 2,311,403 |
| Restricted for debt service | 10,143 | 9,624 | 519 |
| Unrestricted | 7,361,755 | 7,984,709 | (622,954) |
| Total Net Position | <u>\$ 12,557,032</u> | <u>\$ 10,868,064</u> | <u>\$ 1,688,968</u> |

Capital Assets and Debt Administration

Capital Assets

Net capital assets for the District at fiscal year ended September 30, 2022, amounted to \$8,327,026. It is the District's policy to charge off as a current expenditure any purchases less than \$5,000. The total capital assets recorded were land and its improvements, buildings, equipment, and vehicles as reflected below:

| | Governmental Activities | | |
|--------------------------------|-------------------------|--------------|--------------|
| | Current Year | Prior Year | Change |
| Land | \$ 98,724 | \$ 98,724 | \$ - |
| Buildings | 4,926,509 | 1,926,477 | 3,000,032 |
| Equipment | 3,546,872 | 2,143,874 | 1,402,998 |
| Construction in progress | 2,049,678 | 3,842,719 | (1,793,041) |
| Total at historical cost | 10,621,783 | 8,011,794 | 2,609,989 |
| Total accumulated depreciation | (2,294,757) | (1,878,765) | (415,992) |
| Net capital assets | \$ 8,327,026 | \$ 6,133,029 | \$ 2,193,997 |

Long-Term Debt

| | Governmental Activities | | |
|--------------------|-------------------------|--------------|--------------|
| | Current Year | Prior Year | Change |
| Bank notes payable | \$ 3,141,892 | \$ 3,259,298 | \$ (117,406) |

Contacting the District's Financial Management

The financial report is designed for customers, investors, 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, please contact:

Medina County Emergency Services District #1
P.O. Box 1037
Castroville, Texas 78009

MEDINA COUNTY EMERGENCY SERVICES DISTRICT #1
STATEMENT OF NET POSITION
SEPTEMBER 30, 2022

EXHIBIT A-1

| | Primary Government |
|----------------------------------|----------------------------|
| | Governmental Activities |
| ASSETS | |
| Cash and Cash Equivalents | \$ 6,963,349 |
| Taxes Receivable, Net | 462,116 |
| Due from Others | 3,174 |
| Capital Assets: | |
| Land Purchase and Improvements | 98,724 |
| Buildings, Net | 4,439,151 |
| Furniture and Equipment, Net | 1,739,473 |
| Construction in Progress | 2,049,678 |
| Total Assets | 15,755,665 |
| LIABILITIES | |
| Accounts Payable | 9,714 |
| Accrued Interest Payable | 47,027 |
| Noncurrent Liabilities: | |
| Due Within One Year | 499,568 |
| Due in More Than One Year: | |
| Loans Payable - Noncurrent | 2,642,324 |
| Total Liabilities | 3,198,633 |
| NET POSITION | |
| Net Investment in Capital Assets | 5,185,134 |
| Restricted for Debt Service | 10,143 |
| Unrestricted | 7,361,755 |
| Total Net Position | \$ 12,557,032 |

The notes to the financial statements are an integral part of this statement.

MEDINA COUNTY EMERGENCY SERVICES DISTRICT #1
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2022

EXHIBIT B-1

| | Program Revenues | | Net (Expense) Revenue and Changes in Net Position |
|---|-------------------------|--|--|
| Expenses | Charges for Services | Operating Grants and Contributions | Primary Gov. Governmental Activities |
| Primary Government: | | | |
| GOVERNMENTAL ACTIVITIES: | | | |
| General Government | \$ 1,608,747 | \$ - | \$ (1,608,747) |
| Allegiance Mobile Health | 762,917 | - | (762,917) |
| Bandera County Emergency Medical Services | 40,840 | - | (40,840) |
| Medina Lake Volunteer Fire Department | 40,840 | - | (40,840) |
| Castroville Volunteer Fire Department | 44,891 | - | (44,891) |
| La Coste Lions Volunteer Fire Company | 24,341 | - | (24,341) |
| Mico Volunteer Fire Company | 20,069 | - | (20,069) |
| Interest on Debt | 87,978 | - | (87,978) |
| TOTAL PRIMARY GOVERNMENT | \$ 2,630,623 | \$ - | (2,630,623) |

General Revenues:

| | | |
|---|----------------------|--|
| Taxes: | | |
| Property Taxes, Levied for General Purposes | 1,773,005 | |
| Property Taxes, Levied for Debt Service | 227 | |
| General Sales and Use Taxes | 2,351,493 | |
| Grants and Contributions | 168,500 | |
| Miscellaneous Revenue | 1,968 | |
| Investment Earnings | 24,398 | |
| Total General Revenues | 4,319,591 | |
| Change in Net Position | 1,688,968 | |
| Net Position - Beginning | 10,868,064 | |
| Net Position - Ending | \$ 12,557,032 | |

The notes to the financial statements are an integral part of this statement.

MEDINA COUNTY EMERGENCY SERVICES DISTRICT #1
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2022

| | General Fund | Debt Service Fund | Total Governmental Funds |
|--|---------------------|----------------------|--------------------------------|
| ASSETS | | | |
| Cash and Cash Equivalents | \$ 6,953,205 | \$ 10,144 | \$ 6,963,349 |
| Taxes Receivable | 466,681 | 1,666 | 468,347 |
| Allowance for Uncollectible Taxes (credit) | (6,064) | (167) | (6,231) |
| Due from Others | 3,174 | - | 3,174 |
| Total Assets | \$ 7,416,996 | \$ 11,643 | \$ 7,428,639 |
| LIABILITIES | | | |
| Accounts Payable | \$ 9,714 | \$ - | \$ 9,714 |
| Total Liabilities | 9,714 | - | 9,714 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable Revenue - Property Taxes | 54,576 | 1,500 | 56,076 |
| Total Deferred Inflows of Resources | 54,576 | 1,500 | 56,076 |
| FUND BALANCES | | | |
| Restricted Fund Balance: | | | |
| Restricted for Debt Service | - | 10,143 | 10,143 |
| Unassigned Fund Balance | 7,352,706 | - | 7,352,706 |
| Total Fund Balances | 7,352,706 | 10,143 | 7,362,849 |
| Total Liabilities, Deferred Inflows & Fund Balances | \$ 7,416,996 | \$ 11,643 | \$ 7,428,639 |

The notes to the financial statements are an integral part of this statement.

MEDINA COUNTY EMERGENCY SERVICES DISTRICT #1
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET POSITION
 SEPTEMBER 30, 2022

| | | |
|--|-----------|--------------------------|
| Total Fund Balances - Governmental Funds | \$ | 7,362,849 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets were \$8,011,794 and the accumulated depreciation was \$(1,878,765). In addition, long-term liabilities \$(3,259,298) are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position. | | 2,873,731 |
| Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2022 capital outlays of \$2,609,989 and debt principal payments of \$533,628 is to increase net position. | | 3,143,617 |
| The 2022 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position. | | (415,992) |
| Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable tax revenue of \$56,076 as revenue, reclassifying the proceeds of loans of \$(416,222) as an increase in loans payable and recognizing the liabilities associated with maturing long-term debt and interest of \$(47,027). The net effect of these reclassifications and recognitions is to increase decrease net position. | | (407,173) |
| Net Position of Governmental Activities | \$ | <u>12,557,032</u> |

The notes to the financial statements are an integral part of this statement.

MEDINA COUNTY EMERGENCY SERVICES DISTRICT #1
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

| | General Fund | Debt Service Fund | Total Governmental Funds |
|--|-----------------|----------------------|--------------------------------|
| REVENUES: | | | |
| Taxes: | | | |
| Property Taxes | \$ 1,765,162 | \$ 496 | \$ 1,765,658 |
| General Sales and Use Taxes | 2,351,493 | - | 2,351,493 |
| Intergovernmental Revenue and Grants | 138,500 | - | 138,500 |
| Investment Earnings | 24,368 | 30 | 24,398 |
| Contributions & Donations from Private Sources | 30,000 | - | 30,000 |
| Other Revenue | 1,968 | - | 1,968 |
| Total Revenues | 4,311,491 | 526 | 4,312,017 |
| EXPENDITURES: | | | |
| Current: | | | |
| General Government | 1,192,748 | 7 | 1,192,755 |
| Contract Providers: | | | |
| Allegiance Mobile Health | 762,917 | - | 762,917 |
| Bandera County Emergency Medical Services | 40,840 | - | 40,840 |
| Medina Lake Volunteer Fire Department | 40,840 | - | 40,840 |
| Castroville Volunteer Fire Department | 44,891 | - | 44,891 |
| La Coste Lions Volunteer Fire Company | 24,341 | - | 24,341 |
| Mico Volunteer Fire Company | 20,069 | - | 20,069 |
| Debt Service: | | | |
| Principal on Debt | 533,628 | - | 533,628 |
| Interest on Debt | 82,088 | - | 82,088 |
| Capital Outlay: | | | |
| Capital Outlay | 2,609,989 | - | 2,609,989 |
| Total Expenditures | 5,352,351 | 7 | 5,352,358 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (1,040,860) | 519 | (1,040,341) |
| OTHER FINANCING SOURCES (USES): | | | |
| Noncurrent Loans | 416,222 | - | 416,222 |
| Total Other Financing Sources (Uses) | 416,222 | - | 416,222 |
| Net Change in Fund Balances | (624,638) | 519 | (624,119) |
| Fund Balance - October 1 (Beginning) | 7,977,344 | 9,624 | 7,986,968 |
| Fund Balance - September 30 (Ending) | \$ 7,352,706 | \$ 10,143 | \$ 7,362,849 |

The notes to the financial statements are an integral part of this statement.

MEDINA COUNTY EMERGENCY SERVICES DISTRICT #1
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2022

| | | |
|---|-----------|------------------|
| Total Net Change in Fund Balances - Governmental Funds | \$ | (624,119) |
| Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2022 capital outlays of \$2,609,989 and debt principal payments of \$533,628 is to increase the change in net position. | | 3,143,617 |
| Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease the change in net position. | | (415,992) |
| Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing the change in unavailable tax revenue of \$7,574 as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, reclassifying the proceeds of loans of \$(416,222), and recognizing the liabilities associated with maturing long-term debt and interest of \$(5,890). The net effect of these reclassifications and recognitions is to decrease the change in net position. | | (414,538) |
| Change in Net Position of Governmental Activities | \$ | 1,688,968 |

The notes to the financial statements are an integral part of this statement.

MEDINA COUNTY EMERGENCY SERVICES DISTRICT #1
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Medina County Emergency Services District #1 (the District) is a Political Subdivision operating under the applicable laws and regulations of the State of Texas. The District was created by the voters of the District in a special election conducted on May 1, 1993, as authorized by the Texas Health and Safety Code Chapter 775. The purpose of the District is to provide fire protection and emergency medical services for the lives and health of the people within the District. It is governed by a five-member Board of Commissioners (the Board) appointed by the Medina County Commissioners Court. The District prepares its general-purpose financial statements in conformity with Generally Accepted Accounting Principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in *Statement of Auditing Standards No. 76* of the American Institute of Certified Public Accountants (AICPA); and it complies with the requirements of contracts and grants of agencies from which it receives funds.

A. REPORTING ENTITY

The Board of Commissioners has the authority to make decisions, appoint administrators and managers, and significantly influence operations; and has the primary accountability for fiscal matters; the District is not included in any other governmental "reporting entity" as defined by the GASB in its Statement No. 14, "The Financial Reporting Entity." There are no component units included within the reporting entity.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all the District's nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, and other intergovernmental revenues.

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The "Charges for Services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. The "Grants and Contributions" column indicates amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. If a revenue is not a program revenue, it is a general revenue used to support all the District's functions. Taxes are always general revenues.

Interfund activities between governmental funds appear as due to/due froms on the Governmental Fund Balance Sheet and as other resources and other uses on the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance. All interfund transactions between governmental funds are eliminated on the government-wide statements. There was no interfund activity during the year.

The fund financial statements provide reports on the financial condition and results of operations for governmental funds. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. 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 use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities, and fund balances are included on the Balance Sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims, and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collectible within 60 days after year-end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State or Federal Government are recognized under the susceptible to accrual concept. 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.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as unavailable revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

D. FUND ACCOUNTING

The District reports the following major governmental funds:

1. **The General Fund** – The General Fund is the District’s primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
2. **The Debt Service Fund** – The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.

E. OTHER ACCOUNTING POLICIES

1. The District records purchases of supplies as expenditures.
2. The District records its investments, if any, at cost, which approximates fair value.
3. Unavailable revenue accounted for on the Balance Sheet relates to uncollected property taxes less doubtful accounts of \$6,231.
4. The District provides risk management obligations by carrying commercial insurance. General liability insurance is obtained from a commercial insurance carrier.

5. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
6. In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position.
7. Capital assets, which consist primarily of equipment, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, furniture, and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

| Assets | Years |
|-------------------------------------|-------|
| Buildings | 5-50 |
| Improvements, other than buildings | 2-50 |
| Furniture, machinery, and equipment | 3-30 |

F. FUND BALANCE POLICY

The District reports fund balance for governmental funds in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The **nonspendable** classification represents assets that will be consumed or "must be maintained intact" and therefore will never convert to cash, such as inventories of supplies and endowments. Provisions of laws, contracts, and grants specify how fund resources can be used in the **restricted** classification. The nature of these two classifications precludes a need for a policy from the Board. However, the District has adopted fund balance policies for the three unrestricted classifications - committed, assigned, and unassigned.

From time to time, the Board may commit fund balances by a majority vote in a scheduled meeting. The District's commitment may be modified or rescinded by a majority vote in a scheduled meeting. District commitments cannot exceed the amount of fund balance that is greater than the sum of nonspendable and restricted fund balances since that practice would commit funds that the district does not have. Commitments may be for facility expansion or renovation, program modifications, wage and salary adjustments, financial cushions, and other purposes determined by the District.

The Board may delegate authority to specified persons or groups to make assignments of certain fund balances by a majority vote in a scheduled meeting. The District may modify or rescind its delegation of authority by the same action. The authority to make assignments shall be in effect until modified or rescinded by the District by majority vote in a scheduled meeting.

When the District incurs expenditures that can be made from either restricted or unrestricted balances, the expenditures should be charged to restricted balances. When the District incurs expenditures that can be made from either committed, assigned, or unassigned balances, the expenditures are charged to committed, assigned, then unassigned.

By a majority vote in a scheduled meeting the Board may commit fund balances and it may modify or rescind commitments. The District may also delegate authority to persons or parties to assign fund balances in specific circumstances or funds.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY DATA

The Board adopts an "appropriated budget" for the General Fund. The District is required to present adopted and final amended budgeted revenues and expenditures compared to actual revenues and expenditures for this fund. The District compares the final amended budget to actual revenues and expenditures. The General Fund budget report appears as Exhibit D-1.

The following procedures are followed in establishing the budgetary data reflected in the general-purpose financial statements:

1. Thirty to sixty days prior to the beginning of each fiscal year, a proposed budget is submitted and prepared on the modified accrual basis of accounting which is consistent with GAAP at the department level for the fiscal year beginning on the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at which all interested persons' comments concerning the budget are heard.
3. The budget is legally enacted by the Board through passage of an ordinance not later than 15 days prior to the beginning of the fiscal year.

B. EXCESS OF EXPENDITURES OVER APPROPRIATION

As noted in Exhibit D-1, the General Fund had over-expended three functions in the amount of \$398,622.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash and Cash Equivalents

District Policies and Legal and Contractual Provisions Governing Deposits

Custodial Credit Risk for Deposits: State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the District complies with this law, it has no custodial credit risk for deposits.

The District had funds on deposit at year-end of \$6,703,205 in excess of FDIC coverage, secured by pledged securities of the depository bank.

As of September 30, 2022, the following are the District's cash and cash equivalents with respective maturities:

| Type of Deposit | Fair Value | Maturity in Less than 1 Year | Maturity in 1-10 Years | Maturity in Over 10 Yes | Credit Rating | Amounts Due within One Year |
|---------------------|--------------|------------------------------------|---------------------------|----------------------------|------------------|-----------------------------------|
| Cash and Cash | | | | | | |
| Equivalents | \$ 6,963,349 | \$ 6,963,349 | \$ - | \$ - | - | \$ - |
| Total Cash and Cash | | | | | | |
| Equivalents | \$ 6,963,349 | \$ 6,963,349 | \$ - | \$ - | - | \$ - |

District Policies and Legal and Contractual Provisions Governing Investments

Compliance with the Public Funds Investment Act

The **Public Funds Investment Act**, Government Code Chapter 2256 (the Act) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires a governmental entity to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

Statutes authorize the entity to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas and its agencies, (2) guaranteed or secured certificates of deposit issued by state and national banks domiciled in Texas, (3) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality not less than an "A", (4) No load money market funds with a weighted average maturity of 90 days or less, (5) fully collateralized repurchase agreements, (6) commercial paper having a stated maturity of 270 days or less from the date of issuance and is not rated less than A-1 or P-1 by two nationally recognized credit rating agencies, OR one nationally recognized credit agency and is fully secured by an irrevocable letter of credit, (7) secured corporate bonds rated no lower than "AA-" or the equivalent, (8) public funds investment pools, and (9) guaranteed investment contracts for bond proceeds investment only, with a defined termination date and secured by U.S. Government direct or agency obligations approved by the Texas Public Funds Investment Act in an amount equal to the bond proceeds. The Act also requires the entity to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

Additional polices and contractual provisions governing deposits and investments of the District are specified below:

Credit Risk: To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations, the District limits investments to those allowed by Government Code 2256. As of September 30, 2022, the District has zero investments.

Custodial Credit Risk for Investments: To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party, the District requires counterparties to register the securities in the name of the District's custodian and hand them over to the District or its designated agent. All the securities are held by the District's agent.

Concentration of Credit Risk: The District has no investments.

Interest Rate Risk: The District has no investments.

Foreign Currency Risk for Investment: The District has no foreign currency investments.

B. PROPERTY TAXES

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with the applicable Texas Property Tax 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 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they are expected to be collected during a 60-day period after the close of the fiscal year. The District considers all delinquent taxes as unavailable revenue.

C. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at September 30, 2022 were as follows:

| | Property Taxes | Sales Taxes | Other Receivables | Total Receivables |
|---|----------------|----------------|-------------------|-------------------|
| Governmental Activities: | | | | |
| General Fund | \$ 60,640 | \$ 406,041 | \$ 3,174 | \$ 469,855 |
| Debt Service Fund | 1,666 | - | - | 1,666 |
| Total Governmental Activities | 62,306 | 406,041 | 3,174 | 471,521 |
| | | | | |
| Amounts not scheduled for collection during the subsequent year | \$ 6,231 | \$ - | | \$ 6,231 |

Payables at September 30, 2022 were as follows:

| | Accounts Payable | Accrued Liabilities | Total Payables |
|---|------------------|---------------------|----------------|
| Governmental Activities: | | | |
| General Fund | \$ 9,714 | \$ - | \$ 9,714 |
| Debt Service Fund | - | - | - |
| Total Governmental Activities | 9,714 | - | 9,714 |
| | | | |
| Amounts not scheduled for collection during the subsequent year | \$ - | \$ - | \$ - |

D. CAPITAL ASSETS ACTIVITIES

Capital asset activity for the year ended September 30, 2022, was as follows:

| | Primary Government | | | | Ending Balance |
|--|-----------------------|---------------------|-------------|-------------|-----------------------|
| | Beginning Balance | Additions | Retirements | Transfers | |
| Governmental Activities: | | | | | |
| Land | \$ 98,724 | \$ - | \$ - | \$ - | \$ 98,724 |
| Buildings | 1,926,477 | - | - | 3,000,032 | 4,926,509 |
| Equipment | 2,143,874 | 135,685 | - | 1,267,313 | 3,546,872 |
| Construction in progress | 3,842,719 | 2,474,304 | - | (4,267,345) | 2,049,678 |
| Total at historical cost | \$ 8,011,794 | \$ 2,609,989 | \$ - | \$ - | \$ 10,621,783 |
| Less accumulated depreciation: | | | | | |
| Buildings | \$ (392,245) | \$ (95,113) | \$ - | \$ - | \$ (487,358) |
| Equipment | (1,486,520) | (320,879) | - | - | (1,807,399) |
| Total accumulated depreciation | \$ (1,878,765) | \$ (415,992) | \$ - | \$ - | \$ (2,294,757) |
| Governmental activities capital assets, net | \$ 6,133,029 | \$ 2,193,997 | \$ - | \$ - | \$ 8,327,026 |

Depreciation expense was charged to governmental activities as follows:

| | |
|-----------------------------------|-------------------|
| Governmental Activities: | |
| General and Administrative | \$ 415,992 |
| Total Depreciation Expense | \$ 415,992 |

E. LONG-TERM DEBT

Long-term debt payable at September 30, 2022 is comprised of the following:

Notes Payable:

Castroville State Bank Note: Dated August 24, 2017, to purchase a pumper truck; Interest Rate 3.25%; Matures July 31, 2022; Original Amount \$399,702; Amount Outstanding \$0.

Security State Bank Note: Dated September 9, 2019 to finance operations; Interest Rate 3.20%; Matures September 9, 2024; Original Amount \$400,000; Amount Outstanding \$167,563.

Castroville State Bank Note: Dated November 11, 2020 to finance the construction and equipping of a new Rio Medina Fire Station No.15; Interest Rate 2.75%; Matures March 1, 2036; Original Amount: \$3,290,000; Amount Funded \$2,318,158; Amount Outstanding \$2,102,168. Construction loan was not fully funded as of September 30, 2022. The additional funding occurred in subsequent years.

Broadway Bank Note: Dated December 29, 2020 to purchase a Pierce-Custom Enforcer PUC, a Skeeter Ford F550, and a Pierce-Commercial Freightliner FL 106 Tanker, FX; Interest Rate 2.125%; Matures December 29, 2025; Original Amount: \$1,024,157; Amount Outstanding: \$872,161.

| | Primary Government | | | | Amounts Due within One Year |
|------------------------|----------------------|------------|-------------|----------------|-----------------------------------|
| | Beginning Balance | Additions | Retirements | Ending Balance | |
| Notes Payable | | | | | |
| Castroville State Bank | \$ 85,707 | \$ - | \$ 85,707 | \$ - | \$ - |
| Castroville State Bank | 2,132,651 | 185,507 | 215,990 | 2,102,168 | 205,961 |
| Broadway Bank | 793,442 | 230,715 | 151,996 | 872,161 | 211,119 |
| Security State Bank | 247,498 | - | 79,935 | 167,563 | 82,488 |
| Total | \$ 3,259,298 | \$ 416,222 | \$ 533,628 | \$ 3,141,892 | \$ 499,568 |

Annual debt service requirements as of September 30, 2022 are as follows:

| Fiscal Year | Governmental Activities | | |
|-------------|-------------------------|------------|--------------|
| | Principal | Interest | Total |
| 2023 | \$ 499,568 | \$ 89,126 | \$ 588,694 |
| 2024 | 492,806 | 95,836 | 588,642 |
| 2025 | 417,632 | 83,212 | 500,844 |
| 2026 | 427,859 | 73,012 | 500,871 |
| 2027 | 208,348 | 62,586 | 270,934 |
| 2028-2032 | 1,095,679 | 223,772 | 1,319,451 |
| Total | \$ 3,141,892 | \$ 627,544 | \$ 3,769,436 |

Interest expense for the year was \$82,088.

F. DEFINED BENEFIT PENSION PLAN

The District began participation in the Texas County & District Retirement System (TCDRS) as of Feb. 1, 2022, and therefore did not have any participating employees as of the TCERS measurement date, Dec. 31, 2021. A description of the pension plan, pursuant to Paragraph 40 of GASB Statement No. 68 is as follows:

- a. The District participates in TCERS, which is a statewide agent, multiple-employer, public employee retirement system.
- b. A brief description of benefit terms:
 1. All full- and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year. Employees in temporary positions are not eligible for membership.
 2. The plan provides retirement, disability, and survivor benefits.
 3. TCERS is a savings-based plan. For the District plan, 6% of each employee's pay is deposited into his or her TCERS account. By law, employee accounts earn 7% interest per year on beginning of year balances. At retirement, the account is matched at an employer set percentage(s) (current match is 200%) and is then converted to a lifetime annuity.
 4. There are no automatic COLAs. Each year the District may elect an ad-hoc COLA for its retirees (if any). There are two COLA types, each limited by actual inflation.

5. Benefit terms are established under the TCDRS Act. They may be amended as of Jan. 1 each year but must remain in conformity with the TCDRS Act.
- c. As of the measurement date (Dec. 31, 2021), the District had no employees covered in TCDRS.
 - d. The District's contribution rate is calculated annually on an actuarial basis, although the employer may elect to contribute at a higher rate. The District's contribution rate is based on the TCDRS funding policy adopted by the TCDRS Board of Trustees and must conform with the TCDRS Act. The employee deposit rate is set by the District and was 6%. The actuarially determined employer contribution rate for 2022 was 10.81%. Contributions to the pension plan from the District were \$23,788 for the fiscal year ended September 30, 2022.
 - e. The most recent comprehensive annual financial report for TCDRS can be found at the following link, www.tcdrs.org.

G. ECONOMIC DEPENDENCY

The District has significant economic dependency upon the citizens of the District for tax revenue.

REQUIRED SUPPLEMENTARY INFORMATION

MEDINA COUNTY EMERGENCY SERVICES DISTRICT #1
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2022

| | Budgeted Amounts | | Actual Amounts (GAAP BASIS) | Variance With Final Budget Positive or (Negative) |
|---|---------------------|---------------------|-----------------------------------|--|
| | Original | Final | | |
| REVENUES: | | | | |
| Taxes: | | | | |
| Property Taxes | \$ 1,692,000 | \$ 1,692,000 | \$ 1,765,162 | \$ 73,162 |
| General Sales and Use Taxes | 1,850,000 | 1,850,000 | 2,351,493 | 501,493 |
| Intergovernmental Revenue and Grants | 110,000 | 110,000 | 138,500 | 28,500 |
| Investment Earnings | 92,000 | 92,000 | 24,368 | (67,632) |
| Contributions & Donations from Private Sources | - | - | 30,000 | 30,000 |
| Other Revenue | - | - | 1,968 | 1,968 |
| Total Revenues | <u>3,744,000</u> | <u>3,744,000</u> | <u>4,311,491</u> | <u>567,491</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General Government | 1,459,212 | 1,459,212 | 1,192,748 | 266,464 |
| Contract Providers: | | | | |
| Allegiance Mobile Health | 785,000 | 785,000 | 762,917 | 22,083 |
| Bandera County Emergency Medical Services | 34,241 | 34,241 | 40,840 | (6,599) |
| Medina Lake Volunteer Fire Department | 34,240 | 34,240 | 40,840 | (6,600) |
| Castroville Volunteer Fire Department | 56,200 | 56,200 | 44,891 | 11,309 |
| La Coste Lions Volunteer Fire Company | 30,655 | 30,655 | 24,341 | 6,314 |
| Mico Volunteer Fire Company | 40,138 | 40,138 | 20,069 | 20,069 |
| Debt Service: | | | | |
| Principal on Debt | 699,011 | 699,011 | 533,628 | 165,383 |
| Interest on Debt | 82,088 | 82,088 | 82,088 | - |
| Capital Outlay: | | | | |
| Capital Outlay | 198,000 | 2,224,566 | 2,609,989 | (385,423) |
| Total Expenditures | <u>3,418,785</u> | <u>5,445,351</u> | <u>5,352,351</u> | <u>93,000</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>325,215</u> | <u>(1,701,351)</u> | <u>(1,040,860)</u> | <u>660,491</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Noncurrent Loans | - | - | 416,222 | 416,222 |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>416,222</u> | <u>416,222</u> |
| Net Change | 325,215 | (1,701,351) | (624,638) | 1,076,713 |
| Fund Balance - October 1 (Beginning) | <u>7,977,344</u> | <u>7,977,344</u> | <u>7,977,344</u> | <u>-</u> |
| Fund Balance - September 30 (Ending) | <u>\$ 8,302,559</u> | <u>\$ 6,275,993</u> | <u>\$ 7,352,706</u> | <u>\$ 1,076,713</u> |

The notes to the financial statements are an integral part of this statement.